13TH EDITION

Moral Issues in Business

William H. Shaw
Vincent Barry

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Moral Issues in Business, Thirteenth Edition
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Readings

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 *Moral Issues in Business* enters its thirteenth 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.

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GOALS AND ORGANIZATION

The purpose of this text is fourfold: 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.

Moral Issues in Business 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.

TOOLS AND TOPICS

TOOLS

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.

In addition, the book includes supplemental readings by other authors addressing both theoretical topics and applied issues, such as drug testing, sexual harassment, animal rights, downsizing, advertising, discrimination, and more. These readings permit selected topics to be studied in more detail and expose students to alternative perspectives and analyses. In selecting and editing the readings, we have sought to provide philosophically interesting essays that will engage students and lend themselves well to class discussion.

TOPICS

Moral Issues in Business 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, as do the essays by Green (on "everybody's doing it"), Daly (on globalization), De George (on ethical dilemmas facing multinational corporations), and Fadiman (on doing business overseas). Also relevant, of course, is Schumacher's essay on Buddhist economics.

The Environment

Because of its ongoing relevance and heightened importance in today's world, an entire chapter, Chapter 7, with five case studies and supplementary essays by Peter Singer and W. Michael Hoffman, 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-one case studies—more than ever before—now supplement the main text. Four 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 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.

Of the thirty-two supplementary readings, two are brand new. In Chapter 5, "The Toxic Side Effects of Shareholder Primacy," Lynn A. Stout defends the view that managers have a responsibility to guide their companies in a way that serves the interests of a variety of stakeholders and benefits the larger society against the prevailing doctrine that the sole duty of management is to maximize shareholder wealth. In Chapter 7, "Does It Make Sense to Be a Loyal Employee?" Juan M. Elegido contends that young managers are wrong to dismiss loyalty to the company as of little or no importance. In a variety of ways, he argues, a loyal commitment to one's employer can make one's life significantly richer.

YOUR MEDIA TOOLS

The *Moral Issues in Business* **CourseMate** brings course concepts to life with interactive learning, study, and exam preparation tools. Used as a supplement to the book or as a substitute for it, **CourseMate** includes an integrated eBook as well as valuable teaching and learning aids, such as quizzes, flashcards, and videos. These tools are designed to reinforce theories and concepts and to help students to understand and better retain the book's content and to review and study for tests. **CourseMate** can be accessed by searching for this book on CengageBrain.com.

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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. No textbook can be all things to all instructors. And were it to succeed in this goal, it would lose its individual voice. Nevertheless, teachers have great flexibility in how they use *Moral Issues in Business* and in how they organize their courses because of the range of topics we have covered, because of the three types of material in the book (text, cases, and readings), and because of the amount of material we have provided.

Naturally, the book can be taught from cover to cover exactly as it is, but in a semester course this strategy will require a brisk pace. Many instructors will wish to linger on certain topics, touch briefly on others, and skip some altogether. Assigning all the cases and extra readings as well as the text of a chapter obviously provides for the greatest depth of coverage, but the text can easily be taught with only some of

the cases or readings or just by itself. The book readily permits topics to be dealt with briefly by assigning only selections from the case studies, the readings, or the text itself, instead of the chapter as a whole. Depending on the instructor's approach, it is even possible to focus the course on the case studies or on the readings, and to assign the text only as background.

The chapters are relatively self-contained, so they can be taught in various orders without loss of coherence. Instructors eager to get to the specific moral issues discussed in later chapters could skip Parts One and Two (perhaps assigning only Solomon's "It's Good Business") and begin with the topics that interest them. Other instructors may choose to start with the analysis of capitalism in Chapter 4 or with the discussion of corporate responsibility in Chapter 5, then spend the bulk of the term on the chapters devoted to particular moral topics in business, before returning to some of the issues of Part One. Still other teachers may wish to devote much of a semester to the foundational concerns of Parts One and Two and deal more briefly and selectively with later matters.

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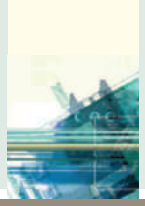
ACKNOWLEDGMENTS

We wish to acknowledge our great debt to the many people whose ideas and writings have influenced us 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 our colleagues, without our students, and without a larger philosophical community concerned with business and ethics, this book would not have been possible. We would especially like to thank the reviewers of this and earlier editions of *Moral Issues in Business* for their thoughtful criticisms and helpful suggestions: Thomas Adajian, North Carolina State University; Joseph Adamo, Cazenovia College; Lon Addams, Weber State University; Joseph Allegretti, Siena College; Dr. Nancy Almann, Tompkis Cortland Community College; Kent Anderson, Clarke University; Mark Anderson, Athens State University; Chris Boorse, University of Delaware; Sam Bruton, University of Southern Mississippi; Scott Calef, Xavier University of Louisiana; Linda Canzanella, Normandale Community College; Herbert Cassel, University of Indianapolis; Michael Clifford, Mississippi State University; Shari Collins-Chobanian, Arizona State University; John Corvino, Wayne State University; Timothy Davis, Community College of Baltimore County; Daniel Dombrowski, Seattle University; Michael Donovan, Cedar Crest College; Sandra Dreisbach, San Jose State University; Julia Driver, Brooklyn College; Kevin Dunagan, College of Dupage; Kenneth Ferguson, East Carolina University; Marilyn Fleckenstein, Niagara University; Marcy Fusilier, Northwestern State University of Louisiana; Andrew Gustafson, Creighton University; Frank Hatstat, Bellevue College; Merle Heckman, Keller Graduate School of Management; Regina Hobaugh, Holy Family University; Bernard Jackson, Regis College; David Kaiser, Hamline University; Jeff Langenderfer, Berry College; Janice Loutzenhiser, California State University, San Bernardino; Wade Maki, University of North Carolina, Greensboro; Krishna Mallick, Bentley College; Gregory Mellema, Calvin College; Bob Mellert, Brookdale Community College; Mark Michael, Austin Peay State University; Glenn Moots, Northwood University; Stephen Mumford, Gwynedd-Mercy College; Thomas O'Brochta, Loyola University of Chicago; Cynthia Orms, Georgia College and State University; K. Praveen Parboteeah, University of Wisconsin, Whitewater; Keith Price, DePaul University; Brad Reid, Lipscomb University; Carlos A. Sanchez, San Jose State University; Dennis Slivinski, California State University, Channel Islands; Nancy Snow, Marquette University; Art Stawinski, Benedictine University; James Stieb, Drexel University; Robert T. Sweet, Clark State Community College; Mojgan Taheri, California State University, Northridge; Nicholas Tirone, New England College; Danny Ursery, St. Edwards University; Thomas Wier, Hardin-Simmons University; and Myrna Wulfson, SUNY Rockland.



CHAPTER 1

THE NATURE OF MORALITY

INTRODUCTION

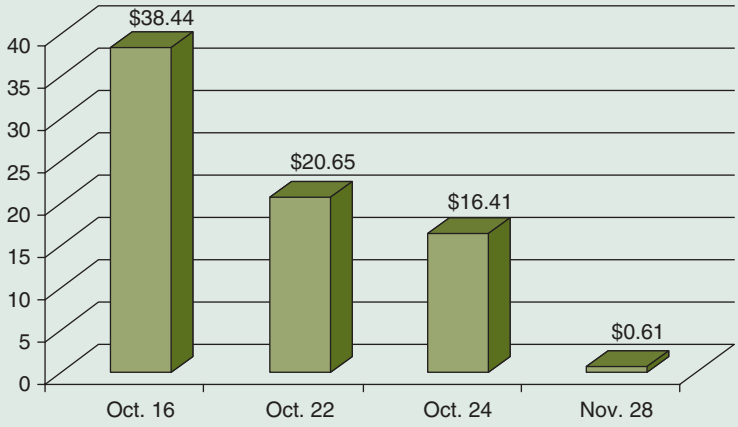
SOMETIMES THE RICH AND MIGHTY FALL. Take Kenneth Lay, for example. Convicted by a jury of conspiracy and multiple counts of fraud, he had been chairman and CEO of Enron until that once mighty company took a nose dive and crashed. Founded in the 1980s, Enron soon became a dominant player in the field 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.

THE REASON ENRON'S collapse caught investors by surprise . . . was that Enron had always made its financial records and accounts as opaque as possible.

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



The collapse of Enron's stock price in late 2001

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

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.

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.

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.

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.

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 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.

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

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.

Moral standards take priority over other standards.

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 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.

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

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

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.

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.

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.

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 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]

2. **An action that is legal can be morally wrong.** For example, 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,[6] 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

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).

*_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.

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.

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 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.

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

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.

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

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.

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RELIGION AND MORALITY

Any religion provides its believers with a world view, 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 politicians in Washington are starting to listen to.[7]

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

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.

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.

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.[8] 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.[9]

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 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

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.

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.

By divorcing business from morality, Carr misrepresents both.

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.

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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.[10]

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

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 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

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

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.

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.

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.

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 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.[11] 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.

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.

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 of yourself in certain roles and relationships. Your morality—in the sense of your ideals, values, and aspirations—involves, among other things, your understanding of human nature, tradition, and society; of one's proper relationship to the natural environment; and of an individual's place in the cosmos. Professionals in various fields, for example, will invariably be guided not just by rules but also by their understanding of what being a professional involves, and a businessperson's conception of the ideal or model relationship to have with clients will greatly influence his or her day-to-day conduct.

SUMMARY

Morality in the sense of the rules or principles that regulate one's conduct toward others can be distinguished from morality in the broader sense of the values, ideals, and aspirations that shape a person's life.

There is more to living a morally good life, of course, than being a good businessperson or being good at your job, as Aristotle (384–322 BCE) argued long ago. He underscored the necessity of our trying to achieve virtue or excellence, not just in some particular field of endeavor, but also as human beings. Aristotle thought that things have functions. The function of a piano, for instance, is to make certain sounds, and a piano that performs this function well is a good or excellent piano. Likewise, we have an idea of what it is for a person to be an excellent athlete, an excellent manager, or an excellent professor—it is to do well the types of things that athletes, managers, or professors are supposed to do.

But Aristotle also thought that, just as there is an ideal of excellence for any particular craft or occupation, similarly there must be an excellence that we can achieve simply as human beings. He believed that we can live our lives as a whole in such a way that they can be judged not just as excellent in this respect or in that occupation but as excellent, period. Aristotle thought that only when we develop our truly human capacities sufficiently to achieve this human excellence will we have lives blessed with happiness. Philosophers since Aristotle's time have been skeptical of his apparent belief that this human excellence would come in just one form, but many would underscore the importance of developing our various potential capacities and striving to achieve a kind of excellence in our lives. How we understand this excellence is a function of our values, ideals, and world view—our morality in a broad sense.

Aristotle also emphasized the importance of character and of being a person whose life displays the various virtues that human beings are capable of achieving. A virtue is a trait or settled disposition; for example, a courageous, generous, or kind person is one who habitually acts in ways that are courageous, generous, or kind. A generous person does not debate whether to act generously; for her or him acting generously is second nature. How we act, however, shapes the character we come to have; that is, we become a generous person by acting in generous ways whereas we come to be selfish or stingy by acting in stingy or selfish ways. For Aristotle, it was therefore important to model ourselves on those who are virtuous and to try to act as they act. As we shall see in the next section, though, different social environments can make it easier or harder to develop virtuous habits and to be the kind of person we want to be.

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INDIVIDUAL INTEGRITY AND RESPONSIBILITY

Previous sections discussed what it is for a person to have a moral code, as well as the sometimes conflicting pulls of moral conscience and self-interest. In addition, we have seen that people have values and ideals above and beyond their moral principles, narrowly understood, that also influence the lives they lead. And we have seen the importance of reflecting critically on both moral principles and our ideals and values as we seek to live morally good and worthwhile lives. None of us, however, lives in a vacuum, and social pressures of various sorts always affect us. Sometimes these pressures make it difficult to stick with our principles and to be the kind of person we wish to be. Corporations are a particularly relevant example of an environment that can potentially damage individual integrity and responsibility.

ORGANIZATIONAL NORMS

One of the major characteristics of an organization—indeed, of any group—is the shared acceptance of **organizational norms** and rules by its members. Acceptance can take different forms; it can be conscious or unconscious, overt or implicit, but it is almost always present, because an organization can survive only if it holds its members together. Group cohesiveness requires that individual members "commit" themselves—that is, relinquish some of their personal freedom in order to further organizational goals. One's degree of commitment—the extent to which one accepts group norms and subordinates self to organizational goals—is a measure of one's loyalty to the "team."

The corporation's overarching goal is profit. To achieve this goal, top management sets specific targets for sales, market share, return on equity, and so forth. For the most part, the norms or rules that govern corporate existence are derived from these goals. But clearly there's nothing in either the norms or the goals that necessarily encourages moral behavior; indeed, they may discourage it.

According to a recent survey by the American Management Association, pressure to meet unrealistic business objectives and deadlines is the leading cause of unethical business conduct.[12] And mounting evidence suggests that most managers experience role conflicts between what is expected of them as efficient, profit-minded members of an organization, and what is expected of them as ethical persons. In a series of in-depth interviews with recent graduates of the Harvard MBA program, researchers Joseph L. Badaracco, Jr., and Allen P. Webb found that these young managers frequently received

explicit instructions or felt strong organizational pressure to do things they believed to be sleazy, unethical, or even illegal.[13] Another survey found that a majority of managers at all levels experience "pressure from the top" to meet corporate goals and comply with corporate norms. Of the managers interviewed, 50 percent of top managers, 65 percent of middle managers, and 84 percent of lower managers agreed that they felt pressure to "compromise personal standards to achieve company goals."[14]

The young managers interviewed by Badaracco and Webb identified four powerful organizational "commandments" as responsible for the pressure they felt to compromise their integrity:

> First, performance is what really counts, so make your numbers. Second, be loyal and show us that you're a team player. Third, don't break the law. Fourth, don't overinvest in ethical behavior.[15]

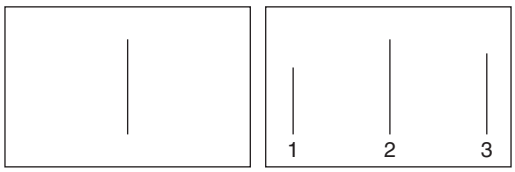
Pressure to meet corporate objectives, to be a team player, and to conform to organizational norms can sometimes lead people to act unethically.

Although most corporate goals and norms are not objectionable when viewed by themselves, they frequently put the people who must implement them into a moral pressure cooker. In addition, people can overlook the ethical implications of their decisions just because they are busy working on organizational goals and not looking at things from a broader perspective. In these ways, the need to meet corporate objectives, to be a team player, and to conform to organizational norms can sometimes lead otherwise honorable individuals to engage in unethical conduct.

CONFORMITY

It is no secret that organizations exert pressure on their members to conform to norms and goals. What may not be so widely known is how easily individuals can be induced to behave as those around them do. A dramatic example is provided in the early conformity studies by social psychologist Solomon Asch.[16]

In a classic experiment, Asch asked groups of seven to nine college students to say which of three lines on a card matched the length of a single line on another card:



Only one of the subjects in each group was "naive," or unaware of the nature of the experiment. The others were shills or stooges of the experimenter, who had instructed them to make incorrect judgments in about two-thirds of the cases and in this way to pressure the naive subjects to alter their correct judgments.

The results were revealing. When the subjects were not exposed to pressure, they invariably judged correctly, but when the stooges all gave a false answer, the subjects changed their responses to conform with the unanimous majority judgments. When one shill differed from the majority and gave the correct answer, naive subjects maintained their position three-fourths of the time. However, when the honest shill switched to the majority view in later trials, the errors made by naive subjects rose to about the same level as that of subjects who stood alone against a unanimous majority.

Why did they yield? Some respondents said they didn't want to seem different, even though they continued to believe their judgments were correct. Others said that although their perceptions seemed correct, the majority couldn't be wrong. Still other subjects didn't even seem aware that they had caved in to group pressure. Even those

who held their ground tended to be profoundly disturbed by being out of step with the majority and confessed to being sorely tempted to alter their judgments. Indeed, a subsequent study found that students who stood firm in their judgments suffered more anxiety than those who switched. One student with the strength of his correct convictions was literally dripping with perspiration by the end of the experiment.

In these experiments, which cumulatively included several hundred students, the subjects were not exposed to the authority symbols that people inside an organization face—bosses, boards of directors, professional peers—nor were they up against established policy and entrenched norms. Correct responses would not have had the serious career consequences that bucking the system can sometimes have for members of an organization: being transferred, dismissed, frozen in a position, or made an organizational pariah. And, of course, the students did not bring to these experiments the financial and personal investments that individuals bring to their jobs. Men and women within an organization are under greater pressure to conform than were the students in Asch's studies.

Groupthink

Almost all groups require some conformity from their members, but in extreme cases the demand for conformity can lead to what social psychologists call "groupthink." **Groupthink** happens when pressure for unanimity within a highly cohesive group overwhelms its members' desire or ability to appraise the situation realistically and consider alternative courses of action. The desire for the comfort and confidence that comes from mutual agreement and approval leads members of the group to close their eyes to negative information, to ignore warnings that the group may be mistaken, and to discount outside ideas that might contradict the thinking or the decisions of the group.

When under the sway of groupthink, group members may have the illusion that the group is invulnerable or that because the group is good or right, whatever it does is permissible. Individuals in the group tend to self-censor thoughts that go against the group's ideas and rationalize away conflicting evidence, and the group as a whole may implicitly or explicitly pressure potential dissenters to conform. Groupthink thus leads to irrational, sometimes disastrous decisions, and it has enormous potential for doing moral damage.

SUMMARY

Several aspects of corporate structure and function work to undermine individual moral responsibility. Organizational norms, pressure to conform (sometimes leading to groupthink), and diffusion of responsibility inside large organizations can all make the exercise of individual integrity difficult.

DIFFUSION OF RESPONSIBILITY

Pressure to conform to the group and to adhere to its norms and beliefs can lead to the surrender of individual moral autonomy. This tendency is enhanced by the fact that group actions frequently involve the participation of many people. As a result, responsibility for what an organization does can become fragmented or diffused throughout the group, with no single individual seeing himself or herself as responsible for what happens. Indeed, it may be difficult to say exactly who should be held accountable. This **diffusion of responsibility** inside an organization leads individuals to have a diluted or diminished sense of their own personal moral responsibilities. They tend to see themselves simply as small players in a process or as cogs in a machine over which they have no control and for which they are unaccountable. They rationalize to themselves contributing to actions, policies, or events that they would refuse to perform or to authorize if they thought the decision were entirely up to them. "It's not my fault," they think. "This would happen anyway, with or without me." Diffusion of responsibility encourages the moral myopia of thinking "I'm just doing my job," instead of taking a 20/20 look at the bigger picture.

Diffusion of responsibility inside an organization can weaken people's sense of moral responsibility.

This sense of diminished individual moral responsibility for an outcome that many people bring about or allow to happen is something that social psychologists began studying more closely as a result of the sad case of Kitty Genovese, a young woman who was stabbed to death in the 1960s. Although the murder was not in itself so unusual, it made headlines and editorial pages across the nation because thirty-eight of her neighbors witnessed her brutal slaying. In answer to her pitiful screams of terror at 3 A.M., they came to their windows and remained there for the thirty or more minutes it took her assailant to brutalize her. (He evidently left for a while and then returned to finish her off.) Of the thirty-eight, not one attempted to intervene in any way; no one even phoned the police.

Why didn't Kitty Genovese's neighbors help her? Most social psychologists believe that an individual's sense of personal responsibility is inversely proportional to the number of people witnessing or involved in the episode. The more people who are observing an event, the less likely is any one of them to feel obliged to do something. In emergencies, we seem naturally to let the behavior of those around us dictate our response—a phenomenon often called **bystander apathy**. But the point is more general. In any large group or organization, diffusion of responsibility for its actions can lead individuals to feel anonymous and not accountable for what happens. Submerged in the group, the individual may not even question the morality of his or her actions.[17]

Business corporations are no worse than other groups, but many of them do little to protect individual integrity and moral autonomy.

Pressure to conform to organizational norms and a diminished sense of personal responsibility for group behavior undermine individual integrity and moral autonomy. Business corporations are not necessarily worse than many other groups in this respect, but certainly the pressure in business to help the company make a profit or achieve its other goals, to do what is expected of you, and generally to be a loyal and cooperative team player can foster, or at least do nothing to inhibit, these group propensities. Beyond that, many corporations fail to institutionalize ethics. They don't articulate or communicate ethical standards to their members; they don't actively enforce them; and they retain structures and policies that thwart individual integrity. For example, when a Beech-Nut employee expressed concerns about the fact that the concentrate the company was producing for its "100% pure" apple juice contained nothing more than sugar, water, and chemicals, his annual performance review described his judgment as "colored by naïveté and impractical ideals."[18]

Employees frequently have to fight hard to maintain their moral integrity in a showdown with organizational priorities. Consider, for example, those Wall Street analysts pressured by their firms to recommend to clients stocks or bonds the analysts knew to be "junk" or "dogs."[19] More dramatically, on a June day in 2011, a US Airways captain with thirty years of experience stopped her flight from departing because she was worried that a backup power system was defective. The company pressured her to fly anyway, and when she refused to do so, security officials escorted her out of the airport and threatened to arrest her crew if they didn't cooperate. When other pilots backed her up and refused to fly the plane, US Airways finally had technicians service the plane. They confirmed that the component was faulty, and fixed it.[20]

Often, however, the problem facing people in business and other organization contexts is not that of doing what they believed to be right but rather of deciding what the right thing to do is. They can sometimes face difficult and puzzling moral questions, questions that need to be answered. How does one go about doing that? Is there some reliable procedure or method for answering moral questions? In science, the scientific method tells us what steps to take if we seek to answer a scientific question, but there is no comparable moral method for engaging ethical questions. There is, however, general agreement about what constitutes good moral reasoning.

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MORAL REASONING

It is useful to view moral reasoning at first in the context of argument. An **argument** is a group of statements, one of which (called the **conclusion**) is claimed to follow from the others (called the **premises**). Here's an example of an argument:

ARGUMENT 1

If a person is a mother, the person is a female.

Fran is a mother.

Therefore, Fran is a female.

The first two statements (the premises) of this argument happen to entail the third (the conclusion), which means that if I accept the first two as true, then I must accept the third as also true. Not to accept the conclusion while accepting the premises would result in a contradiction—holding two beliefs that cannot both be true at the same time. In other words, if I believe that all mothers are females and that Fran is a mother (the premises), then I cannot deny that Fran is a female (the conclusion) without contradicting myself. An argument like this one, whose premises logically entail its conclusion, is a **valid argument**.

An **invalid argument** is one whose premises do not entail its conclusion. In an invalid argument, I can accept the premises as true and reject the conclusion without any contradiction. Thus:

ARGUMENT 2

If a person is a mother, the person is a female.

Fran is a female.

Therefore, Fran is a mother.

The conclusion of this argument does not necessarily follow from the true premises. I can believe that every mother is a female and that Fran is a female but deny that Fran is a mother without contradicting myself.

One way to show this is by means of a **counterexample**, an example that is consistent with the premises but is inconsistent with the conclusion. Let's suppose Fran is a two-year-old, a premise that is perfectly consistent with the two stated premises. If she is, she can't possibly be a mother. Or let's suppose Fran is an adult female who happens to be childless, another premise that is perfectly consistent with the stated premises but obviously at odds with the conclusion. If an argument is valid (such as Argument 1), then no counterexamples are possible.

A valid argument can have untrue premises, as in the following:

ARGUMENT 3

If a person is a female, she must be a mother.

Fran is a female.

Therefore, Fran must be a mother.

Like Argument 1, this argument is valid. If I accept its premises as true, I must accept its conclusion as true; otherwise I will contradict myself. However, although Argument 3 is valid, it is unsound because one of its premises is false—namely, "If a person is a female,

she must be a mother." Realizing the patent absurdity of one of its premises, no sensible person would accept this argument's conclusion. But notice why the argument is unsound—not because the type of reasoning it involves is invalid but because one of the premises is false. **Sound arguments**, such as Argument 1, have true premises and valid reasoning. **Unsound arguments** have at least one false premise, as in Argument 3, or invalid reasoning, as in Argument 2, or both.

Now let's consider some **moral arguments**, which can be defined simply as arguments whose conclusions are moral judgments. Here are some examples that deal with affirmative action for women and minorities in the workplace:

ARGUMENT 4

If an action violates the law, it is morally wrong.

Affirmative action on behalf of women and minorities in personnel matters violates the law.

Therefore, affirmative action on behalf of women and minorities in personnel matters is morally wrong.

ARGUMENT 5

If an action violates the will of the majority, it is morally wrong.

Affirmative action on behalf of women and minorities in personnel matters violates the will of the majority.

Therefore, affirmative action on behalf of women and minorities in personnel matters is morally wrong.

ARGUMENT 6

If an action redresses past injuries that have disadvantaged a group, it is morally permissible.

Affirmative action on behalf of women and minorities in personnel matters redresses injuries that have disadvantaged these groups.

Therefore, affirmative action on behalf of women and minorities in personnel matters is morally permissible.

ARGUMENT 7

If an action is the only practical way to remedy a social problem, then it is morally permissible.

Affirmative action on behalf of women and minorities in personnel matters is the only practical way to remedy the social problem of unequal employment opportunity.

Therefore, affirmative action on behalf of women and minorities in personnel matters is morally permissible.

The first premise in each of these arguments is a moral standard, the second an alleged fact, and the conclusion a moral judgment. *Moral reasoning* or argument typically moves from a moral standard, through one or more factual judgments about some person, action, or policy related to that standard, to a moral judgment about that person, action, or policy. Good moral reasoning will frequently be more complicated than these examples. Often it will involve an appeal to more than one standard as well as to various appropriate factual claims, and its argumentative structure may be more elaborate. Still, these examples illustrate its most basic form.

DEFENSIBLE MORAL JUDGMENTS

Moral judgments should be supported by moral standards and relevant facts.

If a moral judgment or conclusion is defensible, then it must be supportable by a defensible moral standard, together with relevant facts. A moral standard supports a moral judgment if the standard, taken together with the relevant facts, logically entails the moral judgment and if the moral standard itself is an acceptable standard. If someone argues that affirmative action for minorities and women is right (or wrong) but cannot produce a supporting principle when asked, then the person's position is considerably weakened. And if the person does not see any need to support the judgment by appealing to a moral standard, then he or she simply does not understand how moral concepts are used or is using moral words like "right" or "wrong" differently from the way they are commonly used.

Keeping this in mind—that moral judgments must be supportable by moral standards and facts—will aid your understanding of moral discourse, which can be highly complex and sophisticated. It will also sharpen your own critical faculties and improve your moral reasoning and ability to formulate relevant moral arguments.

PATTERNS OF DEFENSE AND CHALLENGE

In assessing arguments, one must be careful to clarify the meanings of their key terms and phrases. Often premises can be understood in more than one way, and this ambiguity may lead people to accept (or reject) arguments that they shouldn't. For example, "affirmative action" seems to mean different things to different people (see Chapter 11 on job discrimination). Before we can profitably assess Arguments 4 through 7, we have to agree on how we understand "affirmative action." Similarly, Argument 5 relies on the idea of "violating the will of the majority," but this notion has to be clarified before we can evaluate either the moral principle that it is wrong to violate the will of the majority or the factual claim that affirmative action does violate the majority's will.

Assuming that the arguments are logically valid in their form (as Arguments 4 through 7 are) and that their terms have been clarified and possible ambiguities eliminated, then we must turn our attention to assessing the premises of the arguments. Should we accept or reject their premises? Remember that if an argument is valid and you accept the premises, you must accept the conclusion.

Let's look at some further aspects of this assessment process:

1. **Evaluating the factual claims.** If the parties to an ethical discussion are willing to accept the moral standard (or standards) in question, then they can concentrate on the factual claims. Thus, for example, in Argument 4 they will focus on whether affirmative action on behalf of women and minorities is in fact illegal. In Argument 7 they will need to determine whether affirmative action is really the only practical way to remedy the social problem of unequal employment opportunity. Analogous questions can be asked about the factual claims of Arguments 5 and 6. Answering them in the affirmative would require considerable supporting data.
2. **Challenging the moral standard.** Moral disagreements do not always turn on factual issues. The moral standard on which a given moral argument relies may be controversial. One party might challenge the standard, contending that it is implausible or that we should not accept it. The critic might do this in several different ways—for example, by showing that there are exceptions to the standard, that the standard leads to unacceptable consequences, or that it is inconsistent with the arguer's other moral beliefs.

SUMMARY

Moral reasoning and argument typically appeal both to moral standards and to relevant facts. Moral judgments should be entailed by the relevant moral standards and the facts, and they should not contradict our other beliefs. Both standards and facts must be assessed when moral arguments are being evaluated.

In the following dialogue, for example, Lynn is attacking Sam's advocacy of the standard "If an action redresses past injuries that have disadvantaged a group, it is morally permissible":

Lynn: What would you think of affirmative action for Jews in the workplace?

Sam: I'd be against it.

Lynn: What about Catholics?

Sam: No.

Lynn: People of Irish extraction?

Sam: They should be treated the same as anybody else.

Lynn: But each of these groups and more I could mention were victimized in the past by unfair discrimination and probably in some cases continue to be.

Sam: So?

Lynn: So the standard you're defending leads to a judgment you reject: namely, that Jews, Catholics, and Irish should be compensated by affirmative action for having been disadvantaged. How do you account for this inconsistency?

At this point, Sam, or any rational person in a similar position, has three alternatives: abandon or modify the standard, alter his moral judgment, or show how women and minorities fit the original principle even though the other groups do not.

3. **Defending the moral standard.** When the standard is criticized, then its advocate must defend it. Often this requires invoking an even more general principle. A defender of Argument 6, for example, might uphold the redress principle by appealing to some more general conception of social justice. Or defenders might try to show how the standard in question entails other moral judgments that both the critic and the defender accept, thereby enhancing the plausibility of the standard.

In the following exchange, Tina is defending the standard of Argument 5: "If an action violates the will of the majority, it is morally wrong":

Tina: Okay, do you think the government should impose a national religion on all Americans?

Jake: Of course not.

Tina: What about requiring people to register their handguns?

Jake: I'm all for it.

Tina: And using kids in pornography?

Jake: There rightly are laws against it.

Tina: But the principle you're objecting to—that an action violating the will of the majority is wrong—supports your moral stance on all these issues.

Of course, Tina's argument is by no means a conclusive defense for her moral standard. Other moral standards could just as easily entail the judgments she cites, as Jake is quick to point out:

Jake: Now wait a minute. I oppose a state religion on constitutional grounds, not because it violates majority will. As for gun control, I'm for it because I think it will reduce violent crimes. And using kids in pornography is wrong because it exploits and endangers children.

Although Tina's strategy for defending the standard about majority rule proved inconclusive, it does illustrate a common and often persuasive way of arguing for a moral principle.

4. **Revising and modifying the argument.** Arguments 4 through 7 are only illustrations, and all the moral principles they mention are very simple—too simple to accept without qualification. (The principle that it is immoral to break the law in all circumstances, for example, is implausible. Nazi Germany furnishes an obvious counterexample to it.) But once the standard has been effectively challenged, the defender of the argument, rather than abandoning the argument altogether, might try to reformulate it. For instance, the defender might replace the original, contested premise with a better and more plausible one that still supports the conclusion. For example, Premise 1 of Argument 4 might be replaced by: "If an action violates a law that is democratically decided and that is not morally unjust, then the action is immoral." Or the defender might revise the conclusion of his or her argument, perhaps by restricting its scope. A more modest, less sweeping conclusion will often be easier to defend.

   In this way, the discussion continues, the arguments on both sides of an issue improve, and we make progress in the analysis and resolution of ethical issues. In general, in philosophy we study logic and criticize arguments not to be able to score quick debating points but rather to be able to think more clearly and deeply about moral and other problems. Our goal as moral philosophers is not to "win" arguments but to arrive at the truth—or, put less grandly, to find the most reasonable answers to various ethical questions.

SUMMARY

Philosophical discussion generally involves the revision and modification of arguments; in this way progress is made in the analysis and resolution of moral and other issues.

REQUIREMENTS FOR MORAL JUDGMENTS

Moral discussion and the analysis of ethical issues can take different, often complicated, paths. Nevertheless, the preceding discussion implies that moral judgments should be (1) logical, (2) based on facts, and (3) based on sound or defensible moral principles. A moral judgment that is weak on any of these grounds is open to criticism.

Moral Judgments Should Be Logical

Our moral judgments should follow logically from their premises.

To say that moral judgments should be logical implies several things. *First*, as indicated in the discussion of moral reasoning, our moral judgments should follow logically from their premises. The connection between (1) the standard, (2) the conduct or policy, and (3) the moral judgment should be such that 1 and 2 logically entail 3. Our goal is to be able to support our moral judgments with reasons and evidence, rather than basing them solely on emotion, sentiment, or social or personal preference.

Our moral judgments should be logically compatible with our other beliefs.

Second, our moral judgments should be logically compatible with our other moral and nonmoral beliefs. We must avoid inconsistency. Almost all philosophers agree that if we make a moral judgment—for example, that it was wrong of Smith to alter the figures she gave to the outside auditors—then we must be willing to make the same judgment in any similar set of circumstances—that is, if our friend Brown, our spouse, or our father had altered the figures. In particular, we cannot make an exception for ourselves, judging something permissible for us to do while condemning others for doing the very same thing.

Moral Judgments Should Be Based on Facts

Adequate moral judgments cannot be made in a vacuum. We must gather as much relevant information as possible before making them. For example, an intelligent assessment of the morality of insider trading would require an understanding of, among other things, the different circumstances in which it can occur and the effects it has on the market and on other traders. The information supporting a moral judgment, the facts, should be relevant—that is, the information should actually relate to the judgment;

it should be complete or inclusive of all significant data; and it should, of course, be accurate or true.

Moral Judgments Should Be Based on Acceptable Moral Principles

SUMMARY

Moral judgments should be logical and based on facts and acceptable moral principles. Conformity with our considered moral beliefs is an important consideration in evaluating moral principles.

We know that moral judgments are based on moral standards. At the highest level of moral reasoning, these standards embody and express very general moral principles. Reliable moral judgments must be based on sound moral principles—principles that are unambiguous and can withstand close scrutiny and rational criticism. What, precisely, makes a moral principle sound or acceptable is one of the most difficult questions that the study of ethics raises and is beyond the scope of this book. But one criterion is worth mentioning, namely, consistency with our **considered moral beliefs**.

These beliefs contrast with our gut responses, with beliefs based on ignorance or prejudice, and with beliefs we just happen to hold without having thought them through. As philosophy professor Tom Regan explains, our considered beliefs are those moral beliefs "we hold *after* we have made a conscientious effort . . . to think about our beliefs coolly, rationally, impartially, with conceptual clarity, and with as much relevant information as we can reasonably acquire."[21] We have grounds to doubt a moral principle when it clashes with such beliefs. Conversely, conformity with our considered moral beliefs is good reason for regarding it as provisionally established.

This does not imply that conformity with our considered beliefs is the sole or even basic test of a moral principle, any more than conformity with well-established beliefs is the exclusive or even fundamental test of a scientific hypothesis. (Copernicus's heliocentric hypothesis, for example, did not conform with what passed in the medieval world as a well-considered belief, the Ptolemaic view that the earth was the center of the universe.) But conformity with our considered beliefs seemingly must play some part in evaluating the many alternative moral principles that are explored in the next chapter.

STUDY CORNER

KEY TERMS AND CONCEPTS

administrative regulations
argument
business
business ethics
businesspeople
bystander apathy
common law
conclusion
conscience
considered moral beliefs
constitutional law
counterexample
diffusion of responsibility
divine command theory
ethical relativism
ethics
etiquette
groupthink
invalid argument
moral arguments
moral standards
morality in the broad sense
morality in the narrow sense
organizational norms
paradox of hedonism
premises
professional codes of ethics
self-interest
sound arguments
statutes
unsound arguments
valid argument

POINTS TO REVIEW

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- three characteristics of moral standards (p. 5)
- four types of law (p. 6)
- what King's violation of the law shows (p. 7)
- the point of the example of not stopping to help an accident victim (pp. 7–8)
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- moral judgments as resting on moral standards and facts (p. 25)
- what it means to say moral judgments should be logical (p. 27)
- role of "considered moral beliefs" in the evaluation of moral principles (p. 28)

FOR FURTHER REFLECTION

1. To what extent do our moral ideas reflect the society around us, and to what extent are we free to think for ourselves about moral matters?
2. Describe a situation in which you felt pressured to act against your moral principles or where you felt torn between conflicting moral values, rules, or principles. What did you do?
3. How do you explain the fact that in the business world basically good people sometimes act immorally?

CASE 1.1

Made in the U.S.A.— Dumped in Brazil, Africa, Iraq . . .

WHEN IT COMES TO THE SAFETY OF YOUNG children, fire is a parent's nightmare. Just the thought of their young ones trapped in their cribs or beds by a raging nocturnal blaze is enough to make most mothers and fathers take every precaution to ensure their children's safety. Little wonder that when fire-retardant children's pajamas first hit the market, they proved an overnight success. Within a few short years more than 200 million pairs were sold, and the sales of millions more were all but guaranteed. For their manufacturers, the future could not have been brighter. Then, like a bolt from the blue, came word that the pajamas were killers. The U.S. Consumer Product Safety Commission (CPSC) moved quickly to ban their sale and recall millions of pairs. Reason: The pajamas contained the flame-retardant chemical Tris (2,3-dibromoprophyl), which had been found to cause kidney cancer in children.

Because of its toxicity, the sleepwear couldn't even be thrown away, let alone sold. Indeed, the CPSC left no doubt about how the pajamas were to be disposed of—buried or burned or used as industrial wiping cloths. Whereas just months earlier the manufacturers of the Tris-impregnated pajamas couldn't fill orders fast enough, suddenly they were worrying about how to get rid of the millions of pairs now sitting in warehouses.

Soon, however, ads began appearing in the classified pages of *Women's Wear Daily*. "Tris-Tris-Tris . . . We will buy any fabric containing Tris," read one. Another said, "Tris—we will purchase any large quantities of garments containing Tris." The ads had been placed by exporters, who began buying up the pajamas, usually at 10 to 30 percent of the normal wholesale price. Their intent was clear: to dump* the carcinogenic pajamas on overseas markets.[22]

Tris is not the only example of dumping. There were the 450,000 baby pacifiers, of the type known to have caused choking deaths, that were exported for sale overseas, and the 400 Iraqis who died and the 5,000 who were hospitalized after eating wheat and barley treated with a U.S.-banned organic mercury fungicide. Winstrol, a synthetic male hormone that had been found to stunt the growth of American children, was made available in Brazil as an appetite stimulant for children. DowElanco sold its weed killer Galant in Costa Rica, although the Environmental Protection Agency (EPA) forbade its sale to U.S. farmers because Galant may cause cancer. After the U.S. Food and Drug Administration (FDA) banned the painkiller dipyrone because it can cause a fatal blood disorder, Winthrop Products continued to sell dipyrone in Mexico City.

Manufacturers that dump products abroad clearly are motivated by profit, or at least by the hope of avoiding financial losses resulting from having to withdraw a product from the U.S. market. For government and health agencies that cooperate in the exporting of dangerous products, sometimes the motives are more complex.

For example, when researchers documented the dangers of the Dalkon Shield intrauterine device—among the adverse reactions were pelvic inflammation, blood poisoning, tubal pregnancies, and uterine perforations—its manufacturer, A. H.

* *Dumping* is a term apparently coined by *Mother Jones* magazine to refer to the practice of exporting to other countries products that have been banned or declared hazardous in the United States.

Robins Co., began losing its domestic market. As a result, the company worked out a deal with the Office of Population within the U.S. Agency for International Development (AID), whereby AID bought thousands of the devices at a reduced price for use in population-control programs in forty-two countries.

The agencies involved say their motives are humanitarian. Because the death rate in childbirth is relatively high in third-world countries, almost any birth-control device is safer than pregnancy. Analogous arguments are used to defend the export of pesticides and other products judged too dangerous for use in the United States: Foreign countries should be free to decide for themselves whether the benefits of those products are worth their risks. In line with this, some third-world government officials insist that denying their countries access to these products is tantamount to violating their countries' national sovereignty.

This reasoning has found a sympathetic ear in Washington, for it turns up in the "notification" system that regulates the export of banned or dangerous products overseas. Based on the principles of national sovereignty, self-determination, and free trade, the notification system requires that foreign governments be notified whenever a product is banned, deregulated, suspended, or canceled by a U.S. regulatory agency. The State Department, which implements the system, has a policy statement on the subject that reads in part: "No country should establish itself as the arbiter of others' health and safety standards. Individual governments are generally in the best position to establish standards of public health and safety."

Critics of the system claim that notifying foreign health officials is virtually useless. For one thing, governments in poor countries can rarely establish health standards or even control imports into their countries. Indeed, most of the third-world countries where banned or dangerous products are dumped lack regulatory agencies, adequate testing facilities, and well-staffed customs departments.

Then there's the problem of getting the word out about hazardous products. In theory, when a government agency such as the EPA or the FDA finds a product hazardous, it is supposed to inform the State Department, which is to notify health officials

Andrew McConnell/Panos

Another hazard dumped in third-world countries is what has become known as e-waste: toxic electronic products and parts.

in other nations. But agencies often fail to inform the State Department of the product they have banned or found harmful, and when it is notified, its communiqués typically go no further than U.S. embassies abroad. When foreign officials are notified by U.S. embassies, they sometimes find the communiqués vague or ambiguous or too technical to understand.

But even if communication procedures were improved or the export of dangerous products forbidden, there are ways that companies can circumvent these threats to their profits—for example, by simply changing the name of the product or by exporting the individual ingredients of a product to a plant in a foreign country. Once there, the ingredients can be reassembled and the product dumped. The United States does prohibit its pharmaceutical companies from exporting drugs banned in this country, but sidestepping the law is not difficult. "Unless the package bursts open on the dock," one drug company executive observes, "you have no chance of being caught."

Unfortunately for us, in the case of pesticides, the effects of overseas dumping are now coming home. In the United States, the EPA bans all crop uses of DDT and dieldrin, which kill fish, cause tumors in animals, and build up in the fatty tissue of humans. It also bans heptachlor, chlordane, leptophos, endrin, and many other pesticides, including 2,4,5-T (which contains the deadly poison dioxin, the active ingredient in Agent Orange, the notorious defoliant used in Vietnam) because they are dangerous to human beings. No law, however, prohibits the sale of DDT and these other U.S.-banned pesticides overseas, where thanks to corporate dumping they are routinely used in agriculture. In one three-month period, for example, U.S. chemical companies exported 3.9 million pounds of banned and withdrawn pesticides. The FDA now estimates, through spot checks, that 10 percent of our imported food is contaminated with residues of banned pesticides. And the FDA's most commonly used testing procedure does not even check for 70 percent of the pesticides known to cause cancer. With the doubling of exports of Mexican produce to the United States since the signing of the North American Free Trade Agreement (NAFTA), the problem of pesticide-laced food has only grown worse.[23]

Update

In 2013 researchers purchased 42 different types of foam furniture for children, including the popular Mickey Mouse couch, and found that all but four of them contained the toxic flame retardants that were banned years ago from children's pajamas—flame retardants that contain chemicals linked, not just to cancer, but also to diminished IQs and other problems. Although the chemical industry defends flame retardants as necessary to safeguard children, it turns out that they do not actually prevent fires. If you set a cushion on fire, it will burn right up.[24]

DISCUSSION QUESTIONS

1. Complete the following statements by filling in the blanks with either "moral" or "nonmoral" (e.g., factual, scientific, legal):
   a. Whether or not dumping should be permitted is a _____ question.
   b. "Are dangerous products of any use in the third world?" is a _____ question.
   c. "Is it proper for the U.S. government to sponsor the export of dangerous products overseas?" is a _____ question.
   d. Whether or not the notification system works as its supporters claim it works is a _____ question.
   e. "Is it legal to dump this product overseas?" is a _____ question.
2. Explain what dumping is, giving some examples. Does dumping raise any moral issues? What are they? What would an ethical relativist say about dumping?
3. Speculate on why dumpers dump. Do you think they believe that what they are doing is morally permissible? How would you look at the situation if you were one of the manufacturers of Tris-impregnated pajamas?
4. If no law is broken, is there anything wrong with dumping? If so, when is it wrong and why? Do any moral considerations support dumping products overseas when this violates U.S. law?
5. What moral difference, if any, does it make who is dumping, why they are doing it, where they are doing it, or what the product is?
6. Critically assess the present notification system. Is it the right approach, or is it fundamentally flawed?
7. Putting aside the question of legality, what moral arguments can be given *for* and *against* dumping? What is your position on dumping, and what principles and values do you base it on? Should we have laws prohibiting more types of dumping?

CASE 1.2

Just Drop off the Key, Lee

HINDSIGHT, THEY SAY, IS 20/20. So, in retrospect, it is not so surprising that the boom in real estate prices of just a few years ago was followed by a painful collapse. Encouraged by low interest rates and a willingness of banks to lend money to almost anybody, many people had jumped into the housing market, sometimes buying expensive homes with mortgages they could barely afford, based on the belief, celebrated in televisions shows like "Flip This House," that housing prices would continue to go up and up and up. But the law of gravity applies to housing prices, too, it seems. Inevitably, the housing market cooled down, and housing prices stopped rising; then they slowly reversed direction and began steadily declining. As a result, many people found themselves making mortgage payments on homes worth far less than what they had originally paid for them. Moreover, many of them had been talked into taking mortgages they didn't really understand, for example, mortgages with adjustable rates or with special "balloon" payments due after a few years, or that were too expensive for them to afford in the first place. The financial crisis of 2008 and the recession that followed only made things worse. Faced with monthly payments they could no longer sustain, these borrowers lost their homes through foreclosure. Widespread foreclosures, in turn, drove housing prices even lower, leaving more and more homeowners—by 2010 an estimated 5.4 million of them—"under water," that is, with mortgage balances at least 20 percent higher than the value of their homes.

Consider thirty-year-old software engineer, Derek Figg. He paid $340,000 for a home in the Phoenix suburbs. Two years later, its value had dropped to less than $230,000, but he still owed the bank $318,000. As a result, Figg decided to stop paying his mortgage, defaulted on his loan, and walked away from his home. Or consider Benjamin Koellmann. He paid $215,000 for an apartment in Miami Beach, which three years later was worth only $90,000. Although still paying his mortgage, he is thinking about following Figg's example.

What distinguishes Figg and Koellmann from many other homeowners whose homes are under water or who are in mortgage trouble is that both have good jobs and could afford to keep making their monthly payments—if they chose to. Moreover, they are smart guys and knew what they were doing, or thought they did, when they bought their homes. However, figuring that it would take years for their properties to regain their original value and that renting would be cheaper, they are among a growing number of homeowners who have either walked away from their mortgages or are considering it, not out of necessity, but because doing so is in their financial interest. Experts call this "strategic default." Or, in the words of an old Paul Simon song, "Just drop off the key, Lee, and get yourself free."

As any financial advisor will tell you, there are lots of good reasons not to default on a mortgage. A foreclosure ruins a consumer's credit record for seven years, and with a low credit score, one must pay a higher interest rate on auto and other loans. Moreover, some states allow lenders to seize bank deposits and other assets of people who default on mortgages. Benjamin Koellmann also worries that skipping out on his mortgage might hurt him with a future employer or diminish his chance of being admitted to graduate school. Still, there's no denying that for some borrowers simply mailing in the keys and walking away can make sense. But that leaves one question unanswered: Do they have a moral responsibility to meet their financial commitments?

The standard mortgage-loan document that a borrower signs says, "I promise to pay" the borrowed amount. A promise is a promise, many people believe; they think you should keep making your mortgage payments even if doing so is inconvenient. In fact, 81 percent of Americans agree that it is immoral not to pay your mortgage when you can. George Brenkert, professor of business ethics at Georgetown University, is one of them. He maintains that if you were not deceived by the lender about the nature of the loan, then you have a duty to keep paying. If everybody walked away from such commitments, he reasons, the result would be disastrous. As Paola Sapienza,

a finance professor at Northwestern University, points out, each strategic default emboldens others to take the same step, which he describes as a "cascade effect" with potentially damaging consequences for the whole economy. Economist David Rosenburg adds that these borrowers were not victims. They "signed contracts, and as adults should be held accountable."

Others disagree. Brent White, a law professor at the University of Arizona, says that homeowners should base the decision whether to keep paying or walk away entirely on their own interests "unclouded by unnecessary guilt or shame." They should take their lead from the lenders, who, he says, "ruthlessly seek to maximize profits or minimize loss irrespective of concerns of morality or social responsibility." People who think like Professor White also argue that the banks fueled the housing boom in the first place by loaning money, based on unrealistic appraisals of home values, to people who were unlikely to be able to keep up their payments in order to resell those loans to other investors. Others suspect a double standard. Homeowners are criticized for defaulting but businesses often declare bankruptcy even when they have money in the bank and could keep paying their bills. In fact, doing so is often thought to be a smart move because it trims their debt load and allows them to break their union contracts.

Benjamin Koellmann, for his part, remains conflicted. "People like me are beginning to feel like suckers. Why not let it go in default and rent a better place for less? . . . There is no financial sense in staying." Still, he struggles with the ethical side of the question: "I took a loan on an asset that I didn't see as overvalued," he says. "As much as I would like my bank to pay for that mistake, why should it?" John Gourson, chief executive of the Mortgage Bankers Association, concurs with this. In addition, he says, defaulting on your mortgage and letting your home go into foreclosure hurts the whole neighborhood by lowering property values. He adds: "What about the message they still send to their family and their kids and their friends?"

For his part, Derek Figg admits that defaulting was the "toughest decision I ever made." Still, he faced a "claustrophobic situation," he says, because if ever he lost or quit his job, he would have been unable to sell his house and move somewhere else. Moreover, he says, lenders "manipulated" the housing market during the boom by accepting dubious appraisals. "When I weighed everything," he says, "I was able to sleep at night."[25]

DISCUSSION QUESTIONS

1. What would you do if you were in Figg's or Koellmann's situation? What factors would you consider?
2. Do people have a moral obligation to repay money that they borrow, as Professor Brenkert thinks, or is this simply a business decision based on self-interest alone, as Professor White thinks?
3. "It is morally permissible for homeowners whose homes are under water to default on their mortgages even if they could continue to pay them." What arguments do you see in favor of this proposition? What arguments do you see against it?
4. When it comes to paying your debts, does it matter whether you borrow money from a bank or from an individual person? Explain why or why not.
5. Suppose your moral principles imply that you should keep on paying your mortgage, but financial self-interest counsels you to walk away. How are you to decide what to do?
6. Repaying a loan is a legal obligation. Is it also a moral obligation? Explain why or why not.
7. Are the banks responsible for the housing boom that enticed people to buy homes at inflated prices? If so, does this affect whether you have an obligation to repay your loan? What about Professor White's contention that the banks themselves care only about maximizing profit?

	Date								
Percentages	2005	2006	2007	2008	2009	2010	2011	2012	2013
Below 1%	X								
From 1% to 2%		X	X						
From 2% to 3%									X
From 3% to 4%				X			X	X	
From 4% to 5%					X	X			

U.S. foreclosure rates in recent years, in percentages

CASE 1.3

The A7D Affair

KERMIT VANDIVIER COULD NOT HAVE PREDICTED the impact on his life of purchase order P-237138, issued by LTV Aerospace Corporation.[26] The order was for 202 brake assemblies for a new Air Force light attack plane, the A7D, and news of the LTV contract was cause for uncorking the champagne at the B. F. Goodrich plant in Troy, Ohio, where Vandivier worked. Although the LTV order was a small one, it signaled that Goodrich was back in LTV's good graces after living under a cloud of disrepute. Ten years earlier, Goodrich had built a brake for LTV that, to put it kindly, hadn't met expectations. As a result, LTV had written off Goodrich as a reliable source of brakes.

LTV's unexpected change of heart after ten years was easily explained. Goodrich made LTV an offer it couldn't refuse—a ridiculously low bid for making the four-disk brakes. Had Goodrich taken leave of its financial senses? Hardly. Because aircraft brakes are custom-made for a particular aircraft, only the brakes' manufacturer has replacement parts. Thus, even if it took a loss on the job, Goodrich figured it could more than make up for it in the sale of replacement parts. Of course, if Goodrich bungled the job, there wouldn't be a third chance.

John Warren, a seven-year veteran and one of Goodrich's most capable engineers, was made project engineer and lost no time in working up a preliminary design for the brake. Perhaps because the design was faultless or perhaps because Warren was given to temper tantrums when criticized, co-workers accepted the engineer's plan without question. So there was no reason to suspect that young Searle Lawson, one year out of college and six months with Goodrich, would come to think Warren's design was fundamentally flawed.

Lawson was assigned by Warren to create the final production design. He had to determine the best materials for brake linings and identify any needed adjustments in the brake design. This process called for extensive testing to meet military specifications. If the brakes passed the grueling tests, they would then be flight-tested by the Air Force. Lawson lost no time in getting down to work. What he particularly wanted to learn was whether the brake could withstand the extreme internal temperatures, in excess of 1,000 degrees F, when the aircraft landed.

When the brake linings disintegrated in the first test, Lawson thought the problem might be defective parts or an unsuitable lining. But after two more consecutive failures, he decided the problem lay in the design: The four-disk design was simply too small to stop the aircraft without generating so much heat that the brake linings melted. In Lawson's view, a larger, five-disk brake was needed.

Lawson knew well the implications of his conclusion. The four-disk brake assemblies that were arriving at the plant would have to be junked, and more tests would have to be conducted. The accompanying delays would preclude on-time delivery of the production brakes to LTV.

Lawson reported his findings and recommendations to John Warren. Going to a five-disk design was impossible, Warren told him. Officials at Goodrich, he said, were already boasting to LTV about how well the tests were going. Besides, Warren was confident that the problem lay not in the four-disk design but in the brake linings themselves.

Unconvinced, Lawson went to Robert Sink, who supervised engineers on projects. Sink was in a tight spot. If he agreed with Lawson, he would be indicting his own professional judgment: He was the man who had assigned Warren to the job. What's more, he had accepted Warren's design without reservation and had assured LTV more than once that there was little left to do but ship them the brakes. To recant now would mean explaining the reversal not only to LTV but also to the Goodrich hierarchy. In the end, Sink, who was not an engineer, deferred

to the seasoned judgment of Warren and instructed Lawson to continue the tests.

His own professional judgment overridden, Lawson could do little but carry on. He built a production model of the brake with new linings and subjected it to the rigorous qualification tests. Thirteen more tests were conducted, and thirteen more failures resulted. It was at this point that data analyst and technical writer Kermit Vandivier entered the picture.

Vandivier was looking over the data of the latest A7D test when he noticed an irregularity: The instrument recording some of the stops had been deliberately miscalibrated to indicate that less pressure was required to stop the aircraft than actually was the case. Vandivier immediately showed the test logs to test lab supervisor Ralph Gretzinger. He learned from the technician who miscalibrated the instrument that Lawson had requested the miscalibration. Lawson later said he was simply following the orders of Sink and the manager of the design engineering section, who were intent on qualifying the brakes at whatever cost. For his part, Gretzinger vowed he would never permit deliberately falsified data or reports to leave his lab.

A month later, the brake was again tested, and again it failed. Nevertheless, Lawson asked Vandivier to start preparing the various graph and chart displays for qualification. Vandivier refused and told Gretzinger what he'd been asked to do. Gretzinger was livid. He again vowed that his lab would not be part of a conspiracy to defraud. Then, bent on getting to the bottom of the matter, Gretzinger rushed off to see Russell Line, manager of the Goodrich Technical Services Section.

An hour later, Gretzinger returned to his desk looking like a beaten man. He knew he had only two choices: defy his superiors or do their bidding.

"You know," he said to Vandivier, "I've been an engineer for a long time, and I've always believed that ethics and integrity were every bit as important as theorems and formulas, and never once has anything happened to change my beliefs. Now this. . . . Hell, I've got two sons I've got to put through school and I just . . ." When his voice trailed off, it was clear that he would in fact knuckle under. He and Vandivier would prepare the qualifying data; then someone "upstairs" would actually write the report. Their part, Gretzinger rationalized, wasn't really so bad. "After all," he said, "we're just drawing some curves, and what happens to them after they leave here—well, we're not responsible for that." Vandivier knew Gretzinger didn't believe what he was saying about not being responsible. Both of them knew that they were about to become principal characters in a plot to defraud.

Unwilling to play his part, Vandivier decided that he, too, would confer with Line. Line was sympathetic; he said he understood what Vandivier was going through. But in the end he said he would not refer the matter to chief engineer H. C. "Bud" Sunderman, as Vandivier had suggested. Why not? Vandivier wanted to know.

"Because it's none of my business, and it's none of yours," Line told him. "I learned a long time ago not to worry about things over which I had no control. I have no control over this."

Vandivier pressed the point. What about the test pilots who might get injured because of the faulty brakes? Didn't their uncertain fate prick Line's conscience?

"Look," said Line, growing impatient with Vandivier's moral needling, "I just told you I have no control over this thing. Why should my conscience bother me?" Then he added, "You're just getting all upset over this thing for nothing. I just do as I'm told, and I'd advise you to do the same."

Vandivier made his decision that night. He knew, of course, he was on the horns of a dilemma. If he wrote the report, he would save his job at the expense of his conscience. If he refused, he would honor his moral code and, he was convinced, lose his job—an ugly prospect for anyone, let alone a forty-two-year-old man with a wife and several children. The next day, Vandivier phoned Lawson and told him he was ready to begin on the qualification report.

Lawson shot over to Vandivier's office with all the speed of one who knows that, swallowed fast, a bitter pill doesn't taste so bad. Before they started on the report, though, Vandivier, still uneasy with his decision, asked Lawson if he fully understood what they were about to do.

"Yeah," Lawson said acidly, "we're going to screw LTV. And speaking of screwing," he continued, "I know now how a whore feels, because that's exactly what I've become, an engineering whore. I've sold myself. It's all I can do to look at myself in the mirror when I shave. I make me sick."

For someone like Vandivier, who had written dozens of them, the qualification report was a snap. It took about a month, during which time the brake failed still another final qualification test, and the two men talked almost exclusively about the enormity of what they were doing. In the Nuremberg trials they found a historical analogy to their own complicity and culpability in the A7D affair. More than once, Lawson opined that the brakes were

downright dangerous, that anything could happen during the flight tests. His opinion proved prophetic.

When the report was finished, copies were sent to the Air Force and LTV. Within a week test flights were begun at Edwards Air Force Base in California. Goodrich dispatched Lawson to Edwards as its representative, but he wasn't there long. Several "unusual incidents" brought the flight tests literally to a screeching halt. Lawson returned to the Troy plant, full of talk about several near crashes caused by brake trouble during landings. That was enough to send Vandivier to his attorney, to whom he told the whole sorry tale.

Although the attorney didn't think Vandivier was guilty of fraud, he was convinced that the analyst/writer was guilty of participating in a conspiracy to defraud. Vandivier's only hope, the attorney counseled, was to make a clean breast of the matter to the FBI. Vandivier did. At this point both he and Lawson decided to resign from Goodrich. In his letter of resignation, addressed to Russell Line, Vandivier cited the A7D report and stated: "As you are aware, this report contains numerous deliberate and willful misrepresentations which . . . expose both myself and others to criminal charges of conspiracy to defraud."

Vandivier was soon summoned to the office of Bud Sunderman, who berated him mercilessly. Among other things, Sunderman accused Vandivier of making irresponsible charges and of arch disloyalty. It would be best, said Sunderman, if Vandivier cleared out immediately. Within minutes, Vandivier had cleaned out his desk and left the plant.

Two days later Goodrich announced it was recalling the qualification report and replacing the old brake with a new five-disk brake at no cost to LTV.

Aftermath

- A year later, a congressional committee reviewed the A7D affair. Vandivier and Lawson testified as government witnesses, together with Air Force officers and a General Accounting Office team. All testified that the brake was dangerous.
- Robert Sink, representing the Troy plant, depicted Vandivier as a mere high school graduate with no technical training, who preferred to follow his own lights rather than organizational guidance. R. G. Jeter, vice president and general counsel of Goodrich, dismissed as ludicrous even the possibility that some thirty engineers at the Troy plant would stand idly by and see reports changed and falsified.
- The congressional committee adjourned after four hours with no real conclusion. The following day the Department of Defense, citing the A7D episode, made major changes in its inspection, testing, and reporting procedures.
- The A7D eventually went into service with the Goodrich-made five-disk brake.
- Searle Lawson went to work as an engineer for LTV assigned to the A7D project.
- Russell Line was promoted to production superintendent.
- Robert Sink moved up into Line's old job.
- Kermit Vandivier became a newspaper reporter for the *Daily News* in Troy, Ohio.

DISCUSSION QUESTIONS

1. Identify the main characters in this case, and explain what happened.
2. To what extent did Lawson, Vandivier, and Gretzinger consider the relevant moral issues before deciding to participate in the fraud? What was their reasoning? What would you have done if you were in their situation?
3. How did Sink and Line look at the matter? How would you evaluate their conduct?
4. Do you think Vandivier was wrong to work up the qualification report? Explain the moral principle or principles that underlie your judgment.
5. Was Vandivier right to "blow the whistle"? Was he morally required to so? Again, explain the moral principles on which your judgment is based.
6. Describe the different pressures to conform in this case and discuss the relevance of the concepts of groupthink and diffusion of responsibility. Do any of these factors excuse the conduct of particular individuals in this case? If so, who and why?
7. Should Goodrich be held morally responsible as a company for the A7D affair, or just the individuals involved?
8. What might Goodrich have done, and what steps should it take in the future, to ensure more moral behavior?

READING 1.1

It's Good Business

ROBERT C. SOLOMON

Robert C. Solomon argues for the immediate, practical relevance of ethics for our business lives. He debunks the idea that business is fundamentally amoral or immoral. Business is not a blind scramble for profits and survival but rather an established practice with firmly fixed rules and expectations, and people in business are professionals. Although unethical business, like crime, sometimes pays, there is no conflict between ethical business behavior and success. Solomon concludes with eight crucial rules for ethical thinking in business.

Why Ethics?

Seminars in business ethics . . . almost always begin with and are periodically brought back around to such practical questions as "What does this have to do with my job?" or "Will understanding ethics help me do my job better?"

Such questions deserve and demand three immediate, practical answers.

1. ***Ethical errors end careers more quickly and more definitively than any other mistake in judgment or accounting.*** To err is human, perhaps, but to be caught lying, cheating, stealing, or reneging on contracts is not easily forgotten or forgiven in the business world. And for good reason: Such actions undermine the ethical foundation on which the business world thrives. Almost everyone can have compassion for someone caught in an ethical dilemma. No one can excuse immorality.

For every glaring case of known unethical conduct that goes unpunished, a dozen once-promising careers silently hit a dead end or quietly go down the tubes. On relatively rare occasions, an unhappy executive or employee is singled out and forced to pay public penance for conduct that everyone knows—he or she and the attorney will loudly protest—"goes on all the time." But much more often, unethical behavior, though unearthed, will go unannounced; indeed, the executive or employee in question will keep his or her job and may not even find out that he or she has been found out—may never even realize the unethical nature of his or her behavior. A career will just go nowhere. Responsibilities will remain routine, promotions elusive.

What makes such career calamities so pathetic is that they are not the product of greed or immorality or wickedness. They are the result of ethical naiveté.

> They happen because an employee unthinkingly "did what he was told to do"—and became the scapegoat as well.
>
> They happen because a casual public comment was ill-considered and had clearly unethical implications—though nothing of the kind may have been intended.
>
> They happen because a middle manager, pressed from above for results, tragically believed the adolescent clichés that pervade the mid-regions of the business world, such as "In business, you do whatever you have to do to survive." (It is both revealing and instructive that although we often hear such sentiments expressed in seminars for middle managers, we virtually never hear them in similar seminars for upper-level executives.)
>
> They happen because upper management wasn't clear about standards, priorities, and limits, or wasn't reasonable in its expectations, or wasn't available for appeal at the critical moment.

> They happen because an anonymous employee or middle manager hidden in the complexity of a large organization foolishly believed that such safe anonymity would continue, whatever his or her behavior.
>
> They happen, most of all, because a person in business is typically trained and pressured to "think business," without regard for the larger context in which business decisions are made and legitimized.

Unethical thinking isn't just "bad business"; it is an invitation to disaster in business, however rarely (it might sometimes seem) unethical behavior is actually found out and punished. . . .

2. Ethics provides the broader framework within which business life must be understood. There may be a few people for whom business is all of life, for whom family and friendship are irrelevant, for whom money means only more investment potential and has nothing to do with respect or status or enjoying the good life. But most successful executives understand that *business is part of life.* Corporations are part of a society that consists of something more than a market. Executives and employees do not disappear into their jobs as if into a well, only to reappear in "real life" at the end of the business day.

Successful managers, we now all know, stay close to their subordinates—and not just as subordinates. The best corporations in their "search for excellence" begin and remain close to their customers, and not just in their narrowest role as consumers. Money may be a scorecard, a measure of status and accomplishment, but it is not the ultimate end. Business success, like happiness, often comes most readily to those who do not aim at it directly.

Executives are most effective and successful when they retain their "real life" view of themselves, their position, and the human world outside as well as inside the corporation. Business ethics, ultimately, is just business in its larger human context. . . .

3. Nothing is more dangerous to a business—or to business in general—than a tarnished public image. A few years ago, *Business and Society Review* reported the results of a Harris Poll—one among many—that showed that public confidence in the executives running major corporations had declined "drastically" . . . ; 87% of the respondents in a parallel poll agreed that most businessmen were more interested in profits than in the public interest. Whether or not such suspicions seriously affect sales, they indisputably hurt the bottom line in a dozen other ways—not least among them the pressure for government regulation. The fact is that a tarnished image has direct consequences, for sales, for profits, for morale, for the day-to-day running of the business. Distrust of an industry ("big oil," "the insurance racket") can hurt every company, and distrust of an individual company can quickly drive it to bankruptcy. . . .

The Myth of Amoral Business

Business people have not always been their own best friends. John D. Rockefeller once boasted that he was quite willing to pay a man an annual salary of a million dollars, if the man had certain qualities:

> [He] must know how to glide over every moral restraint with almost childlike disregard . . . [and have], besides other positive qualities, no scruples whatsoever, and [be] ready to kill off thousands of victims—without a murmur.
>
> ROBERT WARSHOW, *JAY GOULD* (1928)

Such talk is unusually ruthless, but it exemplifies horribly a myth that has often clouded business thinking—what University of Kansas business ethicist Richard De George calls the "myth of amoral business." According to the myth, business and ethics don't mix. People in business are concerned with profits, with producing goods and services, with buying and selling. They may not be immoral, but they are amoral—that is, not concerned with morals. Moralizing is out of place in business. Indeed, even good acts are to be praised not in moral terms but only in the cost/benefit language of "good business."

The myth of amoral business has a macho, mock-heroic corollary that makes ethical paralysis almost inevitable. It is the dog-eat-dog rhetoric of the Darwinian jungle—"survival of the fittest." In fact, almost everybody and most companies manage to survive without being the "fittest." The anxiety of switching jobs, of not getting promotions, of losing an investment, or of going bankrupt, however upsetting, is rarely a "matter of life and death." In *The Right Stuff,* Tom Wolfe sympathetically quotes the wife of one of the Air Force test pilots. She mentions a friend's complaint about her husband's dog-eat-dog existence on Madison Avenue and reflects, "What if her husband went into a meeting with a one-in-four chance of survival?"

If the myth of amoral business and its Darwinian corollary were nothing but a way of talking on the way to the office, it would not be worth attention or criticism. But the fact is that

it does enter into business thinking, and often at exactly the critical moment when an ethical decision is to be made. Worse, the amoral rhetoric of business quickly feeds public suspicion of business and easily becomes part of the condemnation of business. A handful of scandals and accidents that might otherwise be viewed as the unfortunate by-products of any enterprise become "proof" of what the businessmen themselves have been saying all along—that there is no interest in ethics in business, only the pursuit of profits. . . .

Business people who do not talk about ethics often complain a great deal about "regulation" without realizing that the two are intimately connected. Legal regulation is the natural response of both society and government to the practice of amorality, however nobly that practice is couched in the rhetoric of "free enterprise." If a business scandal or tragedy is quickly and convincingly chastised by business people, there is neither time nor pressure for regulation. But when scandal and tragedy are at the same time surrounded by ethical neglect or silence or, worse, yet another appeal to "the market" as the long-term corrective, government regulation becomes inevitable. In case anyone still wants to ask why ethics should be relevant to the bottom line, one might simply reply that regulation is the price business pays for bad ethical strategy. . . .

The Three Cs of Business Ethics

. . . Business ethics is not an attack on business but rather its first line of defense. Adam Smith knew this well enough: Business has prospered because business has dramatically improved the quality of life for all of us. Moreover, the emphasis on freedom and individuality in a business society has done more than any conceivable socialist revolution to break down traditional inequities in power and wealth, even if it inevitably creates some inequities of its own. Business ethics begins with consumer demand and productivity, with the freedom to engage in business as one wishes, and with the hope—inconceivable in most parts of the world—that one can better one's life considerably through one's own hard work and intelligence. These are the values of business ethics, and the whole point of business ethics is to define and defend the basic goals of prosperity, freedom, fairness, and individual dignity.

Many critics of business are trained in the rhetoric of ethics, but most business people are not. Those in business naturally prefer to stick with what they know and sidestep the ethical issues—which is ruinous. It is one thing to know that product Z costs $0.14 to make and retails for $1.59, that raising the price to $1.79 would increase profits and not dampen demand, that cheaper materials or foreign labor could lower the cost of manufacturing to $0.09, although sales would eventually diminish as consumer expectations went unsatisfied. But it is something more to think about the quality of product Z, the contribution it makes to American life (even if only by way of amusement or novelty). Not incidentally, these ethical virtues may be essential to the bottom line as well.

Business ethics is nothing less than the full awareness of what one is doing, its consequences and complications. Thinking about ethics in business is no more than acknowledging that one has taken these into account and is willing to be responsible for them. It is being aware of

1. the need for compliance with the rules, including the laws of the land, the principles of morality, the customs and expectations of the community, the policies of the company, and such general concerns as fairness;
2. the contributions business can make to society, through the value and quality of one's products or services, by way of the jobs one provides for workers and managers, through the prosperity and usefulness of one's activities to the surrounding community;
3. the consequences of business activity, both inside and outside the company, both intended and unintended, including the reputation of one's own company and industry. . . .

Part of the problem for business ethics is the image of business as "big" business, as a world of impersonal corporations in which the individual is submerged and ethics is inevitably sacrificed to bureaucratic objectives. To set the image straight, therefore, let us remind ourselves of a single vital statistic: Half of American business is family business; 50% of the GNP; 50% of the employees. Some of these family businesses are among the Fortune 500. Others are Mom and Pop groceries and Sally and Lou's Restaurant. But it is essential to remember that however much our focus may be on corporations and corporate life, business in America is not a monolithic, inhuman enterprise. . . . Business is ultimately about relationships between people—our compliance with the rules we all form together, our contributions to the well-being of others as well as to our own, the consequences of our activities, for good and otherwise. There is nothing amoral or unethical about it. . . .

Business Scum

The most powerful argument for ethics in business is success. Ethical businesses are successful businesses; excellence is also ethical. But ethics is no guarantee of success. To say so on our part would be—unethical. The fact is that there are, as we all know, business scum—those shifty, snatch-a-buck operations that give business a bad name. And some of them, ethics be damned, are profitable.

Brake Breakers, Inc., is a small franchise in the Midwest that specializes in brake, suspension, and wheel repairs. Company policy includes hiring men with little education and working them long hours at a single semiskilled job. Wages are accordingly minimal, and employee turnover is more often a matter of burnout than of leaving for another job. (This saves a lot on fringe benefits and pensions; no one has ever collected on them.)

Foremost among the employees' skills, however, is the delivery of a prepackaged sermon designed to convince all but the most cautious customer that the $149.25 brake-rebuilding special is far preferable to the mere replacement of the brake shoes, which is all that is usually required (and often all that is actually done).

Managers are rewarded on the basis of the success of these little speeches by their employees. Their job is first and foremost to make sure that the minimum is never enough—not hard given the level of mechanical know-how of most of the customers. But even with the $149.25 special, extra costs are almost always included, sometimes for some other (unnecessary) part but more often than not because of the "unexpected difficulty" of this particular repair. When a customer insists on the minimum repair, it is up to the manager to see to it that more absolutely necessary work is "discovered" in the middle of the job. (This is called the "step method.") Few customers are in a position to do more than complain and curse for the moment, but no one ever expects them to come back anyway.

Managers are expected to keep actual costs down. Used parts are sold in place of new parts. (Sometimes, the car's original part is cleaned or polished and simply reinstalled.) A few miles down the road, who can tell?

Within the company, employees are reminded daily, "There are fifty people waiting for your job." Everyone is hired with the promise "Within three years, you can work up to a managerial position." In fact, managers are always hired from outside—typically friends of the boss. (It is understood that they will supplement their salaries by skimming within the shop.) Managerial turnover, accordingly, is low. Brake Breakers is not the sort of company that can afford to have a disgruntled manager quit in disgust, although any charges he might bring against the company could dependably be turned against him as well.

Brake Breakers, Inc., is everyone's stereotypical image of unethical business in action. Its people sell a shoddy product to customers who don't need it, and they don't always sell what they say they are selling. Employees are treated like serfs, and accounting procedures at every level of the company are, to put it politely, suspect. The customer is virtually never satisfied, but it is the nature of the business that people who need brake repairs need them fast and do not know what has to be done or how much it should cost. They are ripe for the taking, and they are taken. The price is still low enough and the job near enough adequate that no one sues. The "lifetime guarantee" isn't worth the paper it's printed on, but it is a fact about brake jobs that there is only so much that can go wrong, and a disgruntled customer usually doesn't bother coming back anyway. It's a perfect setup. At least half of the profits, even on a modest system of objective ethical accounting, are obtained by cheating the customer and the employees.

How does Brake Breakers, Inc., stack up according to our three Cs of business ethics? Not very well:

Compliance: Minimal; just enough to avoid legal penalties and major lawsuits but far below the level of concern for ethics that we all expect of every business.

Contributions: Well, they do fix brakes, even if some of them aren't broken. But a dozen more dependable businesses—both national franchises and local service stations—would do a better job with less flimflam. To provide a service is not in itself a contribution. We also want to know if it is a service that would otherwise be performed as well and as cheaply by other firms.

Consequences: Disgruntled customers, hesitation among motorists to have their brakes checked when they ought to, occasional accidents, a notoriously bad reputation for car repair shops in general (hurting those that do good, honest work), and an exemplary case of unethical business to turn consumers and congressional investigators against business in general.

It is too often supposed that the business of business ethics is to prove to the management of such unethical enterprises as