Over the past several centuries, a number of approaches to moral decision-making have emerged. Each approach employs distinct moral concepts, and each emphasizes aspects of ethical behavior that are neglected or at least not emphasized by the others. The purpose of this chapter is to explain the most important of these approaches to making moral judgments of the kind that are made in the business world.

2.1: Approaches to Moral Decision-Making

OBJECTIVE: Examine the foundations of moral decision-making in business

Each approach to moral decision-making is based on specific concepts and weighs and employs information in its own way. We will identify the strengths and weaknesses of each approach and explain how using moral decision-making can clarify the ethical issues that confront us in business. We will begin by looking at how one company, Unocal, dealt with a series of moral decisions it had to make. As we will see, several of the approaches to ethics that we will discuss in this chapter were invoked by the various stakeholders who were swept up in Unocal's moral controversy.

2.1.1: Unocal and Burma

Toward the end of the twentieth century, governments that wanted to develop their country's oil or natural gas resources often sought out Union Oil Company of California (Unocal) to do the work and share the profits. The company had operations and expertise in all aspects of the petroleum business. According to Roger C. Beach, chief executive officer (CEO) of the company until 2002, "What every government likes about Unocal is one-stop shopping—one group able to take the whole project from development to the marketing end."[1]

In the early 1990s, the government of Burma invited Unocal to participate in a joint venture to develop a natural gas field called the Yadana gas field, located 150 feet underwater in the Andaman Sea, and about 120 miles from Burma's shores. Geologists believed the field contained more than 5 trillion cubic feet of natural gas, enough to produce natural gas continuously for about 30 years.[2] If Unocal agreed to participate in the proposed joint venture, revenues from the project would be shared among Unocal and the other members of the venture, which included a French oil company named Total, a Thai company named the PTT Exploration & Production Co. (PTTEP), and the Myanmar Oil and Gas Enterprise (MOGE), a company that was wholly owned by Burma's government. It was believed that the project would yield $200 to $400 million a year in revenues, and Unocal estimated that its share, depending on how much it invested in the project, would be between $50 and $100 million a year. Over the anticipated 30-year life of the project, revenues could total about $1.5 to $3 billion for Unocal.

To participate in the project, Unocal would have to sign an agreement that made Total, the French company, responsible for overall coordination of the project, for building the wells at the Yadana gas field site, and for extracting the gas. Unocal would construct and operate a 254-mile pipeline to carry the gas from the Yadana gas field to the border of Thailand, which had agreed to buy the project's natural gas. Most of the pipeline would lie under the ocean, but the final 39 miles would cross over southern Burma through a region inhabited by the Karen, a minority ethnic group whose relationship to the government was hostile. PTTEP, the Thai company, would build the infrastructure to distribute the gas within Thailand. MOGE, the company owned by Burma's government, would agree to "assist by providing security protection and rights of way and such easements as may be requested by" the companies with which it partnered.[3] Although its partner companies would construct the project, MOGE would use Burma's army to establish security and to ensure that land was cleared and rights of way secured for the passage of the pipeline through Burma. MOGE would also have the army build roads and other facilities along the pipeline route, such as base camps, buildings, barracks, fences, airplane landing strips, river docks, and helipads.

ASSESSING BENEFITS TO REGION AND COMPANY If the project went forward, it would provide significant benefits to Burma as well as Thailand. Burma was then, and remains today, an extremely poor country. With a population of 51 million on a landmass about the size of Texas, Burma's annual gross domestic product (GDP) was approximately $200 to $300 per person, and inflation regularly ran between 10 and 30 percent. About 23 percent of the population lives below minimum subsistence levels, and 60 percent have no access to safe water. Burma suffers a high infant mortality rate (95 deaths for every 1,000 live births) and a low life expectancy (53 years for males and 56 for females). The revenues the natural gas project would reap, therefore, could provide much-needed social benefits to the impoverished people of Burma. Although Thailand was not an impoverished country, it needed additional sources of energy to support its rapidly developing economy. Thailand expected that the natural gas from the Yadana gas field would enable it to expand its industries and would improve the lives of its citizens. It would also enable it to reduce its use of fuel oil, which, although cheap, produces large quantities of air pollutants and is a significant contributor to global warming.

The Burmese project appealed to Unocal for several reasons beyond the attractive revenue stream it promised. These reasons were as follows:

- Burma's labor force was cheap, plentiful, and relatively educated.
- Burma was rich in natural gas reserves, and it had oil and other untapped resources that presented major opportunities for future development.
- Burma occupied a strategic location that could serve as a door to markets in China, India, and other countries in Southeast Asia.
- Burma had a relatively stable political climate primarily because the Burmese government worked hard to secure law and order. However, that government and its methods of ensuring security presented a problem.

MILITARY DICTATORSHIP The Burmese government, which in effect would be one of Unocal's partners in the joint venture, was a military dictatorship accused of continuous violations of the human rights of its people. In 1988, after crushing major countrywide prodemocracy demonstrations, Burma's military seized power and installed the 19-member State Law and Order Restoration Council (SLORC) as head of the government. SLORC, which was made up of army generals, imposed martial law on the entire country. SLORC in 1992 was led by General Than Shwe, described as "a modest man with simple tastes and no signs of the cruelty and corruption endemic in his family and regime."[4] Nevertheless, he was also known as "a skilled manipulator" who was "cold and humorless" and "slow to make decisions" but "ruthless and brutal" in carrying them out. Possessing a "plump, sullen face," he was "despised and feared," yet "possessed no charisma to inspire loyalty."[5] In 1990, SLORC allowed a general election to take place, but when the regime's major opponents won the election, SLORC nullified the elections, placed opposition leader Aung San Suu Kyi under house arrest, and tortured and imprisoned her followers. The daughter of a revered hero in Burma's 1940s struggle for liberation, Aung San had a "deep respect for human rights [and] commitment to non-violence" and combined "fearlessness" and "impressive courage" with "high ideals" and "humility."[6] A journalist noted that Aung San "represents everything that [the Generals and their wives] are not—she is beautiful, intelligent, sophisticated, highly-educated and well-traveled."[7]

The ruling military junta did not just violate the political rights of its people. The U.S. State Department, in its 1991 *Country Reports on Human Rights Practices*, wrote that the SLORC army maintained law and order through "arrests, harassment, and torture of political activists . . . Torture, arbitrary detentions, and compulsory labor persisted . . . Freedom of speech, the press, assembly, and association remain practically nonexistent."[8] Many other groups accused SLORC of human rights abuses, particularly against minority groups, including the Karen, who had periodically fielded rebel groups against Burma's military regime. Amnesty International, in an August 1991 report on Burma, wrote that the ruling Burmese army

> continues to seize arbitrarily, ill-treat and extra-judicially execute members of ethnic and religious minorities in rural areas of the country. The victims . . . include people seized by the [army] and compelled to perform porterage—carrying food, ammunition and other supplies—or mine-clearing work.[9]

DECISION TO GO FORWARD DESPITE RISKS Unocal's managers were aware of the reports the U.S. State Department and other groups had published, but in order to check out the situation for themselves, they hired a consulting firm, the Control Risk Group. The Control Risk Group traveled to Burma on behalf of Unocal, interviewed a number of parties, and shortly after issued its report. The report of the consulting firm warned: "Throughout Burma the government habitually makes use of forced labor to construct roads . . . In such circumstances Unocal and its partners will have little freedom of maneuver."[10]

Despite the risks, Unocal's management decided to participate in the project. Unocal's executives felt that the benefits, both to the company as well as to the people of Burma and of Thailand, outweighed the potential costs. In December 1992, therefore, Unocal agreed to join the joint venture and paid $8.6 million to buy into the project. That investment gave Unocal a 28.3 percent stake in the project and its direct revenues, while Total held a 31.2 percent stake; Thailand's PTTEP held a 25.5 percent stake; and the Burmese government (MOGE) held a 15 percent stake.[11]

Unocal began working on the pipeline immediately. The period between 1993 and 1996 was devoted to preparing the way for the pipeline by clearing land and building roads, camps, housing, and other facilities. Actual construction of the pipeline began in 1996 and was completed in 1998. By 2000, gas was flowing through the pipeline to Thailand. During the initial years of the project, Unocal's share of gas revenues was about $75 million a year. Those revenues were projected to increase and to continue for the course of the 30-year contract. Unocal's total gain was expected to reach at least $2.2 billion dollars.

HUMAN RIGHTS IN BURMA Throughout the time of preparation and construction of the pipeline, human rights groups—including Human Rights Watch and Amnesty International—issued numerous reports claiming that the Burmese army was using forced labor and brutalizing the Karen population in order to provide security for Unocal workers and equipment. Roads, buildings, and other structures, they reported, were being built with the use of forced labor recruited from local Karen groups by the Burmese military, and hundreds of Karen were being forced to clear the way for the pipeline and to provide slave labor for the project. Moreover, they claimed, Unocal was aware of this and aware of the brutal methods the army used to provide security for Unocal workers and equipment.[12]

Unocal had, in fact, hired another consultant in 1995 to investigate whether conditions on the Yadana gas field project were as bad as the human rights groups were alleging. The consultant reported the following in a letter to Unocal officials:

> [E]gregious human rights violations . . . are occurring now, in southern Burma . . . the most common [of which] are forced relocation without compensation of families from land near/along the pipeline route; forced labor to work on infrastructure projects supporting the pipeline, . . . and imprisonment and/or execution by the army of those opposing such actions.[13]

Unocal defended its participation in the project by arguing that, together with the other companies, it had instituted a number of programs that provided significant benefits to the people around the pipeline region. In a "background" paper published on its website, Unocal summarized these benefits, including a "multimillion-dollar socioeconomic development program" that had helped "thousands of families" living within the pipeline region. Health care was "significantly improved," and new educational opportunities, new "transportation infrastructure," and countless new opportunities for small businesses were realized. As a result of these programs, Unocal stated, by 2000 infant mortality had dropped from Myanmar's average rate of 95 deaths per 1,000 live births, to 31 deaths per 1,000 live births in the pipeline region. And by 2002 the rate had fallen to only 13 deaths per 1,000 live births.[14]

Unocal's claims were verified by several groups, including the Collaborative for Development Action (CDA), an independent group headquartered in Massachusetts. After three visits to the pipeline region, the CDA reported in February 2004 that "the number of people benefitting from the Socio-Econ Program is steadily increasing."[15] Although "the program has mainly benefitted the middle class," this "middle class has grown, relatively, wealthy" and the program was refocusing on "programs for the poorer people in the corridor." The CDA noted, however, that "the educated middle-class" still wanted "freedom" and a government "based on a constitution."[16]

Unocal also pointed out that it had provided 7,551 paid jobs to Burmese workers during construction and would continue to employ about 600 Burmese workers for the life of the project. The company looked on these Burmese workers as its own employees and tried to provide them and their families with benefits that it felt it owed them as their employer. Moreover, by 2004, the project was delivering 500 to 600 million cubic feet of gas per day to Thailand, benefiting that nation's rapidly expanding economy, providing an efficient and reliable source of energy, and enabling Thailand to use cleaner-burning natural gas to fuel its electrical plants.

CRITICISMS AND CONTINUANCE Critics argued that Unocal was supporting the unjust military regime and its brutal violations of the rights of Burmese citizens. They pointed out that direct revenues from the project provided millions of dollars a year to the Burmese government, and taxes, royalties, bonuses, and other fees added substantial additional amounts. That money enabled the military to remain in power and helped to finance the regime's human rights abuses, including torture, rape, murder, and forced labor. Earth Rights International (ERI), a nongovernmental organization (NGO) comprising lawyers and other professionals who fought against human rights violations in many parts of the world, estimated that the military regime's cumulative share of revenues from the Yadana gas field project by 2009 would total about $4.6 billion. ERI claimed it had evidence proving that much of that money was going into offshore bank accounts owned by Burmese generals, while public expenditures on health and education remained the lowest in the region and poverty continued to be widespread. Therefore, Unocal was also helping the wealthy military leaders become even richer, while most Burmese citizens remained mired in poverty. The company was thereby worsening the already highly unequal and unjust distribution of wealth and power in Burma. In 2004 the U.S. State Department wrote:

> Citizens still did not have the right to criticize or change their government . . . Security forces continued to carry out extrajudicial killings. Disappearances continued, and security forces raped, tortured, beat, and otherwise abused prisoners and detainees.[17]

In 2005, Chevron Corporation purchased Unocal for $16.2 billion and assumed Unocal's stake in the Yadana gas field project. According to critics, Chevron continued Unocal's practices and policies. In a 2009 report, *Total Impact*, ERI wrote:

> [E]vidence collected through 2009 attests to the ongoing violent abuses committed by the Burma Army providing security for the companies and the project. Abuses include extrajudicial killings, torture, and other forms of ill-treatment; widespread and systematic forced labor; and violations of the rights to freedom of movement and property.

A MORAL DEBATE: RIGHTS AND JUSTICE The debate over whether Unocal should have begun and then continued its participation in the Yadana gas field project was a moral debate. The debate was not about what the law required. The requirements of the Burmese government's laws were clear and Unocal complied fully with those laws. Instead, the debate centered on whether the government itself was morally legitimate, whether its actions were morally acceptable, and whether a company should help support the government that was carrying out those actions. The arguments on both sides of these issues appealed to ethical considerations. They appealed, in fact, to four basic kinds of ethical standards:

- rights
- justice
- utilitarianism
- caring

In addition, the debate invoked the virtues and vices of various people involved in Burma's struggle for freedom.

Those who argued that it was unethical for Unocal to have invested in Burma's Yadana gas field project and unethical for it to continue to participate in the project argued that the company was actively supporting government policies that violated the rights of the Burmese people. Specifically, the company was supporting violations of the Burmese people's **right** to participate in the political life of their nation, to speak freely, to come and go as they wanted, to unionize, and to associate with one another. They argued, also, that Unocal's participation in the project was unjust because it enabled the military oppressors of Burma to enrich themselves at the expense of the majority of the Burmese people who remained impoverished. The project unjustly distributed its benefits to the military leaders who did not deserve those benefits, and it distributed its burdens on those who should not have been forced to carry those burdens.

These arguments were appeals to two distinct kinds of ethical principles:

- Judgments about **justice** are based on ethical principles that identify just and unjust ways of distributing benefits and burdens among the members of a society.
- Judgments about human **rights** are based on ethical principles that advocate respect for people's freedom and well-being.

A MORAL DEBATE: UTILITARIANISM, CARING, AND VIRTUE The arguments that Unocal managers used to defend their participation in the project also appealed to other ethical concepts. They argued that if the company stayed in Burma, the Burmese people living near the pipeline would be better off because the company would provide them with economic and social benefits that would allow them to have richer and more satisfying lives. While these advantages benefited primarily the people living near the pipeline, that was the area in which the critics alleged that most of the maltreatment was going on. On the other hand, they argued, if the company left, those Burmese citizens would be deprived of the many economic benefits the company provided, Unocal's own stockholders would be deprived of the gains the project promised, and if Unocal's exit forced the project to shut down, Thailand would be deprived of the natural gas its people needed. In these arguments, Unocal's managers were relying on an approach to ethics called *utilitarianism*, which says that we should maximize the good and minimize the bad.

In addition, Unocal's managers also argued that they took special care of their Burmese workers and that the company's special responsibility for the well-being of its workers implied that it should not abandon them. These additional considerations are closely linked to an ethic of care, which emphasizes the value of human relationships and of caring for the well-being of those who are dependent on us.

Finally, embedded in the debate were references to the moral virtues and vices of various persons involved in Burma's struggles. For example, General Than Shwe, head of SLORC, was described as being "cold," "ruthless and brutal," and a "skilled manipulator." Aung San Suu Kyi, the leader of the opposition, was described as being "fearless" and "courageous," as having "high ideals" and "humility," and as being "committed to nonviolence." The character traits attributed to these people are examples of the kind of virtues that are encouraged and the vices that are discouraged by an **ethic of virtue**.

These five kinds of approaches to moral judgments—justice, rights, utilitarianism, an ethic of care, and an ethic of virtue—are the most important types of approaches to ethics studied by moral philosophers. As the case of Unocal in Burma demonstrates, these approaches are the common and natural ways we discuss and debate the ethics of our decisions.

Quick Review 2.1
Five Questions to Moral Decisions

- Is the decision just?
- Does the decision respect people's rights?
- Does the decision maximize the good and minimize the bad?
- Does the decision express caring?
- Does the decision flow from virtue and not from vice?

2.2: Utilitarianism: Weighing Social Costs and Benefits

OBJECTIVE: Detail the concept of utilitarianism and how it is applied to business decisions

We begin our study of the various approaches to ethical decision-making by looking at the approach to which the managers of Unocal appealed: utilitarianism. **Utilitarianism**