a question is far less threatening than a declaration, and leads to discussion rather than conflict. Finally, examine your proposed balance of the financial outcomes and social outcomes of the decision or action, and alternative balances proposed by others, through the analytical methods of economic outcomes, legal requirements, and ethical duties. This approach was earlier portrayed as a graphic, which is repeated in Figure 3.1.

In Chapter 2 we looked at economic outcomes as one means of determining what is an equitable balance of a firm's financial performance and social performance in order to resolve a given moral problem and reach an acceptable moral solution. Economic outcomes are not just the financial consequences of the company's decision or action for the firm alone. Instead, they combine financial and social consequences for the members of the full society, due to the economic relationships that exist between a producing firm and individual consumers and product markets on the demand side and between the firm and individual suppliers and factor markets on the supply side. The political processes "in the middle" connect those two sides. According to economic theory, those market-based relationships should distribute the benefits and harms of the corporate decision or action throughout society in a way that reflects everyone's utility preferences for both product purchases and factor sales, while the political processes should ensure that all issues are considered and no individuals are left out. The result is greater output at lesser input for the full society—with that output distributed and that input selected by impartial market forces and supervised by participative social and political processes. The resulting condition, known as a Pareto Optimal Solution, in theory should work out to benefit all members of the society.

The conclusion of Chapter 2 was that maximizing economic outcomes for the full society, and distributing those outcomes by impartial markets and participative processes, is a legitimate way of beginning to address the moral problems of management. It is not, however, a complete and conclusive way of addressing those problems. There are underlying assumptions that (1) all of the product and factor markets are competitive, (2) all of the product customers and factor suppliers are informed, and (3) all of the external and internal costs have been included. But, we all know that there are variations in the degree of competition in most markets, variations in the extent of information among many customers and suppliers, and frequent lacks of inclusion for almost all external costs. Something more is needed to ensure that competition, to guarantee that

FIGURE 3.1 **Analytical Process for the Resolution of Moral Problems**

Understand Different Standards Personal Goals Personal Norms Personal Beliefs Personal Values Recognize Varying Impacts Benefits to Some Harms to Others Rights Exercised Rights Denied	Define Complete Moral Problem	Determine Economic Outcomes Consider Legal Requirements Evaluate Ethical Duties	Propose Convincing Moral Solution

information, and to improve that conclusion—and much of that something more can be found in the legal requirements of the law.

The analytical method of legal requirements can be summarized very simply in the proposal that everyone should always obey the law. The law in a democratic society can be said to represent the minimal moral standards of that society, and those minimal moral standards should recognize the nature and understand the worth of individual human beings. You may or may not agree with the extent of those standards, or the degree of that recognition and scope of understanding, but you cannot really fault a person who obeys the law.

You may feel that a person within an organization who faces a complex moral problem in which some people are going to be harmed and harmed badly, or have their rights eroded and eroded harshly, should go beyond the law. That person, however, may well disagree with you. He or she may say, "We plan to optimize returns for our firm and benefits for our society. If you don't like that outcome, get together with a majority of your fellow citizens and pass a new law, which more fully recognizes the nature and understands the worth of other people, and we will obey the provisions of that new law. But, until that happens please do not lecture us on the superiority of your moral standards. We see nothing wrong with what we are doing, and evidently other people don't either, for what we are doing is currently legal and approved by a majority of our citizens."

This "always obey the law as written and fully meet all legal requirements" method of moral analysis has a lengthy historical base. Thomas Hobbes (1588–1679) was the originator of the proposal that the sole moral obligation of men and women was to obey the law, or the supreme governmental authority that set the law. It is necessary to recognize that Hobbes lived during the end of the Middle Ages in England. This was a time of intellectual ferment as the feudal class structure was breaking down into a more open and equal society, but it was also an era of rebellion, conflict, and crime. Homes of the nobles had to be protected by deep moats and strong walls. Travels of the merchants had to be escorted by armed guards. Hobbes explained that this was a natural outcome of every person looking after his (at this time there was little gender equality, and consequently an added "or her" would have been considered superfluous) self-interests. This, he said, led to a presence of chaos, a lack of security, and a block to progress. There are four major points in his reasoning:

1. *Equal ability.* Men, he wrote, are equals in their strength of body and mind despite their differences in class and position. Equality of ability leads to an equality of ambition, and therefore to a constant struggle by everyone for material gain and personal safety.
2. *Continual war.* The individual struggles between equals eventually become a war, and here there is a famous quotation: "And such a war as is every man against every man." This war, he wrote, was continual like bad weather, not intermittent like a shower.
3. *Depressed economy.* This continual war where "every man is enemy to every man" resulted in a lack of security, and the lack of security led to a decline in industry, and here again there is a famous quotation: "And the life of man: solitary, poor, nasty, brutish, and short."