Decision Point *Who Is to Say What Is Right or Wrong?*

Are you an ethical relativist? Ethical relativism holds that ethical values are relative to particular people, cultures, or times. Relativism denies that there are can be any rationally justified or objective ethical judgments. When there are ethical disagreements between people or cultures, the ethical relativist concludes that there is not way to resolve that dispute and prove one side is right or more reasonable than the other.

Consider Edward Liddy's description of the AIG bonuses as "distasteful." Ordinarily, we think of matters of taste as personal, subjective things. You enjoy spicy Indian food, while I prefer simple Midwestern meat and potatoes. It is all a matter of personal taste. Liddy may have found the bonuses distasteful, but others find them well-deserved. Ethical relativists believe that ethical values are much like tastes in food; it all depends on, or it is all relative to, one's own background, culture, and personal opinions.

Do you believe that there is no way to decide what is ethically right or wrong? Imagine a teacher returns an assignment to you with a grade of "F." When you ask for an explanation, you are told that, frankly, the teacher does not believe that people "like you" (e.g., men, Christians, African Americans) are capable of doing good work in this field (e.g., science, engineering, math, finance). When you object that this is unfair and wrong, the teacher offers a relativist explanation. "Fairness is a matter of personal opinion," the professor explains. "Who determines what is fair or unfair?" you ask. Your teacher claims that his view of what is fair is as valid as any other. Because everyone is entitled to their own personal opinion, he is entitled to fail you since, in his personal opinion, you do not deserve to succeed.

- Would you accept this explanation and be content with your failing grade? If not, how would you defend your own, opposing view?
- Are there any relevant facts on which you would rely to support your claim?
- What values are involved in this dispute?
- What alternatives are available to you?
- Besides you and your teacher, are there any other stakeholders—people who are or should be involved in this situation?
- What reasons would you offer to the dean in an appeal to have the grade changed?
- What consequences would this professor's practice have on education?
- If reasoning and logical persuasion do not work, how else could this dispute be resolved?

human well-being. Thus, for example, "you should contribute to disaster relief because it will reduce human suffering" is a philosophical justification for an ethical judgment, whereas "you should contribute to disaster relief because God commands it, or because it will bring you heavenly rewards" are religious rather than philosophical justifications. (For a discussion on the application of relativism, oughts and shoulds to the particular concept of bribery, see the reading "Ethical Dimensions of Decision-Making in the Developing World: The Case of Bribery in Mauritius" by Geetanee Napal at the end of this chapter.)

Finally, ethical theories are not comprised of one single principle or framework. Ethical theories evolved over time and have been refined and developed by many different thinkers. The insights of an ethical theory prove to be lasting because they truly do pick out some important elements of human experience. To emphasize this fact, this chapter will refer to these theories more commonly as ethical "traditions."

This chapter will introduce three ethical traditions that have proven influential in the development of business ethics and that have a very practical relevance in evaluating ethical issues in contemporary business. **Utilitarianism** is an ethical tradition that directs us to decide based on overall *consequences* of our acts. **Deontological ethics** direct us to act on the basis of moral *principles* such as respecting human rights. **Virtue ethics** directs us to consider the *moral character* of individuals and how various character traits can contribute to, or obstruct, a happy and meaningful human life. The Caux Round Table (CRT) Principles for Responsible Business, included at the end of this chapter, provide an interesting blend of utilitarian, deontological, and virtue-based guidelines for business.

Utilitarianism: Making Decisions Based on Ethical Consequences

1 OBJECTIVE

The first ethical tradition that we shall examine, utilitarianism, has its roots in eighteenth and nineteenth century social and political philosophy, but its core idea is just as relevant in the twenty-first century. Utilitarianism's fundamental insight is that we should decide what to do by considering the *consequences* of our actions. In this sense, utilitarianism has been called a **consequentialist** approach to ethics and social policy: we should act in ways that produce better consequences than the alternatives we are considering. Much more needs to be said to turn this simple insight into an adequate ethical theory. The first, and most obvious, question is: What is meant by "better consequences"?

The most cogent answer to this question can be given in terms of the ethical values described in the previous chapters. "Better consequences" are those that promote human well-being: the happiness, health, dignity, integrity, freedom, respect of all the people affected. If these elements are basic human values, then an action which promotes more of them than the alternative action does is more reasonable from an ethical point of view. A decision that promotes the greatest amount of these values for the greatest number of people is the most reasonable decision from an ethical point of view.

Utilitarianism is commonly identified with the principle of "maximize the overall good" or, in a slightly different version, of producing "the greatest good for the greatest number." The ultimate ethical goal, according to utilitarians, is to produce the best consequences for all parties affected by the decisions. Decisions that accomplish this goal are the right decisions to make ethically; those that do not are ethically wrong.

The emphasis on the overall good, and upon producing the greatest good for the greatest number, make utilitarianism a social philosophy that opposes policies that aim to benefit only a small social, economic, or political minority. In this way, utilitarianism provides strong support for democratic institutions and policies. Government and all social institutions exist for the well-being of all, not to further the interests of the monarch, the nobility, or some small group of the elite. Likewise, the economy and economic institutions exist to provide the highest standard of living for the greatest number of people, not to create wealth for a few.

As another business-related example, consider the case of child labor, discussed in further detail in chapter 6. Utilitarian thinking would advise us to consider all the likely consequences of a practice of employing young children in factories. Obviously, there are some problematic consequences: children suffer physical and psychological harms, they are denied opportunities for education, their low pay is not enough to escape a life of poverty, and so forth. Many of the human values previously described are diminished by child labor. But these consequences must be compared to the consequences of alternative decisions. What are the consequences if children in poor regions are denied factory jobs? These children would still be denied opportunities for education; they are in worse poverty; and they have less money for food and family support. In many cases, the only alternatives for obtaining any income available to young children who are prohibited from joining the workforce might include crime, drugs, or prostitution. Further, we should consider not only the consequences to the children themselves, but to the entire society. Child labor can have beneficial results for bringing foreign investment and money into a poor country. In the opinion of some observers, allowing children to work for pennies a day under sweatshop conditions produces better overall consequences than the available alternatives. Thus, one might argue on utilitarian grounds that such labor practices are ethically permissible because they produce better overall consequences than the alternatives.

This example highlights several important aspects of utilitarian reasoning. Because utilitarians decide on the basis of consequences, and because the consequences of our actions will depend on the specific facts of each situation, utilitarians tend to be very pragmatic thinkers. No act is ever absolutely right or wrong in all cases in every situation; it will always depend on the consequences. For example, lying is neither right nor wrong in itself, according to utilitarians. There might be situations in which lying will produce greater overall good than telling the truth. In such a situation, it would be ethically justified to tell a lie.

Also, utilitarian reasoning usually supplies some support for competing available alternatives, e.g., ban child labor as harmful to the overall good or allow child labor as contributing to the overall good. Deciding on the ethical legitimacy of alternative decisions requires that we make judgments about the likely consequences of our actions. How do we do this? Within the utilitarian tradition, there is a strong inclination to turn to social science for help in making such predictions. After all, social science studies the causes and consequences of individual

Reality Check *Is Utilitarianism Egoistic?*

While the imperative to maximize pleasure or happiness sounds selfish and egoistic, utilitarianism differs from egoism in important ways. Egoism is also a consequentialist theory, but it focuses on the happiness of the individual. In other words, instead of determining the "greatest good for the greatest number," egoism seeks "the greatest good for me!"

Utilitarianism judges actions by their consequences for the general and overall good. Consistent with the utilitarian commitment to democratic equality, however, the general good must take into consideration the well-being of each and every individual affected by the action. In this way utilitarianism serves the ultimate goal of ethics: the impartial promotion of human well-being. It is impartial because it considers the consequences for everyone, not just for the individual. People who act in ways to maximize only their own happiness or the happiness of their company are not utilitarians, they are egoists.

and social actions. Who is better situated than a social scientist to help us predict the social consequences of our decisions? Consider the fields to which one might turn in order to determine the likely consequences of child labor. Economics, anthropology, political science, sociology, public policy, psychology, and medical and health sciences are some of the fields that could help determine the likely consequences of such practices in a particular culture.

In general, the utilitarian position is that happiness is the ultimate good, the only thing that is and can be valued for its own sake. Happiness is the best and most reasonable interpretation of human well-being. (Does it sound absurd to you to claim that unhappiness is good and happiness is bad?) The goal of ethics, both individually and as a matter of public policy, should be to maximize the overall happiness. (See Reality Check, "Is Utilitarianism Egoistic?")

Utilitarianism and Business

2 OBJECTIVE

We previously claimed that studying ethical theories had a practical relevance for business ethics. In fact, perhaps utilitarianism's greatest contribution to philosophical thought has come through its influence in economics. With roots in Adam Smith, the ethics which underlie much of twentieth century economics—essentially what we think of as the free market—is decidedly utilitarian. In this way, utilitarianism continues to have a very strong impact on business and business ethics.

Utilitarianism answers the fundamental questions of ethics—What should we do?—by reference to a rule: maximize the overall good. But another question remains to be answered: *How* do we achieve this goal? What is the best means for attaining the utilitarian goal of maximizing the overall good? Two answers prove especially relevant in business and business ethics.

3 OBJECTIVE

One movement within utilitarian thinking invokes the tradition of Adam Smith and claims that free and competitive markets are the best means for attaining utilitarian goals. This version would promote policies that deregulate private industry, protect property rights, allow for free exchanges, and encourage competition. In

Reality Check *Utilitarian Experts in Practice*

Consider how the Federal Reserve Board sets interest rates. There is an established goal, a public policy "good," that the Federal Reserve takes to be the greatest good for the country. (This goal is something like the highest sustainable rate of economic growth compatible with minimal inflation.) The Fed examines the relevant economic data and makes a judgment about the present and future state of the economy. If economic activity seems to be slowing down, the Fed might decide to lower interest rates as a means for stimulating economic growth. If the economy seems to be growing too fast and the inflation rate is increasing, they might choose to raise interest rates. Lowering or raising interest rates, in and of itself, is neither good nor bad; the rightness of the act depends on the consequences. The role of public servants is to use their expertise to judge the likely consequences and make the decision that is most likely to produce the best result.

such situations decisions of rationally self-interested individuals will result, as if lead by "an invisible hand" in Adam Smith's terms, to the maximum satisfaction of individual happiness.

In classic free market economics, economic activity aims to satisfy consumer demand. People are made happy—human welfare or well-being increases—when they get what they desire. Overall human happiness is increased therefore when the overall satisfaction of consumer demand increases. The law of supply and demand tells us that economies should, and healthy economies do, produce (supply) those goods and services that consumers most want (demand). Since scarcity and competition prevent everyone from getting all that they want, the goal of free market economics is to optimally satisfy, i.e., maximize, the satisfaction of wants (happiness). Free markets accomplish this goal most efficiently, according to defenders, by allowing individuals to decide for themselves what they most want and then bargain for these goods in a free and competitive marketplace. This process will, over time and under the right conditions, guarantee the optimal satisfaction of wants, which this tradition equates with maximizing overall happiness.

Given this utilitarian goal, current free market economics advises us that the most efficient means to attain that goal is to structure our economy according to the principles of free market capitalism. This requires that business managers, in turn, should seek to maximize profits. This idea is central to one common perspective on corporate social responsibility. By pursuing profits, business ensures that scarce resources are going to those who most value them and thereby ensures that resources will provide optimal satisfaction. Thus, competitive markets are seen as the most efficient means to the utilitarian end of maximizing happiness.

A second influential version of utilitarian policy turns to policy experts who can predict the outcome of various policies and carry out policies that will attain utilitarian ends. Because utilitarian reasoning determines what to do on the basis of consequences, reasonable judgments must take into account the likely consequences of our actions. But predicting consequences of human action can be studied and improved by careful observation. Experts in predicting such consequences, usually trained in the social sciences such as economics, political science, and public policy, are familiar with the specifics of how society works and they therefore are in a position to determine which policy will maximize the overall good. (See Reality Check, "Utilitarian Experts in Practice.")

This approach to public policy underlies one theory of the entire administrative and bureaucratic side of government and organizations. From this view, the legislative body (from Congress to local city councils) establishes the public goals that we assume will maximize overall happiness. The administrative side (presidents, governors, mayors) executes (administers) policies to fulfill these goals. The people working within the administration know how the social and political system works and use this knowledge to carry out the mandate of the legislature. The government is filled with such people, typically trained in such fields as economics, law, social science, public policy, and political science. This utilitarian approach, for example, would be sympathetic with government regulation of business on the grounds that such regulation will ensure that business activities do contribute to the overall good.

The dispute between these two versions of utilitarian policy, what we might call the "administrative" and the "market" versions of utilitarianism, characterize many disputes in business ethics. One clear example concerns regulation of unsafe or risky products. (Similar disputes involve worker health and safety, environmental protection, regulation of advertising, and almost every other example of government regulation of business.) One side argues that questions of safety and risk should be determined by experts who then establish standards that business is required to meet. Government regulators (for example, the Consumer Products Safety Commission) are then charged with enforcing safety standards in the marketplace. (See Decision Point, "Should Financial Markets Face Greater Government Regulation?")

The other side argues that the best judges of acceptable risk and safety are consumers themselves. A free and competitive consumer market will insure that people will get the level of safety that they want. Individuals calculate for themselves what risks they wish to take and what trade-offs they are willing to make in order to attain safety. Consumers willing to take risks likely will pay less for their products than consumers who demand safer and less risky products. The very basic economic concept of efficiency can be understood as a placeholder for the utilitarian goal of maximum overall happiness. Thus, market-based solutions will prove best at optimally satisfying these various and competing interests and will thereby serve the overall good.

Challenges to Utilitarian Ethics

4 OBJECTIVE

While the utilitarian tradition contributes much to responsible ethical decision making, it is not without problems. A review of some general challenges to utilitarianism can guide us in evaluating later applications of utilitarian decision making.