Business Ethics
Concepts & Cases
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Chapter Two

Ethical Principles in Business
Utilitarianism

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

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

• Critics say not all values can be measured.
  – Utilitarians respond that monetary or other commonsense measures can measure everything.

• Critics say utilitarianism fails with rights and justice.
  – Utilitarians respond that rule-utilitarianism can deal with rights and justice.
The Concept of a Right

• Right = an individual’s entitlement to something.
  – Legal right = An entitlement that derives from a legal system that permits or empowers a person to act in a specified way or that requires others to act in certain ways toward that person.
  – Moral (or human) rights = rights that all human beings everywhere possess to an equal extent simply by virtue of being human beings.

• Legal rights confer entitlements only where the particular legal system is in force.

• Moral rights confer entitlements to all persons regardless of their legal system.
Moral Rights

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

• Negative rights require others leave us alone.

• Positive rights require others help us.

• Contractual or special rights require others keep their agreements.
Contractual Rights and Duties

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

• Individuals generally must be left equally free to pursue their interests.
• Moral rights identify the specific interests individuals should be entitled to freely pursue.
• An interest is important enough to raise to be a right if:
  – we would not be willing to have everyone deprived of the freedom to pursue that interest
  – the freedom to pursue that interest is needed to live as free and rational beings.
Kant’s Categorical Imperative (First Version)

• We must act only on reasons we would be willing to have anyone in a similar situation act on.

• Requires universalizability and reversibility.

• Similar to questions:
  – “What if everyone did that?”
  – “How would you like it if someone did that to you?”
Kant’s Categorical Imperative (Second Version)

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

• Both versions of the categorical imperative are unclear.

• Rights can conflict and Kant’s theory cannot resolve such conflicts.

• Kant’s theory implies moral judgments that are mistaken.
Libertarian Philosophy

• Freedom from human constraint is necessarily good and that all constraints imposed by others are necessarily evil except when needed to prevent the imposition of greater human constraints.

• Robert Nozick’s Libertarian Philosophy:
  – the only moral right is the negative right to freedom
  – the right to freedom requires private property, freedom of contract, free markets, and the elimination of taxes to pay for social welfare programs
Types of Justice

• Distributive Justice
  – requires the just distribution of benefits and burdens.

• Retributive Justice
  – requires the just imposition of punishments and penalties.

• Compensatory Justice
  – requires just compensation for wrongs or injuries.
Principles of Distributive Justice

• Fundamental
  – distribute benefits and burdens equally to equals and unequally to unequals

• Egalitarian
  – distribute equally to everyone

• Capitalist
  – distribute according to contribution

• Socialist
  – distribute according to need and ability

• Libertarian
  – distribute by free choices

• Rawls
  – distribute by equal liberty, equal opportunity, and needs of disadvantaged.
Retributive and Compensatory Justice

• Retributive Justice = fairness when blaming or punishing persons for doing wrong.

• Compensatory Justice = fairness when restoring to a person what the person lost when he or she was wronged by someone else.
Ethic of Care

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

• An ethic of care can degenerate into favoritism.
  – Response: conflicting moral demands are an inherent characteristic of moral choices

• An ethic of care can lead to “burnout”.
  – Response: adequate understanding of ethic of care will acknowledge the need of the caregiver to care for him or herself.
Theories of Moral Virtue

• Aristotle
  – virtues are habits that enable a person to live according to reason by habitually choosing the mean between extremes in actions and emotions

• Aquinas
  – virtues are habits that enable a person to live reasonably in this world and be united with God in the next

• MacIntyre
  – virtues are dispositions that enable a person to achieve the good at which human “practices” aim

• Pincoffs
  – virtues are dispositions we use when choosing between persons or potential future selves
Objections to Virtue Theories

• It is inconsistent with psychology which showed that behavior is determined by the external situation, not moral character.
  – Response: moral character determines behavior in a person’s familiar environment.
  – Response: recent psychology shows behavior is determined by one’s moral identity which includes one’s virtues and vices.
Unconscious vs. Conscious Moral Decisions

• Unconscious Moral Decisions
  – Comprise most of our moral decisions.
  – Made by the brain’s “X-system” using stored prototypes to automatically and unconsciously identify what it perceives and what it should do.

• Conscious Moral Decisions
  – Is used in new, strange, or unusual situations for which the brain has no matching prototypes.
  – Consists of the conscious, logical but slow processes of the brain’s “C-system”.
  – Evaluates reasonableness of our intuitions, cultural beliefs, and the norms stored in our prototypes.