



The Rules of the Game. A Commentary on the Bombardier Ski-Doo Case

By/Par

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INTRODUCTION

The authors of the Bombardier Ski-doo case have portrayed an interesting example of very concrete questions concerning the social responsibility of businesses. I shall attempt to reflect on this case especially against the background of the first series of questions in the text and I take the liberty to reformulate these questions towards a more practical—and less philosophical—manner as follows: *What are possible institutional measures to reduce the hazards of the recreational activity caused by snowmobilers?*

Answers to this question depend largely on the theoretical perspective we adopt. The economic perspective I will use is highly selective. It highlights certain aspects of a complex reality and neglects others. This is the “methodological price” to be paid by every research approach since it is not the business of sciences to portray reality but to “organize blindness”, thus to develop possible constructions of realities. I emphasize this due to the fact that from my perspective there is *no one best solution* in this case in particular and in business ethics (or elsewhere) in general. Successful solutions in business ethics usually require multiple activities by different actors (such as businesses, consumers, consumer organizations, NGOs, political organizations, etc.) and a fruitful interaction between these actors towards more justice. However, the point I attempt to make in this commentary is that business ethics is not always primarily concerned with moral claims on businesses, consumers or other actors, but rather with the “rules of the game”. The institutional framework in which the actions take place are at least as important as the actions.

Two sides of the Coin of the Market System

Individual actions can lead to intended consequences, unintended consequences, or both. In market exchanges two partners negotiate a price for an exchanged good. The intention of both is to obtain an adequate price for the good, to respectively obtain an acceptable value. Based on the assumption of equal exchange partners, the realization of a contract—an

agreement shared by both partners—is a just exchange (“*iustitia commutativa*” in Aristotelian terms). These actions are intended. However, this very simple interaction leads to two kinds of *important unintended consequences* too. It creates the market system with its advantages and disadvantages.

The advantages are the result of a very efficient system which coordinates social interactions (the market), including a feedback process to the individual actions due to market prices (Adam Smith’s invisible hand) that has enabled the “wealth of (some) nations”. We can call this positive external effect. The other side of the coin, however, are negative external effects such as—in the Bombardier Ski-doo case—the free use of the resources of others (the resources of the people in the Laurentians and elsewhere), environmental damages (greenhouse gasses, the enormous use of gas, etc.), and ensuing health and safety issues, not only for the users of the Ski-doo’s, but for others as well.

Moral Business or Just Bad Performance?

How would economists respond to the serious issues in this case? First of all they would warn against ascribing the responsibility to Bombardier for two reasons: they would emphasize the positive contributions made by the company. The positive and the negative unintended consequences are grounded on the same type of interactions. Regulating the negative tends to jeopardize the positive aspects of market economies (creating jobs for the population of Quebec, offering goods at attractive prices, etc.). Moreover, economists would underline the limitations of Bombardier since they are involved in a system of competition. If Bombardier undertook more ethical measures (which entail real costs) to avoid the above-mentioned negative consequences, a competitor could take advantage of this. Sooner or later Bombardier and its Ski-doo’s would disappear from the market but the negative external effects would remain. In a more systematic manner we can say that the market cannot distinguish between the question of whether a business *can* keep pace through its performance, on the one hand, and the question of whether it does not *want* to perform any more out of moral motivation, on the other.

Change the Rules of the Game!

Instead of invoking individual businesses’ social responsibility, an economic perspective focuses on the function of the economic system and seeks out institutional solutions which may be applied to all competitors in the relevant field. The suggestion is: change the rules of the game, change the regulative framework.

The main idea behind these institutional measures is compensation for the use of private goods (by others than the owners) or the for use of public goods (all are the owners/ non-owners). Thus, we can say it concerns the internalization of negative external costs. Two important mechanisms can be distinguished here: tax and certificate solutions.

Tax solutions are inspired by Arthur C. Pigou in the 1920s and concern especially the use of public goods: The so-called “Pigou Tax” suggests taxes for the use of certain goods to

compensate for the external costs. With respect to the “unpaid” consequences of the use of snowmobiles one could, for example, think about a specific eco-tax on gas for these vehicles. In the 1980s and 1990s in Germany a specific red colored diesel was introduced to support the agricultural industry. This red diesel cost about half of the price of brown diesel. It was the same fuel, but its red color indicated its restricted use by farmers. With respect to the snowmobiles, a similar measure could be possible: supported by an adequate control system, snowmobiles could only be used with, say, white gas that costs three or four times more than ordinary gas. This institutional arrangement would lead to a reduction of the use of snowmobiles (due to negative incentives; their usage would become more expensive) and the tax revenue could be used to either compensate the local communities, undertake re-forestry activities, or do both.

The second type of institutional measures is quite similar to the eco tax idea since it also involves compensation for the use of public goods. It is suggested to hand out property rights for public goods through certificates (an idea by Ronald Coase in the 1930s). If a good is owned by somebody, so the main idea, the owner would take care of an appropriate, sustainable use of this good and (s)he would be entitled to compensation for the use of the good by others. With respect to the use of snowmobiles in Quebec it would be first of all necessary to give “wild regions” an owner, such as a community (if this is not already the case). The communities could then conceive a compensation system—a “riding pass” (per day, per week, etc.) similar to fishing permits—for the use of their land by snowmobilers. The incentives are similar to the Pigou solution: fewer snowmobile users (thus, lower negative external effects) and compensation for man and nature. Analogous to the eco tax idea, the institutional measures must be supported by adequate—but not too expensive—controls.

Further Questions

1. What are possible limitations in putting to work the suggested incentive mechanism?
2. Imagine that the Province of Quebec decides to implement one of the institutional measures suggested above but that the neighboring states in the Northern US (Vermont, New York, and Maine) and the neighboring province of Ontario to the west continue to permit the free use of snowmobiles. Would the introduction of a tax or a riding pass still be appropriate? Would it be fair for the people in these states and this province?
3. Assume further that the Province of Quebec introduced a tax for “white gas” and one liter of this gas for snowmobiles costs \$ 8. Is this a fair price for (all) snowmobilers?
4. The commentary has advocated changing the rules of the games rather than changing the actions (of businesses). Does this argument necessarily lead to the conclusion that businesses have no social responsibility?
5. Could it be an aspect of Bombardier’s social responsibility to lobby for the institutional changes mentioned in the commentary?

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