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## Introduction to Vol. 6, No. 2

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## Introduction to Vol. 6, No. 2

### Business Ethics

by

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“Business Ethics” is the topic of this issue of *Essays in Philosophy*. Some believe that business ethics is really about the law: if it is legal, it is ethical. Others think business ethics consists in empirical studies of the conditions that promote ethical behavior of employees. Another group of theorists contend that the term ‘business ethics’ is a misnomer—that it is merely a shorthand way of talking about how businesses try to persuade the government and the public that they are being “socially responsible.” Still others contend that ‘business ethics’ refers to an analysis of the roles various business “stakeholders” should play in determining business decisions. A significant group believes ‘business ethics’ really refers to something like the philosophy of business—especially as it relates to the overall body politic. There are additional approaches as well, but this recitation should be sufficient to dispel the view that ‘business ethics’ has a single, clear referent.

It should be clear that not all of the above interpretations would be recognized as being about ‘ethics’ as a normative discipline—a prescriptive study of what one *ought* to do as opposed to a descriptive analysis of what *is* done in certain contexts. Since this journal is entitled “Essays in Philosophy,” I take the position that business ethics is a normative discipline. That does not completely determine the scope of the discipline, but it does rule out a number of things that are regularly considered to be business ethics. For example, purely legal studies do not qualify, though such studies can qualify if they are framed in a specific way that I discuss below. Purely empirical approaches would usually not qualify, but empirics may be relevant to making judgments about business ethics. In general, any interpretation that does not take a normative view will likely not qualify.

Being normative is not sufficient. Clearly rationality criteria are normative. They tell us what we need to do if we wish to act rationally. Businesses utilize decision analysis to make their cost-benefit decisions every day. Most of these decisions will not pass muster as ethical decisions, though they may have ethical implications. I contend that an ethical decision is a choice of what one should do “all things considered”—in short, an unconditional decision about what an individual should do “no holds barred,” not a conditional decision about what one should do if he or she wishes to achieve certain objectives.<sup>1</sup> This means, of course, that criteria for rational choice are never completely determinative of an ethical decision, since these criteria only constrain our choices to what we should do if we want to act rationally in our own self-interest.<sup>2</sup>

Business ethics, then, is the study of normative judgments about what should be done “all things considered” in the context of a business. This last phrase—“in the context of a business”—does

raise questions, however. Should these decisions concern matters related only to a business, or are such decisions relevant to (one or more) broader, perhaps much broader, constituencies? The decisions of major corporations, hence the decisions of businesses, now suffuse all aspects of our lives and culture.<sup>3</sup> It might even be argued that any social and political philosophy, whether confined to an individual nation state or focused on the larger world community, including international development, that ignores, or pays little attention to, the role of large multinational corporations condemns itself to irrelevance.

There is one last issue we need to address. Who should be the actors in the world of business ethics? Should they be the natural persons who are the individual businesspersons or stakeholders? Should they be the businesses themselves, somehow understood as “social actors”? Ought other social groups and entities play a role as actors in business ethics decisions? Or should we look to some complex combination of several of these possibilities? This is a very difficult problem and we will not resolve it here, but we need to be cognizant of it as we look at the five papers that make up this volume.

I conclude, therefore, that business ethics is the study of the role(s) businesses should (normatively) play “all things considered” in the context of the larger society—ultimately, the world community—and the various other social and political institutions that comprise it. This, of course, can include the behavior of individual businesses and businesspersons; but it can also comprise interactions with other individuals, groups, and organizations that make up society. The key point is that the focus must always be broad enough to include the larger social and political role(s) of business.<sup>4</sup>

The papers we are publishing in this volume reflect my characterization of business ethics. First, Peter Gratton argues that Hannah Arendt’s *Eichmann in Jerusalem* is a useful vehicle in the business ethics classroom because it focuses on a man who appears to have been unable to consider his actions from an “all things considered” perspective; rather, he focused on doing what his role in the bureaucracy required. Gratton argues that the narrative of what Eichmann did is a critical object lesson for businesspersons. They will function in a bureaucracy and, if business ethics is to have any meaning, they must be able to transcend their role—to act in a way that reflects the “all things considered” perspective I contend defines ethical choice.<sup>5</sup> I believe this author reflects the dominant “moral manager” view of business ethics—that is, he seems to believe that individuals determine what major corporations do. As we will see, that view is by no means necessary; but it reflects the individualism our society seems to extol.

Susan Anderson rejects that very individualism in her paper, along with a number of other features of what she calls “Big Business.” Her rejection is tied to her belief that individualism is usually conflated with (ethical) egoism, which she rejects. She goes on to reject a number of other features of big business as it suffuses our society. In general, Professor Anderson offers an intriguing critique of the role of big business in our society. I was particularly interested in her rejection of the law as a vehicle for improving the ethics of business. Arguing that such laws are apt to be “ineffectual,” Anderson wants the progress toward more ethical behavior in business to come from inside the business community. She believes this will be driven both by big business’ desire to improve its image with the American people and to present a better face to the world community. She believes that businesses could pledge themselves to abide by ethical codes of behavior. It will probably cost money to abide by such a code, she contends, but she believes many would rather do

business with companies that strive to be ethical even if their products cost more. I am personally skeptical that this would work. Companies already have *codes of conduct*, but these are usually very rudimentary and susceptible of multiple interpretations, much like the law, only much more so. As the complexity of such codes increases, we will move closer and closer to the law itself, which Professor Anderson rejects as a means of deciding ethical issues.<sup>6</sup>

An interesting example of what happens when the law comes into play in a business ethics case is provided by Hope May and Jeffrey Wigand's article "The Right to Choose: Why Governments Should Compel the Tobacco Industry to Disclose Their Ingredients." Grounding their paper on the so-called "contract theory" of a manufacturer's duty to its customers, May and Wigand contest the legal arguments used by the First Circuit Court when it decided that forcing tobacco companies fully to disclose their ingredients would constitute an unwarranted "taking" of the companies' private property—namely, their proprietary cigarette formulas. The First Circuit found that such disclosure could lead to more efficient reverse engineering of one company's cigarettes by another and that this could lead to profound economic losses by the company whose formulas were reverse engineered. Finally, the First Circuit argued that forcing ingredient disclosure did not offer sufficient benefit to consumers to warrant risking potentially severe economic consequences for the tobacco companies. This is, of course, a legal argument on its face; but May and Wigand explain why the Court's decision violates the principle of Consumer Sovereignty and debunk the science underlying the Court's argument about economic hardship. It follows that this legal decision violates the "contract" view of a company's duties to its customers and also violates consumers' autonomy (hence, "sovereignty"). May and Wigand argue that both utilitarians and Kantians can find ethical grounds on which to question the Court's decision. So we have a court decision that fails the further test of ethics. It does not reflect what should be done "all things considered." Interestingly enough, the "actors" in this case are huge cigarette companies, the First Circuit Court, and the federal regulators who would have to require that the cigarette companies list all their ingredients.

Another paper that brings institutional actors into play in an area of business ethics is that by David Keller—"Towards an Environmental Political Economy." Professor Keller's focus is the relationship between economic policy and ecology. He argues that commonly accepted economic policy, which determines how businesses behave in our society, is oriented toward growth. Keller argues that this emphasis, tied as it is to various "false needs" of our consumer-oriented society, is ultimately unsustainable. He argues that we need, in effect, a social movement that turns our society, including our economic policy, toward a more sustainable capitalism. He believes this "sustainable economic policy" must be one that is not grounded on economic growth; rather it must be based on promoting a "steady state" in our economy. This will, of course, have a profound effect on our business, as well as our physical, environment. Keller does not indicate explicitly that his economic reforms depend on a social movement—"getting the new ethic," as it were—but that is where I believe his work takes us.

The final paper in this issue is perhaps the most radical. James Hazelton and Ken Cussen argue, in "The Amoralism of Public Corporations," that public corporations, in their current form, cannot be either ethical or unethical. These economic entities are "amoral." Hazelton and Cussen cleverly use the widely discussed notion of "corporate social responsibility" (CSR) to present their position. Distinguishing three different interpretations of CSR, the authors contend that none of the standard

interpretations of CSR applies to the position of large public corporations. Instead, they present a fourth view of CSR—that CSR is ethical but cannot be utilized because of the structure of the markets and the way the law circumscribes public corporations. This means public corporations are not “moral persons” at all—that is, they are not members of our moral community. They are amoral things. Hazelton and Cussen suggest that these entities need to be regulated to prevent social and environment damage. A prominent feature of this article is the apparent rejection of the view that public corporations are completely controlled by their managers, so that making these managers act ethically entails making the company behave in an ethical manner. Rejection of this view is not popular but I believe there is a compelling case to be made for it.<sup>7</sup> The authors also suggest using a number of alternative organizational structures to do things currently done by corporations. They do suggest that some of these structures are already being used around the world in various capacities. Although the authors argue persuasively that some of these forms are not driven solely by profits, as they argue public corporations are, I do not believe they show that these entities are members of the moral community. They simply show that one major reason to reject public corporations as moral persons probably does not apply to these structures—the prominence of the bottom line.

This volume contains articles that represent a number of different approaches to “business ethics.” As I argued in the opening paragraphs of this introduction, this subject is not easy to categorize. I am pleased with the diversity of views encompassed by these papers—and with the fact that they all represent philosophical approaches to a subject that has become less and less philosophical in recent years. In the term ‘business ethics’, ‘ethics’ is the noun. It is critical that practitioners not ignore the complexities of business and the overall environment in which business exists, but it is essential that business ethics not ignore ethics—whether approached from an individual point of view, as in the moral manager model, or from a more institutional perspective.

## Notes

1. Benjamin, Martin and Curtis: 1981, *Ethics in Nursing* (Oxford, New York).
2. Any standard text on the theory of rational choice makes this clear.
3. Schiller, H.I.: 1989, *Culture, Inc.* (New York – Oxford: Oxford University Press).
4. Notice that I have not spoken about the various approaches to normative ethics. Of course, these theories are relevant here but my concern is more “global”—to provide a general framework for discussing business ethics. Individual ethical theories have a place within that framework, but they are not of it.
5. Note that Gratton does not use the “all things considered” terminology, but I believe what he says reflects this broader viewpoint.
6. See my paper, “A Philosophical Perspective on Corporate Codes of Ethics,” presented at the 11th Annual International Conference Promoting Business Ethics (DePaul University). This paper will also appear in Moses L. Pava, editor, *Research in Ethical Issues in Organizations*, Vol. 6 (forthcoming late 2005 or early 2006).
7. My paper “How is ‘Business Ethics’ Possible?” was presented at the 10th Annual International

Conference Promoting Business Ethics (St. Johns University). It will also appear in the forthcoming Pava volume. In this paper I argue that, in their standard form, major publicly held corporations are not members of the “moral community.” I contend, further, that business ethics consists in changing the legal status of such corporations so that they are no longer “legal persons.”

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