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## Ethical Reasoning in Business

### Chapter Summary

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This chapter explores the nature of ethical reasoning in business. The practice of business gives rise to many moral issues. Moral evaluation of these issues requires more than intuition; it requires tools of evaluation. And this is just what the first part of this chapter endeavors to provide. Accordingly, the chapter begins with the question: What is ethics? What emerges early on is that ethics should not be defined as mere compliance with rules, customs, laws and etiquette; ethics goes to the heart of our daily lives and concerns nothing less than how we *should* live our lives. Some have argued that there is no one right way, that what is right is always relative to a particular context or environment. Others disagree, contending that moral rightness is much more objective, and that what is morally right cannot be decided in advance but depends instead on an evaluation of consequences. For others still, moral rightness is a matter of doing one's duty, of doing the right thing simply because it is right, regardless of consequences. Having examined these three different and competing ethical theories—more formally known as relativism, utilitarianism and deontology—and having also examined top-down and bottom-up approaches to ethics, including the approach known as reflective equilibrium, the authors move on to discuss virtue ethics. Here we find a much different approach to moral rightness. In fact, strictly speaking, on this approach—an approach dating back to antiquity and Aristotle—ethics is less about evaluating right and wrong and dealing with moral problems by applying

the correct theory or algorithm and more about character traits. Thus for Aristotle good traits are called virtues and bad ones vices, and ethics has to do with moral character. Following this the discussion turns to moral reasoning *within* business. In thinking through ways of answering the question “What should I do?” the authors devote a section to “Requisite Considerations for Justifiable Decision-Making,” suggesting that an ethical decision-making model for organizations involves a set of “systematically organized trigger questions” designed to assist the decision-maker navigate perceived moral problems. The remainder of the chapter addresses key philosophical questions faced by business: “Do businesses have social responsibilities?” and “How much information are businesses obligated to disclose in selling a product?” Milton Friedman’s now famous contention that corporations do not have social responsibilities is critically evaluated, and it is suggested that, while self interest may be what motivates market exchanges, in the final analysis the efficiency of these exchanges and the well being of the business world more generally requires ethical behavior and conduct. In short: “good ethics is good business.”

## Key Terms

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**absolutism** the view that there exists a universally correct moral position (p. 23)

**bottom-up approach to ethical reasoning** the moral judgments we make personally through moral intuitions or reactions we have to particular situations (p. 10)

**categorical imperative** an ethical principle developed by Immanuel Kant that requires, without exception, that a person “act only according to the maxim by which you can at the same time will that it should become universal law” (p. 17)

**consequentialism** a moral outlook that evaluates actions or behaviours according to the consequences of those outlooks or behaviours (p. 14)

**cultural relativism** the view that behaviours and values are relative to particular cultures; that behaviour are dependent on the accepted norms of the particular culture of society in which they take place (p. 3)

**descriptive theories of ethics** the non-judgmental empirical study of ethics in particular groups or societies (p. 7)

**ethical decision-making model** a set of systematically organized trigger questions that take into account the differing perspectives that anyone in an organization must be aware of in dealing with ethical issues (p. 28)

**ethical defeat** the admission that a person’s actions have no positive ethical justification; that a person’s actions are completely immoral (p. 10)

**ethical dilemma** a situation involving the conflict between moral imperatives where to comply with one necessitates the transgression of the other (p. 6)

**ethical egoism** identifying one’s self-interest as the reference point for the moral world and the gauge of what is morally right and morally wrong (p. 37)

**ethical reasoning** the reasoned application of ethical theory or theories (p. 3)

**ethical relativism** the view that moral values are relative to particular environments; moral behaviours are dependent on the accepted ethical norms of the particular culture, society or environment in which they take place (p. 4)

**ethics** the study of the theoretical foundations of moral principles governing individual behaviour (p. 2)

**fiduciary relationship** a legal or ethical relationship of confidence or trust between two or more parties where one person or party (the fiduciary) acts at all times in the best interests of another person or party (p. 9)

**golden rule** the maxim accepted by the vast majority, if not all, of the world's cultures and religions that states that one should treat others as one would like others to treat oneself (p. 6)

**moral blindness** failure to see that a moral issue exists at all (p. 27)

**moral negligence** failing to consider something that one should consider (p. 26)

**moral pluralism** the presence of a number of different, perhaps incompatible, moral principles; the view that there is no single moral theory or principle that should be accepted as preferable to others; different, diverse, and even mutually inconsistent ethical positions should be recognized and considered (pp. 11, 31)

**moral recklessness** failure to give adequate consideration to something; lack of attention due to haste or lack of due concern (p. 26)

**nonconsequentialism** (or **deontology**) a moral outlook that evaluates actions or behaviours according to something other than the consequences of those behaviours (p. 16)

**practical reasoning** reasoning for the purpose of action, or for doing something (p. 25)

**prescriptive theories of ethics** theories that allow for the judgment of an act as right or wrong; recommending and forbidding certain types of conduct (p. 7)

**professional ethics** the application of ethical professional practice (p. 40)

**psychological egoism** the stance that people are always motivated by self-interest and selfishness (p. 37)

**reflective equilibrium** the state of a person's beliefs when his or her moral principles and moral judgments are in harmony (p. 12)

**relativism** the view that moral virtues are relative to particular environments; moral behaviours are dependent on the particular culture, society or environment in which they take place (p. 22)

**social licence** an intangible permission endowed by a society rooted in its beliefs, customs, and practices (p. 29)

**the public trust** the reliance of the public on the integrity of the public sector or of a given profession or professional (p. 41)

**top-down approach to ethical reasoning** general or universal ethical principles (p. 9)

**utilitarianism** the contention that the greatest good comes from choosing the alternative that provides the greatest aggregate level of satisfaction (p. 6)

**utility** level of satisfaction or happiness (p. 10)

**virtue ethics** a moral outlook that bases the rightness of an action on a comparison to the response of a moral person or person with the requisite moral character (p. 19)

## Study Questions

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### Multiple Choice Questions

1. Prescriptive and descriptive ethics can easily become confused when people \_\_\_\_\_.
  - a) tell others how to live their lives
  - b) prescribe rules of etiquette
  - c) are confused about the laws of the land
  - d) believe the way things are done is the way they should be done
2. Complete ethical defeat is declared when one admits that \_\_\_\_\_.
  - a) the justification of one's actions may be mistaken
  - b) one's actions have no positive ethical justification
  - c) one has been defeated in an argument
  - d) others disagree with one's justification
3. A reflective equilibrium has been reached when \_\_\_\_\_.
  - a) moral principles and moral judgments are harmonized
  - b) a certain result has been achieved
  - c) particular judgments are brought in line with general principles
  - d) general principles are brought in line with particular judgments
4. The most well-known form of consequentialism is \_\_\_\_\_.
  - a) moral pluralism
  - b) relativism
  - c) deontology
  - d) utilitarianism

5. A nonconsequentialist moral outlook is \_\_\_\_\_.
  - a) forward looking
  - b) backwards or present looking
  - c) dependent on analyzing effects
  - d) present and forward looking
  
6. Immanuel Kant believed that \_\_\_\_\_.
  - a) we have an independent objective standard against which to measure our subjective choices
  - b) we should always treat others as means to our ends
  - c) we should follow an imposed list of duties
  - d) duty is determined by reference to consequences
  
7. According to Kant's first formulation of the categorical imperative, \_\_\_\_\_.
  - a) an action is right if it maximizes utility
  - b) an action is right if it accords with the interests of the group
  - c) an action is right if it can be universalized
  - d) an action is right if its consequences are ethical
  
8. According to the virtue ethics approach, \_\_\_\_\_.
  - a) ethics is concerned with fulfilling one's duties
  - b) ethical reasoning is about what makes actions right
  - c) ethics is focused on a person's character
  - d) ethics is focused on applying correct theory
  
9. Virtue ethics is concerned with \_\_\_\_\_.
  - a) what I should do
  - b) what kind of person I should be
  - c) whether my maxim can be universalized
  - d) whether an action maximizes utility
  
10. Moral relativism is the view that moral values are \_\_\_\_\_.
  - a) Dependent on absolute norms
  - b) Universal and absolute
  - c) Dependent on cross cultural norms
  - d) Dependent on a particular environment
  
11. Relativism stands in opposition to \_\_\_\_\_.
  - a) utilitarianism
  - b) deontology
  - c) virtue ethics
  - d) absolutism
  
12. Ethical thinking is a species of practical reasoning insofar as it is concerned with \_\_\_\_\_.
  - a) what I should do
  - b) what kind of person I should become
  - c) prudential reasoning
  - d) the pursuit of self interest

13. Business in market economies needs to be mindful of the fact that \_\_\_\_\_.
- a) a command economy is viewed as intrinsically superior
  - b) the market economy produces inequalities of wealth distribution
  - c) the market economy supports individualism
  - d) implicit in all business transactions is social license
14. Concealment in business transactions is wrong because \_\_\_\_\_.
- a) others are prevented from making an informed choice
  - b) concealment is fraud, and is therefore a crime
  - c) the seller is profiting from the transaction
  - d) it is always wrong to conceal facts
15. According to Milton Friedman, the notion of \_\_\_\_\_ in business is objectionable.
- a) fiduciary duty to stakeholders
  - b) personal integrity
  - c) social responsibility
  - d) loyalty
16. According to \_\_\_\_\_, different, diverse, and even mutually inconsistent ethical positions should be recognized.
- a) consequentialism
  - b) relativism
  - c) absolutism
  - d) moral pluralism
17. Ethical behaviour is good for the practice of business because \_\_\_\_\_.
- a) it changes our perceptions concerning what business is about
  - b) it changes our perception that business is a profession
  - c) practitioners of the practice will no longer engage in certain actions over time
  - d) all of the above
18. The Ford Pinto case illustrates \_\_\_\_\_.
- a) that ethical behaviour and self-interest usually coincide
  - b) that it is sometimes necessary to forgo self-interest
  - c) that Ford was right in allowing its production to continue
  - d) none of the above
19. According to the theory of ethical egoism, the rightness of an action is dependent on \_\_\_\_\_.
- a) individual self-interest
  - b) societal norms
  - c) individual psychology
  - d) universality
20. The problem with identifying self-interest with selfishness is that \_\_\_\_\_.
- a) selfishness is a socially disabling vice
  - b) selfishness is an undue regard for one's own self interests
  - c) selfishness can involve an inability to act in one's own self interest
  - d) all of the above

## True and False Questions

1. If something is legally right it is also ethically right.
2. According to the ethical relativist we have no right to condemn the views of others.
3. According to the bottom-up approach to moral reasoning, the first principles of moral reasoning refer to personal intuitions and judgments.
4. Most people need to take a course in moral theory to adopt a moral perspective.
5. A reflective equilibrium has been reached when one's intuitive beliefs are subsumed under universal principles.
6. Utilitarianism is concerned with maximizing the agent's own happiness.
7. Mill thought that some pleasures are qualitatively better than others.
8. Deontological ethics asks us to examine consequences when determining duties.
9. Immanuel Kant thought that a false promise cannot be universalized because it is inconsistent.
10. Immanuel Kant thought that only when acting on the basis of feelings do actions have moral worth.
11. According to Immanuel Kant using the abilities of someone to make a profit always involves treating them as a mere means to one's ends.
12. The virtue ethics approach is concerned with moral character rather than with the application of a correct theory.
13. Moral relativism stands opposed to utilitarianism.
14. Moral relativism does not stand as a barrier to a person adopting a different moral perspective.
15. Tolerating cultural differences involves a commitment to the view that there are no shared universal principles.
16. The normative fallacy involves an inference from what is the case to what ought to be the case.
17. The practice of gift-giving in business need not be justified by appeal to moral relativism.
18. The question "What kind of person should I be" is a question involving prudential reasoning.
19. Ethical decision-making models do little to remedy "moral blindness."
20. Moral pluralism is not the same thing as moral relativism.

21. On the Hobbesian view of ethics, an ethical decision and a business decision can never coincide.
22. Doing the right thing ethically does not always straightforwardly coincide with the best business decision.
23. For the ethical egoist, universality is the reference point for rightness and wrongness.
24. Professional codes of ethics typically have a deontological tone.
25. Confidentiality in business is an absolute principle that should never be compromised.

### Short Answer Questions

1. What is the difference between prescriptive and descriptive ethics, and what is the problem with confusing them?
2. The approach to moral reasoning known as reflective equilibrium differs from a bottom-up and top-down approach to moral reasoning in that it is not merely result-based. What does this mean and what is the attractiveness of reflective equilibrium as an approach to ethical reasoning?
3. What are the basic tenets of utilitarianism? What problem did Mill have with Bentham's formulation of the theory? What do you see as the main problem with the theory?
4. What according to Immanuel Kant is wrong with making a false promise? In which sense can it be said that his approach to ethical reasoning is duty-based?
5. Explain the theory of ethical relativism. What do you see as one major problem with the theory?

### Essay Questions

1. It is often said that "good ethics is good business." Critically evaluate this claim, outlining in particular why it should not be interpreted to support ethical egoism or self interest in business.
2. If you were doing business in a country where the practice of bribery was a norm do you think it would be morally right to partake in the practice? Discuss with reference to the ethical theories that pertain to this example.
3. Milton Friedman contends that businesses do not have social responsibilities. What is his argument in support of this position? What are arguments against his position? Which position do you think is correct?

## Answers to Study Questions

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### Multiple Choice Questions

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|---------------------|----------------------|----------------------|
| 1. <b>d</b> (p. 7)  | 8. <b>c</b> (p. 19)  | 15. <b>c</b> (p. 30) |
| 2. <b>b</b> (p. 10) | 9. <b>b</b> (p. 20)  | 16. <b>d</b> (p. 31) |
| 3. <b>a</b> (p. 12) | 10. <b>d</b> (p. 22) | 17. <b>d</b> (p. 32) |
| 4. <b>d</b> (p. 14) | 11. <b>d</b> (p. 23) | 18. <b>b</b> (p. 36) |
| 5. <b>b</b> (p. 16) | 12. <b>b</b> (p. 25) | 19. <b>a</b> (p. 37) |
| 6. <b>a</b> (p. 17) | 13. <b>d</b> (p. 29) | 20. <b>d</b> (p. 39) |
| 7. <b>c</b> (p. 17) | 14. <b>a</b> (p. 30) |                      |

### True or False Questions

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|---------------------|----------------------|----------------------|
| 1. <b>F</b> (p. 2)  | 10. <b>F</b> (p. 17) | 19. <b>T</b> (p. 27) |
| 2. <b>T</b> (p. 4)  | 11. <b>F</b> (p. 17) | 20. <b>T</b> (p. 32) |
| 3. <b>T</b> (p. 10) | 12. <b>T</b> (p. 19) | 21. <b>F</b> (p. 32) |
| 4. <b>F</b> (p. 8)  | 13. <b>F</b> (p. 22) | 22. <b>T</b> (p. 33) |
| 5. <b>F</b> (p. 12) | 14. <b>T</b> (p. 23) | 23. <b>F</b> (p. 37) |
| 6. <b>F</b> (p. 15) | 15. <b>F</b> (p. 23) | 24. <b>T</b> (p. 42) |
| 7. <b>T</b> (p. 15) | 16. <b>T</b> (p. 23) | 25. <b>F</b> (p. 43) |
| 8. <b>F</b> (p. 16) | 17. <b>T</b> (p. 24) |                      |
| 9. <b>T</b> (p. 17) | 18. <b>F</b> (p. 25) |                      |

### Short Answer Questions

1. Prescriptive theories of ethics concern themselves with what ought to be the case, and thus, unlike descriptive theories, they recommend certain types of conduct and are normative. The problem with confusing them is that one runs the risk of committing the normative fallacy: arguing from what *is* the case to what *ought* to be the case. (pp. 7, 23)
2. Top-down and bottom-up approaches are both result-based. In the bottom-up approach, our personal judgments are applied to situations, whereas in a top-down approach, universal principles are applied. Both approaches focus on evaluating a situation and obtaining a result. Reflective equilibrium has the advantage of bringing about harmony between universal principles and personal judgments, thus not involving a situation where one is traded off against the other. (pp. 12–13)
3. Utilitarianism refers to a moral outlook in which the rightness of an action is evaluated in terms of consequences; specifically, an action is right if it maximizes overall net utility. Mill responded to Bentham by suggesting that Bentham's account of pleasure was too focused on lower order, sensuous pleasures; Mill sought to define utility more robustly, thus factoring in higher order pleasures such as human dignity. One problem with utilitarianism is that, in principle, it allows for a situation in which a minority is treated as means to satisfy the majority (otherwise known as the justice criticism). (pp. 14–15)

4. A false promise, Kant argues, cannot be universalized; it is inconsistent, does not have the consent of the other, and treats the other merely as a means. For Kant, one must always do the right thing simply because it is right, regardless of consequences. An action, even if right, has no moral worth if motivated by self interest or prudence. (p. 17)
5. Ethical relativism is the view what is right is dependent on, or relative to, a particular culture, society, or environment. Thus, as it is sometimes said, “When in Rome, do as the Romans do.” The problem with relativism is that it doesn’t account for the possibility of universal moral norms; specifically, it asks us to be tolerant of actions which are not normally to be tolerated on the ground that there is moral diversity. It also runs the risk of the normative fallacy: a situation in which one infers that because something *is* practised that it *ought* to be practised.

## Essay Questions

Answers will vary.