

# BUSINESS ETHICS

READINGS AND CASES IN CORPORATE MORALITY

FIFTH EDITION

EDITED BY W. MICHAEL HOFFMAN, ROBERT E. FREDERICK, AND MARK S. SCHWARTZ

WILEY Blackwell

# Contents

[About the Editors](#)

[Preface](#)

[General Introduction The Nature of Business Ethics](#)

# **Part 1: Ethics and Business From Theory to Practice**

Introduction

## **1 Theories of Economic Justice**

Justice as Fairness

Distributive Justice

Distributive Justice and Utilitarianism

The “Invisible Hand”

Corporate Ethics in a Devilish System

Questions for Discussion

## **2 Ethics and Business Decision Making**

Teaching Ethical Decision Making and Principled Reasoning

Business Ethics and Moral Motivation: A Criminological Perspective

Ethical Leadership and the Psychology of Decision Making

Cost-Benefit Analysis An Ethical Critique

Cost-Benefit Analysis Defended

Questions for Discussion

## **Cases for Part 1**

Mini-Cases

MBA Student Mini-Dilemmas

[The Parable of the Sadhu](#)

[The Ford Pinto](#)

[The Analyst's Dilemma \(A\)](#)

[Walk Away From Your Mortgage!](#)

[The Ok Tedi Copper Mine](#)

# **Part 2: The Nature of the Corporation**

Introduction

## **3 Agency, Legitimacy, and Responsibility**

Can a Corporation Have a Conscience?

Is Business Bluffing Ethical?

The Social Responsibility of Business is to Increase its Profits

Stakeholder Theory of the Modern Corporation

Ethics in Business Two Skeptical Challenges

Commentary on the Social Responsibility of Corporate Entities: Bad and Not-so-Bad

Arguments for Shareholder Primacy

Questions for Discussion

## **4 Corporate Governance and Accountability**

Who Rules the Corporation?

Power and Accountability: The Changing Role of the Corporate Board of Directors

Who Should Control the Corporation?

Tone at the Top An Ethics Code for Directors?

Do CEOs Get Paid Too Much?

Questions for Discussion

## **Cases for Part 2**

Mini-Cases

MBA Student Mini-Dilemmas

Fire Destroys Malden Mills

Merck & Co., Inc. (A)

Bailouts and Bonuses on Wall Street

Citigroup's Chief Rebuffed on Pay by Shareholders

# **Part 3: Work in the Corporation**

Introduction

## **5 Employee Rights and Duties**

Employee Rights

Human Rights, Workers' Rights, and the "Right" to Occupational Safety

Whistle-Blowing

The Morality of Whistleblowing: A Commentary on Richard T. De George

Conflicts of Interest

The Moral Problem in Insider Trading

Questions for Discussion

## **6 The Modern Workplace Obligations and Limits**

A Kantian Theory of Meaningful Work

Organization of Work in the Company and Family

Rights of the Employees

Workplace Wars: How Much Should I be Required to Meet the Needs of Your Children?

Discrimination, Harassment, and the Glass

Ceiling: Women Executives as Change Agents

The Debate Over the Prohibition of Romance in the Workplace

Questions for Discussion

## **Cases for Part 3**

## Mini-Cases

### MBA Student Mini-Dilemmas

#### The Case of the Mismanaged Ms.

#### Heineken NV: Workplace HIV/AIDS Programs in Africa (A)

#### Banking: A Crack in the Swiss Vault

#### Will Rewards for Whistleblowers Encourage Ethical Behavior?

#### Boeing Chief is Ousted after Admitting Affair Abuse Scandal Inquiry Damns Paterno and Penn State

#### Timeline: The Penn State Scandal

#### You've Been Tagged! (Then Again, Maybe Not): Employers and Facebook

# **Part 4: The Corporation in Society**

Introduction

## **7 The Consumer**

The Dependence Effect

The Non Sequitur of the “Dependence Effect”

The Ethics of Consumer Protection

Marketing and the Vulnerable

Questions for Discussion

## **8 The Environment and Sustainability**

Morality, Money, and Motor Cars

Business and Environmental Ethics

Creating Sustainable Value

Rethinking the Concept of Sustainability

Questions for Discussion

## **9 International Business**

Ethical Dilemmas for Multinational Enterprise: A

Philosophical Overview

International Business, Morality, and the Common Good

Values in Tension: Ethics Away from Home

The Case for Leverage-Based Corporate Human Rights Responsibility

What’s Wrong with Bribery

[Capitalism with a Human Face: The UN Global Compact](#)  
[Questions for Discussion](#)

## **Cases for Part 4**

[Mini-Cases](#)

[MBA Student Mini-Dilemmas](#)

[The Ethics of Marketing: Nestlé's Infant Formula](#)

[TransAuto Corporation Trade-offs](#)

[Sony Online Entertainment: EverQuest® or EverCrack?](#)

[Dicing with Death? A Case Study of Guidant Corporation's Implantable Defibrillator Business](#)

[Chiquita Accused of Funding Colombia Terrorists](#)

[Wal-Mart Hushed Up a Vast Mexican Bribery Case](#)

[Yahoo! and Google in China](#)

[Google Softens Tone on China](#)

# **Part 5: Challenges and Emerging Issues**

Introduction

## **10 Challenges and Emerging Issues**

What's the Matter with Business Ethics?

Developing and Sustaining an Ethical Corporate Culture: The Core Elements

The Ethics Officer as Agent of the Board:

Leveraging Ethical Governance Capability in the Post-Enron Corporation

Can a Company be Too Ethical?

God as a Managerial Stakeholder?

The Fortune at the Bottom of the Pyramid

Questions for Discussion

Business Ethics in Hollywood Movies

## **Cases for Part 5**

Mini-Cases

Global Corporation: Running a Global Ethics and Compliance Program

Barrick's Tanzanian Project Tests Ethical Mining Policies

An Ethical Approach to Crisis Management

Why I Am Leaving Goldman Sachs

# Business Ethics

*Readings and Cases  
in Corporate Morality*

Fifth Edition

Edited by

W. Michael Hoffman  
Robert E. Frederick  
Mark S. Schwartz

**WILEY Blackwell**

This edition first published 2014  
© 2014 John Wiley & Sons, Inc.

*Registered Office*

John Wiley & Sons, Ltd, The Atrium, Southern Gate,  
Chichester, West Sussex, PO19 8SQ, UK

*Editorial Offices*

350 Main Street, Malden, MA 02148-5020, USA

9600 Garsington Road, Oxford, OX4 2DQ, UK

The Atrium, Southern Gate, Chichester, West Sussex, PO19  
8SQ, UK

For details of our global editorial offices, for customer services, and for information about how to apply for permission to reuse the copyright material in this book please see our website at [www.wiley.com/wiley-blackwell](http://www.wiley.com/wiley-blackwell).

The right of W. Michael Hoffman, Robert E. Frederick, and Mark S. Schwartz to be identified as the authors of the editorial material in this work has been asserted in accordance with the UK Copyright, Designs and Patents Act 1988.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, except as permitted by the UK Copyright, Designs and Patents Act 1988, without the prior permission of the publisher.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books.

Designations used by companies to distinguish their products are often claimed as trademarks. All brand names and product names used in this book are trade names, service marks, trademarks or registered trademarks of their

respective owners. The publisher is not associated with any product or vendor mentioned in this book.

Limit of Liability/Disclaimer of Warranty: While the publisher and author(s) have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. It is sold on the understanding that the publisher is not engaged in rendering professional services and neither the publisher nor the author shall be liable for damages arising herefrom. If professional advice or other expert assistance is required, the services of a competent professional should be sought.

*Library of Congress Cataloging-in-Publication data is available on request*

ISBN (pb): 9781118336687

A catalogue record for this book is available from the British Library

Cover design by Richard Boxall Design Associates

# About the Editors

**W. Michael Hoffman**, PhD, is the founding Executive Director of the Center for Business Ethics (1976), and the Hieken Professor of Business and Professional Ethics at Bentley University in Waltham, Mass. He has authored or edited 16 books and over 100 articles, and has consulted for numerous corporations, law firms, and government organizations. Dr. Hoffman served as the founding executive director of the Ethics and Compliance Officer Association, co-founded and was president of the Society for Business Ethics, and served on the advisory board of the Federal Sentencing Guidelines for Organizations. He received the Humanist of the Year Award from The Ethical Society of Boston in 2007, the Society for Corporate Compliance and Ethics Award for lifetime contributions to the profession in 2009, the lifetime achievement award for distinguished service to the field of business ethics from the Society for Business Ethics in 2011, the Champion's Award from the Central and European Management Association for responsible management education in 2011, and a lifetime achievement award in the field of ethics and compliance by the Ethics and Compliance Officer Association in 2012.

**Robert E. Frederick** is Professor of Philosophy at Bentley University in Waltham, Mass. He is also Research Scholar at the Center for Business Ethics at Bentley, and editor of the quarterly journal *Business and Society Review*. Dr. Frederick received a BA degree in Economics from Rice University and an MA and PhD in philosophy from Brown University. Dr. Frederick has published a number of articles in philosophy, business ethics and environmental ethics, and has edited or co-edited 10 books on various topics in applied ethics and philosophy. He has served as a consultant on business

ethics for corporations and academic institutions, and has delivered addresses on business and environmental ethics to a variety of professional organizations. Prior to joining Bentley and the Center, Dr. Frederick worked for nine years for a large financial institution in Atlanta, GA, where he was Vice President for Administrative Services.

**Mark S. Schwartz** is Associate Professor at York University's School of Administrative Studies in Toronto, Canada. Dr. Schwartz received his JD from Osgoode Hall Law School at York University, and his MBA and PhD specializing in business ethics from the Schulich School of Business at York University. Dr. Schwartz is a Research Fellow for the Center for Business Ethics at Bentley University, in Waltham, Mass. Dr. Schwartz has received teaching awards at York University, The Wharton School of the University of Pennsylvania, Bar Ilan University, and Tel Aviv University. Dr. Schwartz has also received several research awards and recognitions and has published in such journals as *Business Ethics Quarterly*, *Journal of Business Ethics*, *Business & Society*, *Business and Society Review*, *Corporate Governance: An International Review*, and *Business Horizons*. Dr. Schwartz has consulted to a number of companies on business ethics-related matters and has been quoted in various media outlets including *The New York Times*, *The Financial Times*, and *The National Post*.

# Preface

The preface to the first edition of *Business Ethics: Readings and Cases in Corporate Morality* began with advice from Cicero's *De officiis*: "To everyone who proposes to have a good career, moral philosophy is indispensable." Cicero's words are as true and as timely as ever, and the fifth edition of this text represents our continuing commitment to the union of ethics and business.

The field of business ethics has grown tremendously since 1984, when the first edition was released. At that time, business ethics had just begun to gain momentum. Today it is a mature field. In a 1988 report, the Business Roundtable referred to corporate ethics as "a prime business asset," and corporations have begun to take significant steps toward integrating ethical values into their corporate cultures. In fact, the Center for Business Ethics at Bentley University was the facilitating institution for a newly formed organization made up of practicing ethics officers of major corporations. The Association to Advance Collegiate Schools of Business has strengthened its call for grounding in ethics as one of the essential elements of sound business education. Literature in business ethics continues to grow and deepen.

In the fifth edition of *Business Ethics*, we have attempted to include both the best new thinking on ethical issues in business and the first, second, third, and fourth editions' time-tested favorites. The goals of the text remain the same. We have tried to be comprehensive. In our coverage of the issues, we have selected what we believe to be the most important currently debated moral concerns in the field. We have retained many of the topics from the fourth edition and have added new material on issues such as

workplace romance and business sustainability. All of the chapters have been revised to some extent. The final section has been extensively revised and now includes material on developing and sustaining an ethical corporate culture. Many cases from the fourth edition remain, but we have included timely new cases such as those on Heineken and African employees with HIV/AIDS, football coach Joe Paterno and whistleblowing obligations, and Walmart's bribery scandal in Mexico. We have also added a new feature to the fifth edition, a series of ethical mini-dilemmas faced by MBA students. The ethical dilemmas add another means for readers to consider and discuss ethical issues faced by individuals in business. As an additional feature, we have also added a list of potential Hollywood movies students can watch that contain important business ethics issues.

As with earlier editions, we have tried to be impartial. The format of the text, wherever appropriate, is point/counterpoint, and we have included the strongest statements we could find of different perspectives on the issues. We have made an effort to include articles by thinkers from a wide range of constituencies - not just academics, but representatives from a variety of other professions.

Finally, we have tried to be systematic. We have retained the basic organization of earlier editions. We begin with theoretical, structural, or more widely focused issues such as economic justice, the justice of economic systems, and the nature and responsibility of business. These give a framework for discussion and understanding of more specific, concrete issues, such as employee rights, the ethics of marketing and production, environmental ethics, and multinational issues. We conclude with a chapter on current challenges and future issues. Of course, the book may be used in many different ways. Some instructors may prefer to save the more abstract topics for the end of their

course. We believe that the book lends itself readily to organizational variations.

The fifth edition continues to include an introduction to each part that sets out the major themes of the articles and places them in context. This edition includes brief introductions to the mini-cases and cases, and points out which articles might be most directly relevant to them. A set of discussion questions follow each chapter. These can be used as a focus for student discussion, for review, or for tests, quizzes, or student assignments.

We would like to express our appreciation to Bentley University for its support of this and other projects in business ethics. Thanks also go to Mary Chiasson, senior associate director of the Center for Business Ethics, Jeffrey Kimball, graduate research assistant at the Center, and Faidat Olamuyiwa, Leon Sullivan Scholar at the Center, for their help in the preparation of this manuscript.

Finally, we are grateful to the following scholars for their reviews of earlier versions of this book: William C. Gentry, Henderson State University; Charles T. Hughes, Chapman University; William L. Langenfus, John Carroll University; Christopher P. Mooney, Nassau Community College; Jon W. Nelson, University of Nebraska at Kearney; and Richard Srb, Middlesex Community Technical College.

W. Michael Hoffman  
Robert E. Frederick  
Mark S. Schwartz

# General Introduction

## The Nature of Business Ethics

Business is a complex web of human relationships – relationships between manufacturers and consumers, employers and employees, managers and stockholders, members of corporations and members of communities in which those corporations operate. These are economic relationships, created by the exchange of goods and services; but they are also *moral* relationships. Questions concerning profit, growth, and technological advance have ethical dimensions. These include the effects of pollution and depletion of natural resources on society at large, the quality and character of the work environment, and the safety of consumers. As an anthology in business ethics, this text proposes to explore the moral dimension of business.

Ethics may be defined as the study of what is good or right for human beings. It asks what goals people ought to pursue and what actions they ought to perform. Business ethics is a branch of applied ethics; it studies the relationship of what is good and right to business.<sup>1</sup>

But how do we know what is right or wrong or good or bad for business? Before discussing in more detail the content of the various ethical principles, it might be helpful to clarify what ethics is not.

*Ethics and etiquette:* For some, ethics or morality is confused with the notion of etiquette. In most cases etiquette refers to behavior that is considered socially acceptable, as opposed to morally right or wrong. Concepts such as politeness, manners, one's dress, or rules of conduct might be associated with etiquette. For example,

etiquette might require one to use a handkerchief upon sneezing, or to shake hands when meeting someone for the first time. There may be cases though when proper etiquette can cross over the line into the domain of morality. For example, in some countries acceptance of gifts in business might be considered proper etiquette, although arguments can be raised that such activity is unethical.

*Ethics and the law:* Typically, the law tends to reflect or embody the moral norms of society, and on this basis it can be suggested that what is legal is also ethical. Although ethics and the law often overlap, this may not always be the case. Some laws could be considered amoral, such as driving on the right-hand or left-hand side of the road. Alternatively, many acts which are legal might still be considered to be unethical, such as receiving gifts from suppliers, conducting personal business on company time, or invasions of privacy. Still, in other cases, laws themselves may be determined to be unethical, such as the previous Apartheid laws in South Africa, or the previous racial discrimination laws in the USA. For this reason, it is important to realize that the law does not always equal ethics, and in most cases merely sets out the minimum standards of expected behavior.

*Ethics and religion:* In a number of respects, ethics and religion are related to each other. Many of our ethical prescriptions, such as don't kill or steal, derive from religious doctrine. The "golden rule," or "do unto others as you would want done to yourself," can be found expressed in some form across most religions. Although ethics and religion often overlap, this is also not always the case. Certain religious prescriptions have been considered by others to be immoral, such as religious decrees prohibiting abortion or euthanasia. Certain religious prescriptions regarding the role of women in society have also been considered by others as being immoral or unethical. One

must therefore be careful before necessarily accepting that ethics and religion are one and the same.

It is sometimes said that business and ethics don't mix. In business, some argue, profit takes precedence. Business has its own rules and objectives, and ethical concepts, standards, and judgments are inappropriate in the context of business. But this view is fundamentally mistaken. Business is an economic institution, but like our economy as a whole, it has a moral foundation. The free-market system reflects our convictions about the nature of the good life and the good society, about the fair distribution of goods and services, and about what kinds of goods and services to distribute. It is true that the goal of business has been profit, but profit-making is not a morally neutral activity. Traditionally, we have encouraged business to pursue profits because we believed – rightly or wrongly – that profit-seeking violates no rights and is best for society as a whole. This conviction has been the source of business's legitimacy, our belief in its right to exist. In the past two decades, however, the belief that business makes an entirely positive contribution to the general welfare has been challenged. For many, business's connection with the moral foundation which justified it no longer seems clear. Distrust of business has increased; recent polls, for example, indicate that Americans believe that the ethical standards of business are lower than those of society as a whole. Many thinkers contend that business faces a crisis of legitimacy. In such a climate, an investigation of business values, of the moral dimension of business, and of the role of business in society becomes urgent. To undertake such an investigation is the task of business ethics. This anthology approaches this task on four levels:

1. An ethical investigation of the context in which American business is conducted – that is, capitalism or the free-market system. Does the system truly contribute

to a good society and reflect our most important social values? In particular, is it a just system, one that reflects our beliefs about the fair distribution of goods and services? The selections included in Part 1 of this text explore the meaning of justice in a modern economy, and the question of whether capitalism embodies that ideal. It also suggests some specific ways in which ethical values have operated or should operate in business decision making.

2. An inquiry, within this broad economic context, into the nature and role of business organizations. Is the function of business activity simply to make a profit? Do businesses have other obligations because of their vast power or relationship to other elements of society? How might corporate structures best reflect the nature and responsibilities of corporations? Such questions are taken up in Part 2.

3. An examination of particular ethical issues which arise in the course of business activity, such as employee rights and duties, relationships in working life, hiring practices, advertising and product safety, obligations to the environment, and operating in foreign countries. A range of such issues is covered in Parts 3 and 4.

4. An examination and ethical assessment of the values which reside implicitly in business organizations and business activity in general, such as freedom of opportunity, economic growth, and material well-being. We pursue this endeavor throughout the text, and in Part 5 we examine the development of the corporate ethos and reflect on the future of the moral corporation.

Engaging in ethical reflection on business at each of these levels requires using ethical concepts, theories, and standards of judgment. The remainder of this General Introduction presents some of the most important principles of ethical theory. To provide a context for discussion of these

principles, we begin with a brief history of the field of business ethics. We then discuss the types of business decisions we can make.

## **Brief History of Business Ethics**

How has the field of business ethics developed over time? Is it merely a passing management fad? This hardly appears to be the case. Certainly ethics in business has been an issue since the very first business transaction. For example, the Code of Hammurabi, created nearly four thousand years ago, records that Mesopotamian rulers attempted to create honest prices. During the fourth century BC, Aristotle discusses the vices and virtues of tradesmen and merchants. The Old Testament and the Jewish Talmud discuss the proper way to conduct business, including topics such as fraud, theft, proper weights and measures, competition and free entry, misleading advertising, just prices, and environmental issues. The New Testament and the Islamic Koran also discuss business ethics as it relates to poverty and wealth. Throughout the history of commerce, these 'codes' have had an impact on business dealings. During the nineteenth century, issues such as the creation of monopolies and the use of slavery were important business ethics issues, and continue to be debated now.

In recent times, business ethics has moved through several stages of development. Prior to the 1960s, business was often considered to be an amoral activity; concepts like ethics and social responsibility were rarely mentioned. During the 1960s, a number of social issues in business began to emerge, including civil rights, the environment, safety in the workplace, and consumer issues. During the 1970s, the field of business ethics took root in academia,

with most US schools offering a course in business ethics by 1980. From 1980 to 1985 the business ethics field continued to consolidate, evidenced by the flourishing of journals, research centers, and conferences. From 1985 to 1995 business ethics became integrated into large corporations, with the development of codes of ethics, ethics training, ethics hotlines, and ethics officers. Since 1995, issues related to international business activity has come to the forefront, including issues of bribery and corruption, and the use of child and slave labor abroad. Since 2001, most of the focus has been on understanding the causes of such major corporate scandals such as Enron and WorldCom, as well as preventing another 2008 financial crisis.

Let's now look at an example of the kind of ethical decision individuals sometimes face in business.

## **Types of Business Decisions**

### **The Amalgamated Machinery dilemma**

Ted Brown is worried. A salesman for Amalgamated Machinery, he is in charge of negotiating an important sale of construction equipment to the government of a small but rapidly developing nation. Deeply in debt, Amalgamated has staked its future on penetrating foreign markets. And Ted's potential contract is not only a very large one, it could open the door to even bigger sales in the future. If he lands the contract, Ted's future in the firm is bright - and he was convinced he would get the contract until he spoke with a powerful government official who is involved in the negotiations. Ted's bid, the official explained, is regarded

very favorably. In fact it is the lowest. All that is needed to clinch the deal is a \$100,000 “commission fee” payable in cash to the official. If Ted does not pay the fee, the official regrets that the contract will go to a competitor.

Ted knows that the sale is crucial for his company. He believes that his customers would get the best possible deal by buying Amalgamated’s equipment. And he knows that \$100,000 is a relatively small sum compared with the potential profits represented by the contract. Yet, although he is aware that such payments are not unusual in many countries, he has always felt that they were wrong, and has never before used them to secure a deal.

Ted Brown’s dilemma is fictitious, but it is not farfetched. It illustrates a problem businesspeople often face: Should the interests of the firm override personal convictions about the right thing to do, or should one always act on one’s personal convictions despite the consequences for the firm? Clearly, Ted’s decision will not be easy. How should he go about deciding what to do? And if Ted were to ask you for advice, what would you say?

One thing you might point out is that Ted needs to understand the kind of decision he is making. Although he can do only one of two things – either pay the \$100,000 or not – he can formulate his decision from at least three distinct perspectives or points of view. They are:

1. Which is the better decision from a *business* point of view?
2. Which is the better decision from a *legal* point of view?
3. Which is the better decision from a *moral* point of view?

A second point is that in most (but not all) cases when someone decides to do something that he or she regards as important, the decision to act comes at the end of a process of deliberation. And to deliberate about an action is (roughly) to weigh the reasons for doing it according to some standard or principle. Such standards or principles

have two important features. First, they are supposed to apply to all decisions of a certain kind regardless of who makes the decision. Second, they purport to differentiate between better and worse decisions of that kind. For example, if Ted were to decide from a business point of view he would weigh the reasons for paying or not paying according to a principle that differentiates between better and worse business decisions. Often that principle is assumed to be this: In every business undertaking, one ought to do whatever maximizes long-term profits. So if Ted believes that the decision should be made from a business point of view, and if he were to judge that paying the bribe would maximize long-term profits, he would pay up.

Suppose, however, Ted believes that the decision should be made from a legal point of view. Now the principle might be: For any action to which the law applies, one ought not do that act if it is illegal. As anyone familiar with the law knows, determining whether a specific act is legal can be difficult. But assume Ted decides that it is illegal to make the payment. Then the principle instructs him not to pay. On the other hand, suppose he decides it is legal. Should he pay? Not necessarily. The standard says only, "If something is illegal, don't do it." It doesn't say, "If it is legal, do it." So in a sense the legal principle is incomplete. Once Ted decides that the act is legal, it has nothing further to tell him about what is best to do.

The third way that Ted could make his decision - the one we will be most concerned with in this General Introduction - is from a moral point of view. What is it to decide from a moral point of view? If we follow the model presented above, it is to evaluate the reasons, to deliberate about doing one thing rather than another according to some moral standard or principle that differentiates between better and worse moral decisions. So to decide from a moral point of view we need, first, to know what kind of moral

principles there are; second, what kind of reasons are relevant to moral action; and, third, how to evaluate those reasons in light of the principle. For example, suppose the moral principle Ted accepts is: One always ought to do what is in one's own self-interest. Then he would consider the reasons for believing that paying the bribe, or not paying, is in his best interest. Suppose, for example, that after analyzing the business aspects of paying the bribe he finds that paying would maximize profit. This could be to his advantage since a firm that places a high value on profit is also likely to place high value on employees who contribute to profit. However, if the bribe is illegal, and if it is discovered that Ted paid the bribe, he would be in trouble. The authorities would probably impose a heavy fine on the firm, and this would not endear Ted to upper management. Furthermore, Ted might face legal sanctions himself. It seems, then, that if Ted wants to do what is in his own best interest he has a lot of thinking to do. Making the correct decision from a moral point of view will not be easy.

In fact, it is characteristic of moral decisions that they are not easy. There are three main reasons for this. First, much more often than not, moral decisions are important. They affect our lives and the lives of others in significant ways. Second, moral decisions are complex. Frequently no obvious or easy solution presents itself, and it is not unusual for there to be several alternatives that seem equally reasonable. Finally, there is often deep disagreement about which moral principle should be applied to the decision. Different people may have very different ideas about which standard is appropriate. To take a (slightly modified) famous example, suppose someone, call him Paul, faces the problem of either leaving home and joining the forces defending his country from invasion by an evil empire, or staying and comforting his mother through the last stages of a debilitating and fatal illness. Should he go or stay?

Suppose Paul accepts Ted's moral standard: One always ought to do what is in one's own best interest. And suppose Paul decides that it is in his best interest, all things considered, to avoid the problem altogether. So he decides to relieve his mother of what small savings she has accumulated and purchase a ticket on the next plane leaving for a more peaceful and prosperous kingdom. Surely, he reasons, this would be better for him than risking his life in a war or dawdling about waiting for an old woman to die.

Most people would probably be outraged by Paul's decision. Some might argue that he has duties to his mother that override his self-interest. Others might say that he should promote the common good of his fellow citizens by defending his homeland. And still others would say that his decision shows character flaws such as cowardice and ingratitude. Each of these responses makes implicit appeal to a different ethical viewpoint - a different way of understanding what Paul ought to do. In the pages to come we will discuss each of these viewpoints. But before we do so we will return briefly to the three different ways that Ted can understand his decision.

## **The problem of conflicting decision-making rules**

We said that Ted can understand his decision from either a business, legal, or ethical point of view. The question naturally arises: Which should he choose? The question would not be hard to answer were there never any possibility of conflict between them; that is, if the best business decision were always and at the same time the best legal and ethical decision. But there is a possibility of conflict. For example, it might maximize profits to pay the bribe even if it is illegal and immoral. And bribery might be immoral, even if not illegal. So the best thing to do from a

moral point of view need not be the best thing to do from a business or legal point of view. On the other hand, conflict is not always present. In many cases, perhaps in most cases, the best business decision will also be legally and morally acceptable. In addition, a growing body of empirical evidence has emerged suggesting that “good ethics is good business,” or at least that “bad ethics is bad business.”<sup>2</sup> But when conflict is present, we need some way to decide what to do. For example, companies which base their decision making on what is the best business decision will inevitably engage in unethical activity when it is profitable to do so.

To resolve potential conflicts, consider the following rules:

1. Whenever there is a conflict between ethics and the law, one ought always to do what the law requires.
2. Whenever there is a conflict between ethics and business principles, one ought always to do what business principles require.

These rules tell us what to do in situations in which ethical and legal or business principles give different instructions. Thus they resolve cases of conflict between ethics and law, and ethics and business. But should we follow them? Might there be circumstances in which it would be wrong to follow them?

There are many examples which seem to show that ethical obligations can outweigh legal obligations, and that in certain circumstances it is permissible to break the law. For instance, in the American civil rights movement laws were deliberately broken when it appeared that no alternative was available to change an intolerable situation. These laws (e.g. laws preventing African-Americans from voting) were clearly unjust. They perpetuated and enforced social arrangements that were deliberately intended to deprive African-Americans and other minorities of the opportunity to participate meaningfully in the economic, educational, and political system. Since many legislatures were controlled by