13TH EDITION

Moral Issues in Business

William H. Shaw
Vincent Barry

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William H. Shaw

San Jose State University

Vincent Barry

Bakersfield College

CENGAGE Learning

Australia • Brazil • Mexico • Singapore • United Kingdom • United States

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William H. Shaw, Vincent Barry

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PREFACE

It is difficult to imagine an area of study that has greater importance to society or greater relevance to students than business ethics. As *Moral Issues in Business* enters its thirteenth edition, business ethics has become a well-established academic subject. Most colleges and universities offer courses in it, and scholarly interest continues to grow.

Yet some people still scoff at the idea of business ethics, jesting that the very concept is an oxymoron. To be sure, recent years have seen the newspapers filled with lurid stories of corporate misconduct and felonious behavior by individual businesspeople, and many suspect that what the media report represents only the proverbial tip of the iceberg. However, these scandals should prompt a reflective person not to make fun of business ethics but rather to think more deeply about the nature and purpose of business in our society and about the ethical choices individuals must inevitably make in their business and professional lives.

Business ethics has an interdisciplinary character. Questions of economic policy and business practice intertwine with issues in politics, sociology, and organizational theory. Although business ethics remains anchored in philosophy, even here abstract questions in normative ethics and political philosophy mingle with analysis of practical problems and concrete moral dilemmas. Furthermore, business ethics is not just an academic study but also an invitation to reflect on our own values and on our own responses to the hard moral choices that the world of business can pose.

• • •

GOALS AND ORGANIZATION

The purpose of this text is fourfold: to expose students to the important moral issues that arise in various business contexts; to provide students with an understanding of the moral, social, and economic environments within which those problems occur; to introduce students to the ethical and other concepts that are relevant for resolving those problems; and to assist students in developing the necessary reasoning and analytical skills for doing so. Although the book's primary emphasis is on business, its scope extends to related moral issues in other organizational and professional contexts.

Moral Issues in Business has four parts. Part One, "Moral Philosophy and Business," discusses the nature of morality and presents the main theories of normative ethics and the leading approaches to questions of economic justice. Part Two, "American Business and Its Basis," examines the institutional foundations of business, focusing on capitalism as an economic system and the nature and role of corporations in our society. Part Three, "Business and Society," concerns moral problems involving business, consumers, and the natural environment. Part Four, "The Organization and the People in It," identifies a variety of ethical issues and moral challenges that arise out of the interplay of employers and employees within an organization, including the problem of discrimination.

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TOOLS AND TOPICS

TOOLS

Case studies enhance the main text. These cases vary in kind and in length, but they are all designed to enable instructors and students to pursue further some of the issues discussed in the text and to analyze them in more specific contexts. The case studies should provide a lively springboard for classroom discussions and the application of ethical concepts.

In addition, the book includes supplemental readings by other authors addressing both theoretical topics and applied issues, such as drug testing, sexual harassment, animal rights, downsizing, advertising, discrimination, and more. These readings permit selected topics to be studied in more detail and expose students to alternative perspectives and analyses. In selecting and editing the readings, we have sought to provide philosophically interesting essays that will engage students and lend themselves well to class discussion.

TOPICS

Moral Issues in Business covers a wide range of topics relevant to today's world. Three of these are worth drawing particular attention to.

Business and Globalization

The moral challenges facing business in today's globalized world economy are well represented in the book and seamlessly integrated into the chapters. For example, Chapter 1 discusses ethical relativism, Chapter 4 outsourcing and globalization, and Chapter 8 overseas bribery and the Foreign Corrupt Practices Act; and there are international examples or comparisons throughout the book. Moreover, almost all the basic issues discussed in the book (such as corporate responsibility, the nature of moral reasoning, and the value of the natural world—to name just three) are as crucial to making moral decisions in an international business context as they are to making them at home. In addition, cases 1.1, 2.3, 4.1, 5.1, 5.2, 6.3, 7.2, 7.5, 9.5, and 10.4 deal explicitly with moral issues arising in today's global economic system, as do the essays by Green (on "everybody's doing it"), Daly (on globalization), De George (on ethical dilemmas facing multinational corporations), and Fadiman (on doing business overseas). Also relevant, of course, is Schumacher's essay on Buddhist economics.

The Environment

Because of its ongoing relevance and heightened importance in today's world, an entire chapter, Chapter 7, with five case studies and supplementary essays by Peter Singer and W. Michael Hoffman, is devoted to this topic. In particular, the chapter highlights recent environmental disasters, the environmental dilemmas and challenges we face, and their social and business costs, as well as the changing attitude of business toward the environment and ecology.

Health and Health Care

Far from being a narrow academic pursuit, the study of business ethics is relevant to a wide range of important social issues—for example, to health and health care, which is currently the subject of much discussion and debate in the United States. Aspects of this topic are addressed in the text and developed in the following cases: 2.3: Blood for Sale, 4.2: Licensing and Laissez Faire, 5.2: Drug Dilemmas, 6.1: Breast Implants, 8.1: AIDS in the Workplace, and 9.4: Protecting the Unborn at Work.

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CHANGES IN THIS EDITION

YOUR TEXTBOOK

Instructors who have used the previous edition will find the organization, general content, and overall design of the book familiar. However, the text has been revised throughout, as examples and information have been updated, and the clarity of its discussions and the accuracy of its treatment of both philosophical and empirical issues have been improved. At all times the goal has been to provide a textbook that students will find clear, understandable, and engaging.

Fifty-one case studies—more than ever before—now supplement the main text. Four of them are brand new; a number of the others have been revised or updated. Of the cases that are new to this edition, Case 4.1, "Catastrophe in Bangladesh," concerns responsibility for a factory collapse that killed over a thousand workers making clothing for Western firms; Case 4.6, "Paying College Athletes," examines the move to give athletes a greater share of the revenues from college sports; Case 5.4, "Corporations and Religious Faith," deals with the claim that corporations have a right to do business in a way that reflects the religious beliefs of their owners; and Case 5.6, "Corporate Taxation," discusses tax avoidance by large corporations.

Of the thirty-two supplementary readings, two are brand new. In Chapter 5, "The Toxic Side Effects of Shareholder Primacy," Lynn A. Stout defends the view that managers have a responsibility to guide their companies in a way that serves the interests of a variety of stakeholders and benefits the larger society against the prevailing doctrine that the sole duty of management is to maximize shareholder wealth. In Chapter 7, "Does It Make Sense to Be a Loyal Employee?" Juan M. Elegido contends that young managers are wrong to dismiss loyalty to the company as of little or no importance. In a variety of ways, he argues, a loyal commitment to one's employer can make one's life significantly richer.

YOUR MEDIA TOOLS

The *Moral Issues in Business* **CourseMate** brings course concepts to life with interactive learning, study, and exam preparation tools. Used as a supplement to the book or as a substitute for it, **CourseMate** includes an integrated eBook as well as valuable teaching and learning aids, such as quizzes, flashcards, and videos. These tools are designed to reinforce theories and concepts and to help students to understand and better retain the book's content and to review and study for tests. **CourseMate** can be accessed by searching for this book on CengageBrain.com.

WAYS OF USING THE BOOK

A course in business ethics can be taught in a variety of ways. Instructors have different approaches to the subject, different intellectual and pedagogical goals, and different classroom styles. They emphasize different themes and start at different places. No textbook can be all things to all instructors. And were it to succeed in this goal, it would lose its individual voice. Nevertheless, teachers have great flexibility in how they use *Moral Issues in Business* and in how they organize their courses because of the range of topics we have covered, because of the three types of material in the book (text, cases, and readings), and because of the amount of material we have provided.

Naturally, the book can be taught from cover to cover exactly as it is, but in a semester course this strategy will require a brisk pace. Many instructors will wish to linger on certain topics, touch briefly on others, and skip some altogether. Assigning all the cases and extra readings as well as the text of a chapter obviously provides for the greatest depth of coverage, but the text can easily be taught with only some of

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the cases or readings or just by itself. The book readily permits topics to be dealt with briefly by assigning only selections from the case studies, the readings, or the text itself, instead of the chapter as a whole. Depending on the instructor's approach, it is even possible to focus the course on the case studies or on the readings, and to assign the text only as background.

The chapters are relatively self-contained, so they can be taught in various orders without loss of coherence. Instructors eager to get to the specific moral issues discussed in later chapters could skip Parts One and Two (perhaps assigning only Solomon's "It's Good Business") and begin with the topics that interest them. Other instructors may choose to start with the analysis of capitalism in Chapter 4 or with the discussion of corporate responsibility in Chapter 5, then spend the bulk of the term on the chapters devoted to particular moral topics in business, before returning to some of the issues of Part One. Still other teachers may wish to devote much of a semester to the foundational concerns of Parts One and Two and deal more briefly and selectively with later matters.

• • •

ACKNOWLEDGMENTS

We wish to acknowledge our great debt to the many people whose ideas and writings have influenced us over the years. Philosophy is widely recognized to involve a process of ongoing dialogue. This is nowhere more evident than in the writing of textbooks, whose authors can rarely claim that the ideas being synthesized, organized, and presented are theirs alone. Without our colleagues, without our students, and without a larger philosophical community concerned with business and ethics, this book would not have been possible. We would especially like to thank the reviewers of this and earlier editions of *Moral Issues in Business* for their thoughtful criticisms and helpful suggestions: Thomas Adajian, North Carolina State University; Joseph Adamo, Cazenovia College; Lon Addams, Weber State University; Joseph Allegretti, Siena College; Dr. Nancy Almann, Tompkis Cortland Community College; Kent Anderson, Clarke University; Mark Anderson, Athens State University; Chris Boorse, University of Delaware; Sam Bruton, University of Southern Mississippi; Scott Calef, Xavier University of Louisiana; Linda Canzanella, Normandale Community College; Herbert Cassel, University of Indianapolis; Michael Clifford, Mississippi State University; Shari Collins-Chobanian, Arizona State University; John Corvino, Wayne State University; Timothy Davis, Community College of Baltimore County; Daniel Dombrowski, Seattle University; Michael Donovan, Cedar Crest College; Sandra Dreisbach, San Jose State University; Julia Driver, Brooklyn College; Kevin Dunagan, College of Dupage; Kenneth Ferguson, East Carolina University; Marilyn Fleckenstein, Niagara University; Marcy Fusilier, Northwestern State University of Louisiana; Andrew Gustafson, Creighton University; Frank Hatstat, Bellevue College; Merle Heckman, Keller Graduate School of Management; Regina Hobaugh, Holy Family University; Bernard Jackson, Regis College; David Kaiser, Hamline University; Jeff Langenderfer, Berry College; Janice Loutzenhiser, California State University, San Bernardino; Wade Maki, University of North Carolina, Greensboro; Krishna Mallick, Bentley College; Gregory Mellema, Calvin College; Bob Mellert, Brookdale Community College; Mark Michael, Austin Peay State University; Glenn Moots, Northwood University; Stephen Mumford, Gwynedd-Mercy College; Thomas O'Brochta, Loyola University of Chicago; Cynthia Orms, Georgia College and State University; K. Praveen Parboteeah, University of Wisconsin, Whitewater; Keith Price, DePaul University; Brad Reid, Lipscomb University; Carlos A. Sanchez, San Jose State University; Dennis Slivinski, California State University, Channel Islands; Nancy Snow, Marquette University; Art Stawinski, Benedictine University; James Stieb, Drexel University; Robert T. Sweet, Clark State Community College; Mojgan Taheri, California State University, Northridge; Nicholas Tirone, New England College; Danny Ursery, St. Edwards University; Thomas Wier, Hardin-Simmons University; and Myrna Wulfson, SUNY Rockland.

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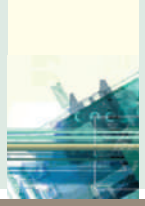

CHAPTER 1

THE NATURE OF MORALITY

INTRODUCTION

SOMETIMES THE RICH AND MIGHTY FALL. Take Kenneth Lay, for example. Convicted by a jury of conspiracy and multiple counts of fraud, he had been chairman and CEO of Enron until that once mighty company took a nose dive and crashed. Founded in the 1980s, Enron soon became a dominant player in the field of energy trading, growing rapidly to become America's seventh biggest company. Wall Street loves growth, and Enron was its darling, admired as dynamic, innovative, and—of course—profitable. Enron stock exploded in value, increasing 40 percent in a single year. The next year it shot up 58 percent and the year after that an unbelievable 89 percent. The fact that nobody could quite understand exactly how the company made its money didn't seem to matter.

Fortune magazine voted Enron America's "Most Innovative Company" for six consecutive years, and Enron proudly took to calling itself not just "the world's leading energy company" but also "the world's leading company." But when Enron was later forced to declare bankruptcy—at the time the largest Chapter 11 filing in U.S. history—the world learned that its legendary financial prowess was illusory and the company's success built on the sands of hype. And the hype continued to the end. Even with the company's financial demise fast approaching, Kenneth Lay was still recommending the company's stock to its employees—at the same time that he and other executives were cashing in their shares and bailing out.

Enron's crash cost the retirement accounts of its employees more than a billion dollars as the company's stock fell from the stratosphere to only a few pennies a share. Outside investors lost even more. The reason Enron's collapse caught investors by surprise—the company's market value was $28 billion just two months before its bankruptcy—was that Enron had always made its financial records and accounts as opaque as possible. It did this by creating a Byzantine financial structure of off-balance-sheet special-purpose entities—reportedly as many as 9,000—that were supposed to be separate and independent from the main company. Enron's board of directors condoned these and other dubious accounting practices and voted twice to permit executives to pursue personal interests that ran contrary to those of the company. When Enron was obliged to redo its financial statements for one three-year period, its profits dropped $600 million and its debts increased $630 million.

THE REASON ENRON'S collapse caught investors by surprise . . . was that Enron had always made its financial records and accounts as opaque as possible.

Still, Enron's financial auditors should have spotted these and other problems. After all, the shell game Enron was playing is an old one, and months before the company ran aground, Enron Vice President Sherron Watkins had warned Lay that the company could soon "implode in a wave of accounting scandals." Yet both Arthur Andersen, Enron's longtime outside auditing firm, and Vinson & Elkins, the company's law firm, had routinely put together and signed off on various dubious financial deals, and in doing so made large profits for themselves. Arthur Andersen, in particular, was supposed to make sure that the company's public records reflected financial reality, but Andersen was more worried about its auditing and consulting fees than about its fiduciary responsibilities. Even worse, when the scandal began to break, a partner at Andersen organized the shredding of incriminating Enron documents before

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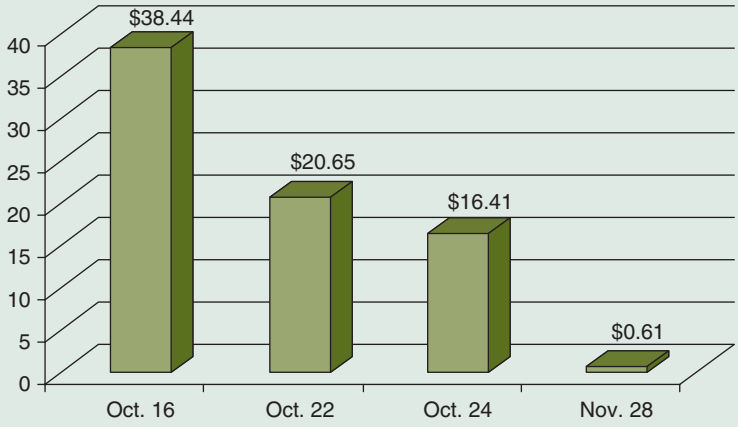

The collapse of Enron's stock price in late 2001

investigators could lay their hands on them. As a result, the eighty-nine-year-old accounting firm was convicted of obstructing justice. The Supreme Court later overturned that verdict on a technicality, but by then Arthur Andersen had already been driven out of business. (The year before Enron went under, by the way, the Securities and Exchange Commission fined Andersen $7 million for approving misleading accounts at Waste Management, and it also had to pay $110 million to settle a lawsuit for auditing work it did for Sunbeam before it, too, filed for bankruptcy. And when massive accounting fraud was later uncovered at WorldCom, it came out that the company's auditor was—you guessed it—Arthur Andersen.)

Enron's fall also revealed the conflicts of interest that threaten the credibility of Wall Street's analysts—analysts who are compensated according to their ability to bring in and support investment banking deals. Enron was known in the industry as the "deal machine" because it generated so much investment banking business—limited partnerships, loans, and derivatives. That may explain why, only days before Enron filed bankruptcy, just two of the sixteen Wall Street analysts who covered the company recommended that clients sell the stock. The large banks that Enron did business with played a corrupt role, too, by helping manufacture its fraudulent financial statements. (Subsequent lawsuits have forced them to cough up some of their profits: Citibank, for example, had to pay Enron's victimized shareholders $2 billion.) But the rot didn't stop there. Enron and Andersen enjoyed extensive political connections, which had helped over the years to ensure the passage of a series of deregulatory measures favorable to the energy company. Of the 248 members of Congress sitting on the eleven House and Senate committees charged with investigating Enron's collapse, 212 had received money from Enron or its accounting firm.[1]

Stories of business corruption and of greed and wrongdoing in high places have always fascinated the popular press, and media interest in business ethics has never been higher. But one should not be misled by the headlines and news reports. Not all moral issues in business involve giant corporations and their well-heeled executives, and few cases of business ethics are widely publicized. The vast majority of them involve the mundane, uncelebrated moral challenges that working men and women meet daily.

Although the financial shenanigans at Enron were complicated, once their basic outline is sketched, the wrongdoing is pretty easy to see: deception, dishonesty, fraud, disregarding one's professional responsibilities, and unfairly injuring others for one's own gain. But many of the moral issues that arise in business are complex and difficult to answer. For example:

> How far must manufacturers go to ensure product safety? Must they reveal everything about a product, including any possible defects or shortcomings? At what point does acceptable exaggeration become lying about a product or a service? When does aggressive marketing become consumer manipulation? Is advertising useful and important or deceptive, misleading, and socially detrimental? When are prices unfair or exploitative?
>
> Are corporations obliged to help combat social problems? What are the environmental responsibilities of business, and is it living up to them? Are pollution permits a good idea? Is factory farming morally justifiable?
>
> May employers screen potential employees on the basis of lifestyle, physical appearance, or personality tests? What rights do employees have on the job? Under what conditions may they be disciplined or fired? What, if anything, must business do to improve work conditions? When are wages fair? Do unions promote the interests of workers or infringe their rights? When, if ever, is an employee morally required to blow the whistle?
>
> May employees ever use their positions inside an organization to advance their own interests? Is insider trading or the use of privileged information immoral? How much loyalty do workers owe their companies? What say should a business have over the off-the-job activities of its employees? Do drug tests violate their right to privacy?
>
> What constitutes job discrimination, and how far must business go to ensure equality of opportunity? Is affirmative action a matter of justice, or a poor idea? How should organizations respond to the problem of sexual harassment?

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LEARNING OBJECTIVES

These questions typify business issues with moral significance. The answers we give to them are determined, in large part, by our moral standards—that is, by the moral principles and values we accept. What moral standards are, where they come from, and how they can be assessed are some of the concerns of this opening chapter. In particular, you will encounter the following topics:

1. The nature, scope, and purpose of business ethics
2. The distinguishing features of morality and how it differs from etiquette, law, and professional codes of conduct
3. The relationship between morality and religion
4. The doctrine of ethical relativism and its difficulties
5. What it means to have moral principles; the nature of conscience; and the relationship between morality and self-interest
6. The place of values and ideals in a person's life
7. The social and psychological factors that sometimes jeopardize an individual's integrity
8. The characteristics of sound moral reasoning

ETHICS

Ethics (or moral philosophy) is a broad field of inquiry that addresses a fundamental query that all of us, at least from time to time, inevitably think about—namely, How should I live my life? That question, of course, leads to others, such as: What sort of person should I strive to be? What values are important? What standards or principles should I live by? Exploring these issues immerses one in the study of right and wrong. Among other things, moral philosophers and others who think seriously about ethics want to understand the nature of morality, the meaning of its basic concepts, the characteristics of good moral reasoning, how moral judgments can be justified, and, of course, the principles or properties that distinguish right actions from wrong actions. Thus, ethics deals with individual character and with the moral rules that govern and limit our conduct. It investigates questions of right and wrong, fairness and unfairness, good and bad, duty and obligation, and justice and injustice, as well as moral responsibility and the values that should guide our actions.

SUMMARY

Ethics deals with individual character and the moral rules that govern and limit our conduct. It investigates questions of right and wrong, duty and obligation, and moral responsibility.

You sometimes hear it said that there's a difference between a person's ethics and his or her morals. This can be confusing because what some people mean by saying that something is a matter of ethics (as opposed to morals) is often what other people mean by saying that it is a matter of morals (and not ethics). In fact, however, most people (and most philosophers) see no real distinction between a person's "morals" and a person's "ethics." And almost everyone uses "ethical" and "moral" interchangeably to describe people we consider good and actions we consider right, and "unethical" and "immoral" to designate bad people and wrong actions. This book follows that common usage.

BUSINESS AND ORGANIZATIONAL ETHICS

The primary focus of this book is ethics as it applies to business. **Business ethics** is the study of what constitutes right and wrong, or good and bad, human conduct in a business context. For example, would it be right for a store manager to break a promise to a customer and sell some hard-to-find merchandise to someone else, whose need for it is greater? What, if anything, should a moral employee do when his or her superiors refuse to look into apparent wrongdoing in a branch office? If you innocently came across secret information about a competitor, would it be permissible for you to use it for your own advantage?

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Recent business scandals have renewed the interest of business leaders, academics, and society at large in ethics. For example, the Association to Advance Collegiate Schools of Business, which comprises all the top business schools, has introduced new rules on including ethics in their curricula, and in recent years thousands of MBA students have signed the "MBA Oath," a voluntary pledge to "not advance my personal interests at the expense of my enterprise or society," to "refrain from corruption, unfair competition, or business practices harmful to society," and to "protect the human rights and dignity of all people affected by my enterprise."[2] But an appreciation of the importance of ethics for a healthy society and a concern, in particular, for what constitutes ethical conduct in business go back to ancient times. The Roman philosopher Cicero (106–43 BCE), for instance, discussed the example, much debated at the time, of an honest merchant from Alexandria who brings a large stock of wheat to Rhodes where there is a food shortage. On his way there, he learns that other traders are setting sail for Rhodes with substantial cargos of grain. Should he tell the people of Rhodes that more wheat is on the way, or say nothing and sell at the best price he can? Some ancient ethicists argued that although the merchant must declare defects in his wares as required by law, as a vendor he is free—provided he tells no untruths—to sell his goods as profitably as he can. Others, including Cicero, argued to the contrary that all the facts must be revealed and that buyers must be as fully informed as sellers.[3]

"Business" and "businessperson" are broad terms. A "business" could be a food truck or a multinational corporation that operates in several countries. "Businessperson" could refer to a street vendor or a company president responsible for thousands of workers and millions of shareholder dollars. Accordingly, the word **business** will be used here simply to mean any organization whose objective is to provide goods or services for profit. **Businesspeople** are those who participate in planning, organizing, or directing the work of business.

But this book takes a broader view as well because it is concerned with moral issues that arise wherever employers and employees come together. Thus, it addresses organizational ethics as well as business ethics. An *organization* is a group of people working together to achieve a common purpose. The purpose may be to offer a product or a service primarily for profit, as in business. But the purpose also could be health care, as in medical organizations; public safety and order, as in law enforcement organizations; education, as in academic organizations; and so on. The cases and illustrations presented in this book deal with moral issues and dilemmas in both business and nonbusiness organizational settings.

SUMMARY

Business ethics is the study of what constitutes right and wrong (or good and bad) human conduct in a business context. Closely related moral questions arise in other organizational contexts.

People occasionally poke fun at the idea of business ethics, declaring that the term is a contradiction or that business has no ethics. Such people take themselves to be worldly and realistic. They think they have a down-to-earth idea of how things really work. In fact, despite its pretense of sophistication, their attitude shows little grasp of the nature of ethics and only a superficial understanding of the real world of business. Reading this book should help you comprehend how inaccurate and mistaken their view is.

MORAL VERSUS NONMORAL STANDARDS

Moral questions differ from other kinds of questions. Whether the old computer in your office can copy a pirated DVD is a factual question. By contrast, whether you should copy the DVD is a moral question. When we answer a moral question or make a moral judgment, we appeal to moral standards. These standards differ from other kinds of standards.

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Wearing shorts and a tank top to a formal dinner party is boorish behavior. Writing an essay that is filled with double negatives or lacks subject–verb agreement violates the basic conventions of proper language usage. Photographing someone at night without the flash turned on is poor photographic technique. In each case a standard is violated—fashion, grammatical, technical—but the violation does not pose a serious threat to human well-being.

Moral standards are different because they concern behavior that is of serious consequence to human welfare, that can profoundly injure or benefit people.[4] The conventional moral norms against lying, stealing, and killing deal with actions that can hurt people. And the moral principle that human beings should be treated with dignity and respect uplifts the human personality. Whether products are healthful or harmful, work conditions safe or dangerous, personnel procedures biased or fair, privacy respected or invaded—these are also matters that seriously affect human well-being. The standards that govern our conduct in these areas are moral standards.

Moral standards concern behavior that seriously affects human well-being.

A second characteristic follows from the first. Moral standards take priority over other standards, including self-interest. Something that morality condemns—for instance, the burglary of your neighbor's home—cannot be justified on the nonmoral grounds that it would be a thrill to do it or that it would pay off handsomely. We take moral standards to be more important than other considerations in guiding our actions.

Moral standards take priority over other standards.

A third characteristic of moral standards is that their soundness depends on the adequacy of the reasons that support or justify them. For the most part, fashion standards are set by clothing designers, merchandisers, and consumers; grammatical standards by grammarians and students of language; technical standards by practitioners and experts in the field. Legislators make laws, boards of directors make organizational policy, and licensing boards establish standards for professionals. In those cases, some authoritative body is the ultimate validating source of the standards and thus can change the standards if it wishes. Moral standards are not made by such bodies. Their validity depends not on official fiat but rather on the quality of the arguments or the reasoning that supports them. Exactly what constitutes adequate grounds or justification for a moral standard is a debated question, which, as we shall see in Chapter 2, underlies disagreement among philosophers over which specific moral principles are best.

The soundness of moral standards depends on the adequacy of the reasons that support them.

Although these three characteristics set moral standards apart from other standards, it is useful to discuss more specifically how morality differs from three things with which it is sometimes confused: etiquette, law, and professional codes of ethics.

MORALITY AND ETIQUETTE

Etiquette refers to the norms of correct conduct in polite society or, more generally, to any special code of social behavior or courtesy. In our society, for example, it is considered bad etiquette to chew with your mouth open or to pick your nose when talking to someone; it is considered good etiquette to say "please" when requesting and "thank you" when receiving, and to hold a door open for someone entering immediately behind you. Good business etiquette typically calls for writing follow-up letters after meetings, returning phone calls, and dressing appropriately. It is commonplace to judge people's manners as "good" or "bad" and the conduct that reflects them as "right" or "wrong." "Good," "bad," "right," and "wrong" here simply mean socially appropriate or socially inappropriate. In these contexts, such words express judgments about manners, not about ethics.

The rules of etiquette are prescriptions for socially acceptable behavior. If you violate them, you're likely to be considered ill-mannered, impolite, or even uncivilized, but not necessarily immoral. If you want to fit in, get along with others, and be thought well

SUMMARY

We appeal to moral standards when we answer a moral question or make a moral judgment. Three characteristics of moral standards distinguish them from other kinds of standards.

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of by them, you should observe the common rules of politeness or etiquette. However, what's considered correct or polite conduct—for example, when greeting an elderly person, when using your knife and fork, or when determining how close to stand to someone you're conversing with—can change over time and vary from society to society.

Although rules of etiquette are generally nonmoral in character, violations of those rules can have moral implications. For example, the male boss who refers to female subordinates as "honey" or "doll" shows bad manners. If such epithets diminish the worth of female employees or perpetuate sexism, then they also raise moral issues concerning equal treatment and denial of dignity to human beings. More generally, rude or impolite conduct can be offensive, and it may sometimes fail to show the respect for other persons that morality requires of us. For this reason, it is important to exercise care, in business situations and elsewhere, when dealing with unfamiliar customs or people from a different culture.

Scrupulous observance of rules of etiquette, however, does not make a person moral. In fact, it can sometimes camouflage ethical issues. In some parts of the United States sixty years ago, it was considered bad manners for blacks and whites to eat together. However, those who obeyed this convention were not acting in a morally desirable way. In the 1960s, black and white members of the civil rights movement sought to dramatize the injustice that lay behind this rule by sitting together in luncheonettes and restaurants. Although judged at the time to lack good manners, they thought that this was a small price to pay for exposing the unequal treatment and human degradation underlying this rule of etiquette.

MORALITY AND LAW

Before distinguishing between morality and law, let's examine the term *law*. Basically, there are four kinds of law: statutes, regulations, common law, and constitutional law.

Statutes are laws enacted by legislative bodies. For example, the law that defines and prohibits reckless driving on the highway is a statute. Congress and state legislatures enact statutes. (Laws enacted by local governing bodies such as city councils are usually termed *ordinances*.) Statutes make up a large part of the law and are what many of us mean when we speak of "laws."

Limited in their time and knowledge, legislatures often set up boards or agencies whose functions include issuing detailed regulations covering certain kinds of conduct—**administrative regulations**. For example, state legislatures establish licensing boards to formulate regulations for the licensing of physicians and nurses. As long as these regulations do not exceed the board's statutory powers and do not conflict with other kinds of law, they are legally binding.

Common law refers to the body of judge-made law that first developed in the English-speaking world centuries ago when there were few statutes. Courts frequently wrote opinions explaining the bases of their decisions in specific cases, including the legal principles those decisions rested on. Each of these opinions became a precedent for later decisions in similar cases. The massive body of precedents and legal principles that accumulated over the years is collectively referred to as "common law." Like administrative regulations, common law is valid if it harmonizes with statutory law and with still another kind: constitutional law.

Constitutional law refers to court rulings on the requirements of the Constitution and the constitutionality of legislation. The U.S. Constitution empowers the courts to decide whether laws are compatible with the Constitution. State courts may also rule on the constitutionality of state laws under state constitutions. Although the courts cannot make laws, they have far-reaching powers to rule on the constitutionality of laws and

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to declare them invalid if they conflict with the Constitution. In the United States, the Supreme Court has the greatest judiciary power and rules on an array of cases, some of which bear directly on the study of business ethics.

People sometimes confuse legality and morality, but they are different things. On one hand, breaking the law is not always or necessarily immoral. On the other hand, the legality of an action does not guarantee that it is morally right. Let's consider these points further.

Legality should not be confused with morality. Breaking the law isn't always or necessarily immoral, and the legality of an action doesn't guarantee its morality.

1. **An action can be illegal but morally right.** For example, helping a Jewish family to hide from the Nazis was against German law in 1939, but it would have been a morally admirable thing to have done. Of course, the Nazi regime was vicious and evil. By contrast, in a democratic society with a basically just legal order, the fact that something is illegal provides a moral consideration against doing it. For example, one moral reason for not burning trash in your backyard is that it violates an ordinance that your community has voted in favor of. Some philosophers believe that sometimes the illegality of an action can make it morally wrong, even if the action would otherwise have been morally acceptable. But even if they are right about that, the fact that something is illegal does not trump all other moral considerations. Nonconformity to law is not always immoral, even in a democratic society. There can be circumstances where, all things considered, violating the law is morally permissible, perhaps even morally required.

   Probably no one in the modern era has expressed this point more eloquently than Dr. Martin Luther King, Jr. Confined in the Birmingham, Alabama, city jail on charges of parading without a permit, King penned his now famous "Letter from Birmingham Jail" to eight of his fellow clergymen who had published a statement attacking King's unauthorized protest of racial segregation as unwise and untimely. King wrote:

   > All segregation statutes are unjust because segregation distorts the soul and damages the personality. It gives the segregator a false sense of superiority and the segregated a false sense of inferiority. Segregation, to use the terminology of the Jewish philosopher Martin Buber, substitutes an "I-it" relationship for an "I-thou" relationship and ends up relegating persons to the status of things. Hence segregation is not only politically, economically, and sociologically unsound, it is morally wrong and sinful. . . . Thus it is that I can urge men to obey the 1954 decision of the Supreme Court,* for it is morally right; and I can urge them to disobey segregation ordinances, for they are morally wrong.[5]

2. **An action that is legal can be morally wrong.** For example, it may have been perfectly legal for the chairman of a profitable company to lay off 125 workers and use three-quarters of the money saved to boost his pay and that of the company's other top managers,[6] but the morality of his doing so is open to debate.

   Or, to take another example, suppose that you're driving to work one day and see an accident victim sitting on the side of the road, clearly in shock and needing medical assistance. Because you know first aid and are in no great hurry to get to your destination, you could easily stop and assist the person. Legally speaking, though, you are not obligated to stop and render aid. Under common law, the prudent thing would be to drive on, because by stopping you could thus incur legal liability

SUMMARY

Morality must be distinguished from etiquette (rules for well-mannered behavior), from law (statutes, regulations, common law, and constitutional law), and from professional codes of ethics (the special rules governing the members of a profession).

*_In Brown v. Board of Education of Topeka_ (1954), the Supreme Court struck down the half-century-old "separate but equal doctrine," which permitted racially segregated schools as long as comparable quality was maintained.

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You come upon this scene—the car is smoking, and it is clear that an accident just took place. In most states, you are not legally obligated to stop and offer help to the victims.

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if you fail to exercise reasonable care and thereby injure the person. Many states have enacted so-called Good Samaritan laws to provide immunity from damages to those rendering aid (except for gross negligence or serious misconduct). But in most states, the law does not oblige people to give such aid or even to call an ambulance. Moral theorists would agree, however, that if you sped away without helping or even calling for help, your action might be perfectly legal but would be morally suspect. Regardless of the law, such conduct would almost certainly be wrong.

What then may we say about the relationship between law and morality? To a significant extent, law codifies a society's customs, ideals, norms, and moral values. Changes in law tend to reflect changes in what a society takes to be right and wrong, but sometimes changes in the law can alter people's ideas about the rightness or wrongness of conduct. However, even if a society's laws are sensible and morally sound, it is a mistake to see them as sufficient to establish the moral standards that should guide us. The law cannot cover all possible human conduct, and in many situations it is too blunt an instrument to provide adequate moral guidance. The law generally prohibits egregious affronts to a society's moral standards and in that sense is the "floor" of moral conduct, but breaches of moral conduct can slip through cracks in that floor.

PROFESSIONAL CODES

Somewhere between etiquette and law lie **professional codes of ethics**. These are the rules that are supposed to govern the conduct of members of a given profession. Adhering to these rules is a required part of membership in that profession. Violation of a professional code may result in the disapproval of one's professional peers and, in serious cases, loss of one's license to practice that profession. Sometimes these codes are unwritten and are part of the common understanding of members of a particular profession—for example, that professors should not date their students. In other instances, these codes or portions of them may be written down by an authoritative body so they may be better taught and more efficiently enforced.

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These written rules are sometimes so vague and general as to be of little value, and often they amount to little more than self-promotion by the professional organization. The same is frequently true when industries or corporations publish statements of their ethical standards. In other cases—for example, with attorneys—professional codes can be very specific and detailed. It is difficult to generalize about the content of professional codes of ethics, however, because they frequently involve a mix of purely moral rules (for example, client confidentiality), of professional etiquette (for example, the billing of services to other professionals), and of restrictions intended to benefit the group's economic interests (for example, limitations on price competition).

Given their nature, professional codes of ethics are neither a complete nor a completely reliable guide to one's moral obligations. Not all the rules of a professional code are purely moral in character, and even when they are, the fact that a rule is officially enshrined as part of the code of a profession does not guarantee that it is a sound moral principle. As a professional, you must take seriously the injunctions of your profession, but you still have the responsibility to critically assess those rules for yourself.

You should take seriously the code that governs your profession, but you still have a responsibility to assess its rules for yourself.

Regarding those parts of the code that concern etiquette or financial matters, bear in mind that by joining a profession you are probably agreeing, explicitly or implicitly, to abide by those standards. Assuming that those rules don't require morally impermissible conduct, then consenting to them gives you some moral obligation to follow them. In addition, for many, living up to the standards of one's chosen profession is an important source of personal satisfaction. Still, you must be alert to situations in which professional standards or customary professional practice conflicts with ordinary ethical requirements. Adherence to a professional code does not exempt your conduct from scrutiny from the broader perspective of morality.

WHERE DO MORAL STANDARDS COME FROM?

So far you have seen how moral standards are different from various nonmoral standards, but you probably wonder about the source of those moral standards. Most, if not all, people have certain moral principles or a moral code that they explicitly or implicitly accept. Because the moral principles of different people in the same society overlap, at least in part, we can also talk about the moral code of a society, meaning the moral standards shared by its members. How do we come to have certain moral principles and not others? Obviously, many things influence what moral principles we accept: our early upbringing, the behavior of those around us, the explicit and implicit standards of our culture, our own experiences, and our critical reflections on those experiences.

For philosophers, though, the central question is not how we came to have the particular principles we have. The philosophical issue is whether those principles can be justified. Do we simply take for granted the values of those around us? Or, like Martin Luther King, Jr., are we able to think independently about moral matters? By analogy, we pick up our nonmoral beliefs from all sorts of sources: books, conversations with friends, movies, various experiences we've had. What is important, however, is not how we acquired the beliefs we have, but whether or to what extent those beliefs—for example, that women are more emotional than men or that telekinesis is possible—can withstand critical scrutiny. Likewise, ethical theories attempt to justify moral standards and ethical beliefs. The next chapter examines some of the major theories of normative ethics. It looks at what some of the major thinkers in human history have argued are the best-justified standards of right and wrong.

For philosophers, the important issue is not where our moral principles came from, but whether they can be justified.

But first we need to consider the relationship between morality and religion on the one hand and between morality and society on the other. Some people maintain that morality just boils down to religion. Others have argued for the doctrine of

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