

Business Ethics

CONCEPTS AND CASES

EIGHTH EDITION



MANUEL G. VELASQUEZ

Business Ethics

Concepts and Cases

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Eighth Edition

Manuel G. Velasquez

Santa Clara University



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Preface

Business Ethics: Concepts and Cases remains one of the most widely used texts in the field of business ethics. It continues to be popular among students and is valued by instructors because of its accessible style and lucid explanations of complex theories and concepts. As instructors know, providing clear explanations of ideas without oversimplifying them is a major challenge in this field. Those who have used previous editions of this text have said that it does an outstanding job of meeting this challenge, while also providing an excellent balance of ethical theory and managerial practice. However, the world does not stand still. Not only have new moral issues arisen to challenge business, but also advances and innovations in the textbook industry have resulted in exciting new forms of publication. So, it is a pleasure to say that this newly revised edition is now available in Revel.

Perspective and Goals

Business Ethics: Concepts and Cases is founded on a comprehensive explanation of ethical theory and its relationship to business practices. Its fundamental perspective is the view that ethical behavior is the best long-term business strategy for a company. By this, I do not mean that ethical behavior is never costly. Nor do I mean that ethical behavior is always rewarded or that unethical behavior is always punished. It is obvious, in fact, that unethical behavior sometimes pays off, and that ethical behavior can impose serious losses on a company. When I argue that ethical behavior is the best long-range business strategy, I mean merely that over the long run, and for the most part, ethical behavior can give a company important competitive advantages over companies that are not ethical.

The primary aims of this text remain the same as in earlier versions. They are as follows:

- To introduce the reader to the ethical concepts that are relevant to resolving moral issues in business
- To impart the reasoning and analytical skills needed to apply ethical concepts to business decisions
- To identify the moral issues involved in the management of specific problem areas in business
- To provide an understanding of the social, technological, and natural environments within which moral issues in business arise
- To explore case studies of moral dilemmas faced by businesses and business people

Thoughtful Organization

This text is organized into four theoretical parts, each consisting of two chapters. The text begins with an introduction to basic ethical theory. Chapter 1 develops the fundamental perspective of ethical behavior and business success. It also indicates how we come to develop ethical principles and how such principles can be incorporated into our moral reasoning processes. The chapter also reviews some key findings in the psychology of ethical behavior, or what is now sometimes called *behavioral ethics*. Chapter 2 critically examines four kinds of moral principles: utilitarian principles, principles based on moral rights, principles of justice, and the principles of an ethic of care. These four kinds of moral principles, it is argued, can provide a framework for resolving most of the kinds of ethical dilemmas and issues that arise in business. In addition, the text explains virtue theory as an alternative to a principles-based approach and discusses automatic moral decision-making and casuistry.

Having defined the nature and significance of ethical standards and identified four basic ethical standards for resolving moral issues in business, the resulting theory is brought to bear on specific ethical issues in business. Chapters 3 and 4 examine the ethics of markets and prices. Chapters 5 and 6 look at environmental and consumer issues, respectively. Chapter 7 explores issues related to job discrimination. Chapter 8 covers general employee issues that are relevant and meaningful to anyone in the work world.

I assume throughout that in order to apply a moral theory to the real world, we must have some information (and theory) about what that world is really like. Consequently, each chapter, in all four parts, includes the theories and empirical information that decision makers must have if they are to apply morality to reality. The chapter on market ethics, for example, provides a neoclassical analysis of market structure; the chapter on discrimination presents several statistical and institutional indicators of discrimination; and the chapter on employees in the organization relies on three models of organizations.

Each chapter contains two kinds of materials. The main text of the chapter sets out the conceptual materials needed to understand and address the type of ethical issues discussed in the chapter. In addition, each chapter includes short cases in the main body of the chapter and longer cases at the end of the chapter, both of which describe real business situations in which moral issues are raised. I have

provided these discussion cases on the pedagogical assumption that a person's ability to reason about moral matters will improve if the person attempts to think through several concrete moral problems and allows himself or herself to be challenged by others who resolve the issue on the basis of different moral standards. These kinds of challenges, when they arise in dialogue and discussion with others, force us to confront the adequacy of our moral norms and motivate us to search for more adequate principles when our own are shown to be inadequate. Some of the rationale for these pedagogical assumptions is discussed in Chapter 1 in the sections on moral development and moral reasoning. I hope that I have provided sufficient materials to allow the reader to develop, in discussion and dialogue with others, a set of ethical norms that they can accept as adequate.

Features and Learning Aids

Although this edition significantly updates the format of its predecessor, it retains both the basic organization and the conceptual framework of previous editions.

Shorter, more readable modules, each with fresh explanatory headings, allow the reader to progress through complex exposition and reasoning processes one step at a time, building knowledge and applying concepts.

The text's robust case approach, featuring detailed end-of-chapter *Case Studies* and briefer *On the Edge* in-chapter cases, remains the signature feature. Some cases are new, others have been revised and updated, and many are illustrated.

The learning aids included in each chapter are as follows:

- *Learning Objectives* allow students to know what they are expected to master in the chapter.
- *Journals* conclude *On the Edge* brief cases and longer *Case Study* offerings. These writing exercises encourage students to examine the connections between ethical problems within business organizations, the foundational ethical concepts that are involved in an analysis of these situations, and their personal moral values.
- *Interactive visuals* include graphs, charts, and media galleries.
- *Key terms* show instant definitions for easy reference.
- *Ethical Applications* take case and example content that has been presented, enrich it with increasing detail as necessary, and connect it to the chapter's developing narrative.
- *Quick Reviews* summarize the basic ideas, philosophical viewpoints, and ethical arguments examined.

- *Shared Writing* assessments promote debate, discussion, and critical thinking as they further test conceptual understanding.
- Each *Chapter Summary* provides a refresher on essential concepts and ties the material together.

New to This Edition

The eighth edition of *Business Communication: Concepts and Cases* incorporates the following refreshed coverage:

- an emphasis on the growing global environment and its interconnected business practices, which continue to present complex ethical issues
- new and updated research and examples from corporations and smaller organizations
- a focus on evolving views in business ethics
- clear viewpoints on increasingly complex arguments
- an emphasis on critical thinking through journaling
- a renewed focus on the ethics of environmental issues

Numerous large and detailed revisions have been made to all the chapters of this edition. However, the following specific changes from the previous edition's text should be noted:

Chapter 1: Ethics in Business

Chapter 1 includes a new *On the Edge* case "Blowing the Whistle on JCPenney's 'Fake' Sales." *Case Studies* "Slavery in the Chocolate Industry" and "Aaron Beam and the HealthSouth Fraud" have both been updated.

Chapter 2: Ethical Principles in Business

Chapter 2 has a wholly revised introduction. Specifically, the previous edition's introductory discussion of business responses to the South African apartheid regime was removed and replaced with a discussion of Unocal's activities in Burma under a military regime. Several small but important revisions have been made to the discussion of Ford and its decision to produce and market the Pinto. The discussion of utilitarianism has been revised at several points to emphasize that utilitarianism requires comparing the benefits and costs of *every* available course of action. The introduction to the section on justice and fairness now opens with a discussion of wages in the fast food industry. The introduction to the section on virtue ethics now opens with a discussion of Joe Nacchio, former chairman and CEO of Qwest Communications. "Testing Drugs in the Developing World" is a new *Case Study* in this edition.

Chapter 3: The Business System: Government, Markets, and International Trade

In Chapter 3, the statistics related to inequality in the discussion of Locke have been updated, and the discussion of Marx has been revised.

Chapter 4: Ethics in the Marketplace

Chapter 4 has a revised introduction. In addition, the discussion of oligopoly markets has been revised.

Chapter 5: Ethics and the Environment

The introduction to Chapter 5 has been revised, and the graphs, statistics, and other data in the section discussing the dimensions of pollution and resource depletion have all been updated. In addition, the discussion of nuclear wastes has been revised to include a comparison of the human costs of nuclear power plants with the human costs of fossil fuel-based power plants, and the discussion of the depletion of oil reserves has been updated to take into account the development of technologies such as fracking. The *On the Edge* case “Ford’s Toxic Wastes” has been revised and updated, and so has the *Case Study* entitled “Gas or Grouse?”

Chapter 6: The Ethics of Consumer Production and Marketing

The introduction to Chapter 6 has been revised. A new *On the Edge* case entitled “Mr. Trump’s University” has been included, the brief case on selling personalized genetics direct to consumers has been updated and slightly expanded, and the *On the Edge* case “Advertising Death to Kids?” has been expanded to include a brief discussion of e-cigarettes. The chapter also includes a new *Case Study* entitled “Promoting Infant Formula in the Twenty-First Century.”

Chapter 7: The Ethics of Job Discrimination

In Chapter 7, all the statistical data, graphs, and tables in the section “Extent of Discrimination” have been updated.

Chapter 8: Ethics and the Employee

In Chapter 8, the statistics have been updated. A new *On the Edge* case entitled “Beyoncé’s Gym Clothes” is included,

and the *Case Study* “Death at Massey Energy Company” has been updated.

About the Author

Manuel Velasquez is the author of *Business Ethics: Concepts and Cases*, the most widely used business ethics textbook in the world.

Known as the father of academic business ethics, Velasquez is the Charles J. Dirksen Professor of Business Ethics at Santa Clara University, where he holds appointments in the department of Management and the department of Philosophy and teaches courses in business ethics and in business and public policy.

The author of numerous articles and case studies on business ethics, he has provided consulting and training in business ethics for several companies, as well as workshops on teaching business ethics to more than 2,000 business school faculty.

Velasquez received his undergraduate and master’s degrees from Gonzaga University and earned his Ph.D. from the University of California, Berkeley.

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- **Instructor's Manual**—includes lecture support, chapter overviews, and classroom activities for each chapter.
- **Test Bank**—includes additional questions beyond the REVEL course in multiple choice and open-ended—short and essay response—formats.
- **MyTest**—an electronic format of the Test Bank to customize in-class tests or quizzes. Visit <http://www.pearsonhighered.com/mytest>.

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Chapter 1

Ethics and Business



In business the handshake is an expression of trust, and ethical behavior is the foundation of trust.



Learning Objectives

- 1.1** Analyze the basic nature of business ethics
- 1.2** Emphasize the importance of moral reasoning and moral decision-making in business ethics
- 1.3** Examine ethical issues arising from globalization and international business connections and practices
- 1.4** Explain the deep foundations and structure of moral reasoning
- 1.5** Assess the factors that define and refine the concept of moral responsibility

Business ethics is applied ethics. It is the application of our understanding of what is good and right to that assortment of institutions, technologies, transactions, activities, and pursuits that we call business. A discussion of business eth-

ics must begin by providing a framework of basic principles for understanding what is meant by the terms *good* and *right*; only then can one proceed to profitably discuss the implications these have for our business world. This

chapter provides such a framework. This chapter introduces you to some methods of moral reasoning and some of the obstacles that can get in the way of thinking clearly about ethical issues. We begin by discussing the nature of business ethics and some of the issues it raises and continue by examining moral reasoning, moral decision making, and moral responsibility.

1.1: The Nature of Business Ethics

OBJECTIVE: Analyze the basic nature of business ethics

The best way to introduce a discussion of business ethics is by looking at how real companies have—or have not—incorporated ethics into operations. Consider how Merck & Co., Inc., a U.S. drug company, dealt with the issue of river blindness.

1.1.1: Merck & Co., Inc.

River blindness, or *onchocerciasis*, is a debilitating parasitic disease. It affects about 17 million impoverished people living in remote villages along the banks of rivers in tropical regions of Africa and Latin America. The disease is endemic in 30 African countries, 6 Latin American countries, and Yemen. River blindness is caused by a tiny parasitic worm that is passed from person to person by the bite of the black fly, which breeds in fast-flowing river waters. The tiny worms burrow under a person's skin, where they grow as long as 2 feet curled up in colonies inside ugly round nodules half an inch to an inch in diameter. Male worms move between the colonies to mate with the females. After mating, the female worms each day release thousands of microscopic offspring called *microfilariae*. These tiny worms wriggle their way throughout the body moving beneath the skin, discoloring it as they migrate. The worms cause lesions on the skin and such intense itching that victims sometimes commit suicide. Eventually, the *microfilariae* invade the eyes and blind the victim. Toward the end of the twentieth century, in some West African villages, the parasite had blinded more than 60 percent of adults older than 55. The World Health Organization (WHO) reported that the disease had blinded 270,000 people and left another 800,000 with impaired vision. It is estimated that worldwide more than 100 million people were at risk of infection and 37 million people had been infected.

Pesticides no longer stop the black fly because it has developed immunity to them. Moreover, until the events described below, the only drugs available to treat the parasite in humans were impractical for the destitute victims who lived in isolated rural villages. The drugs were

expensive, had severe side effects, and required lengthy hospital stays. In many countries, young people fled the areas along the rivers, abandoning large tracts of rich fertile land. Villagers who stayed to live along the rivers accepted the nodules, the torturous itching, and eventual blindness as an inescapable part of life.

Having looked at how Merck dealt with its discovery of a cure for river blindness, let us now turn to the relationship between ethics and business. Pundits sometimes quip that the phrase *business ethics* is a contradiction in terms because there is an inherent conflict between ethics and the pursuit of profit. When ethics conflicts with profits, they imply, businesses always choose profits over ethics. Yet, the case of Merck suggests a different perspective—a perspective that many companies are increasingly taking. Merck's managers spent \$200 million developing a product they knew had little chance of ever being profitable. They did so because they felt they had an ethical obligation to make its potentially great benefits available to people. In this case, at least, a large and very successful business seems to have chosen ethics over profits. Moreover, the comments of Dr. Vagelos at the end of the case suggest that, in the long run, there may be no inherent conflict between ethical behavior and the pursuit of profit. His comments suggest that ethical behavior creates the kind of goodwill and reputation that expand a company's opportunities for profit.

LONG-TERM BUSINESS STRATEGY Not all companies operate like Merck, and Merck itself has made decisions that were not ethical. Many—perhaps most—companies will not invest in a project that will probably be unprofitable even if it will benefit humanity. Every day newspapers announce the names of companies that choose profits over ethics or that, at least for a time, profited through unethical behavior: Enron, WorldCom, Global Crossing, Rite-Aid, Oracle, ParMor, Adelphia, Arthur Andersen, Louisiana-Pacific, and Qwest are but a few of these. In 2004, even Merck was accused of failing to disclose heart problems associated with its drug Vioxx, and in 2010 the company put \$4.85 billion into a fund to compensate patients who said they had suffered heart attacks or strokes because they had used Vioxx. In spite of its significant lapse in regard to Vioxx, Merck has remained committed to operate ethically. It has continued to win dozens of awards for its ethically responsible operations.¹

Although many companies engage in unethical behavior, habitually unethical behavior is not necessarily a good long-term business strategy. Ask yourself whether, as a customer, you prefer buying from a business that you know is honest and trustworthy or one with a reputation for being dishonest and crooked. As an employee, are you more likely to loyally serve a company that treats you with fairness and respect or one that habitually treats

The Cure for River Blindness

In 1980, Dr. Bill Campbell and Dr. Mohammed Aziz, research scientists working for Merck, had discovered evidence that one of the company's best-selling animal drugs, Ivermectin, might kill the parasite that causes river blindness. Aziz, who had once worked in Africa and was familiar with river blindness, traveled to Dakar, Senegal, where he tested the drug on villagers who had active infections. He found that a single small dose of the drug killed all the microfilariae, made the female worms sterile, and made the person immune to new infections for months.^{2, 3, 4, 5, 6}

Interactive

When Aziz returned to the United States, he and Campbell went to see Merck's head of research and development, Dr. P. Roy Vagelos, a former physician. They showed him their results and recommended that Merck develop a human version of the drug.

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you and other workers unjustly and disrespectfully? Clearly, when companies compete for customers and for the best workers, the company with a reputation for ethical behavior has an advantage over one with a reputation for being unethical.

1.1.2: Clarifying Ethical Issues

This text takes the view that ethical behavior is the best long-term business strategy for a company—a view that has become increasingly accepted during the last few years.⁷ Acceptance of this view does not mean that occasions never arise when doing what is ethical will prove

costly to a company. Such occasions are common in the life of a company, and we will see many examples in this text. Nor does it mean that ethical behavior is always rewarded or that unethical behavior is always punished. On the contrary, unethical behavior sometimes pays off, and the good guy sometimes loses. To say that ethical behavior is the best long-range business strategy just means that, over the long run and for the most part, ethical behavior can give a company significant competitive advantages over companies that are not ethical. The example of Merck suggests that being ethical is a good business strategy. A bit of reflection on how consumers and employees respond to companies that behave unethically shows that unethical behavior leads

Ethical Application

Analyzing Merck's Decision

It is important to study ethics because often it is not clear what the ethical course of action is. In fact even the Merck decision raises questions that require some hard thinking. In the Merck case, Dr. Roy Vagelos decided that the company had an ethical obligation to proceed with the development of Mectizan. Yet to someone else, the issue may not have been so clear. Vagelos noted he would be “spending a considerable amount of company money” in a way that would not “make stockholders happy” and that would put his own career at “some risk.” Don't the managers of a company have a duty toward investors and shareholders to invest their funds in a profitable manner? Indeed, if a company spent all of its funds on charitable projects that lost money, wouldn't it soon be out of business? Then, wouldn't its shareholders be justified in claiming that the company's managers had spent their money unethically? Should Vagelos have risked his career, considering the implications that such risk would have had for his family? Is it so clear, then, that Vagelos had an ethical obligation to invest in an unprofitable drug? What reasons would justify Vagelos's belief that Merck had an obligation to develop Mectizan? Can any good reasons justify the claim that Merck had no such obligation? Which view do you think is supported by the strongest reasons?

to a loss of customer and employee support. Later, we will see what more can be said for and against the view that ethical behavior is the best long-term business strategy for a company. The more basic problem is that the ethical course of action is not always clear to a company's managers.

Although ethics may be the best policy, then, the ethical course of action is not always clear. The purpose of this text is to help you, the reader, deal with this lack of clarity. Although many ethical issues remain difficult and obscure even after a lot of study, gaining a better understanding of ethics will help you deal with ethical uncertainties more adequately.

This text aims to clarify the ethical issues that you may face when you work in a business and, perhaps, become part of a company's management team. This does not mean that it is designed to give you moral advice nor that it is aimed at persuading you to act in certain “moral” ways. The main purpose of the text is to provide you with a deeper knowledge of the nature of ethical principles and concepts. Studying the many cases it contains can help you see how to use this knowledge to deal with the ethical choices you will encounter in the business world. This type of knowledge and skill should help you steer your way through ethical decisions like the one Dr. Vagelos had to make. Everyone in business is confronted with decisions like these, although usually not as significant as deciding whether to develop a

cure for river blindness. Before you even start working for a company, you will be faced with ethical decisions about how “creative” your resume should be. Later, you may have to decide whether to cut corners just a little in your job. Or whether to give your relative or friend a company contract. Or whether to put a little extra into the expenses you report for a company trip you made. Maybe you will catch a friend stealing from the company and have to decide whether to turn him in. Maybe you will find out your company is doing something illegal and have to decide what you are going to do about it. Maybe your boss will ask you to do something you think is wrong. Ethical choices confront everyone in business, and this text should give you some ways of thinking through these choices.

1.2: Moral Reasoning and Moral Decision Making

OBJECTIVE: Emphasize the importance of moral reasoning and moral decision-making in business ethics

According to the dictionary, the term *ethics* has several meanings. One of the meanings given to it is as follows: “the principles of conduct governing an individual or a group.”⁸ We sometimes use the term *personal ethics* when referring to the rules by which an individual lives his or her personal life. We use the term *accounting ethics* when referring to the code that guides the professional conduct of accountants.

A second—and for us, more important—meaning of ethics according to the dictionary is this: ethics is the study of morality. Just as chemists use the term *chemistry* to refer to a study of the properties of chemical substances, ethicists use the term *ethics* to refer primarily to the study of morality. Although ethics deals with morality, it is not quite the same as morality. Ethics is a kind of investigation. It is an investigation into morality that includes both the activity of investigating as well as the results of that investigation. Morality, on the other hand, is the subject matter that ethics investigates.

So what, then, is morality? We can define *morality* as the standards that an individual or a group has about what is right and wrong, or good and evil. To clarify what this means, let's consider another case, one that is different from the Merck case.

1.2.1: BFGoodrich

Several years ago, BFGoodrich, a manufacturer of vehicle parts, won a military contract to design, test, and manufacture aircraft brakes for the A7-D aircraft. The A7-D was a new lightweight airplane the U.S. Air Force was developing.

Brakes for the A7-D Aircraft

An older BFGoodrich engineer, John Warren, designed the brake. A young engineer named Searle Lawson was given the job of determining the best material to use as the brake lining and testing the brake to make sure it qualified. Lawson was in his twenties. He had just graduated from school with an engineering degree, and BFGoodrich had only recently hired him.^{9, 10, 11, 12, 13}

Interactive

Lawson built a prototype—a working model—of the small brake to test lining materials. He found that when the brake was applied, the linings on the four rotors heated up to 1,500 degrees and began disintegrating. When he tried other linings and got the same results, Lawson went over Warren's design and decided that it was based on a mistake. By his own calculations, there was not enough surface area on the rotors to stop an airplane in the required distance without generating so much heat that the linings failed. Lawson went to Warren, showed him his calculations and suggested that Warren's design be replaced with a new design for a larger brake with five rotors. Warren rejected the suggestion that his design was based on a mistake that a "green kid" just out of engineering school had discovered. He told Lawson to keep trying different materials for brake linings until he found one that worked.

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To conserve weight, BFGoodrich managers guaranteed that their compact brake would weigh no more than 106 pounds, contain no more than four small braking disks or rotors, and be able to repeatedly stop the aircraft within a specified distance. The contract was potentially very lucrative for the company. So its managers were anxious to deliver a brake that "qualified," that is, that passed all the tests the U.S. Air Force required for the A7-D.

1.2.2: Moral and Nonmoral Standards and Norms

Moral standards include the *norms* we have about the kinds of actions we believe are morally right and wrong, as well

as the kinds of things we believe are morally good or morally bad. Moral norms can usually be expressed as general rules about our actions. These are examples of general rules that express moral norms: "Always tell the truth," "It's wrong to kill innocent people," and "Actions are right to the extent that they produce happiness." Our beliefs about the kinds of things we judge to be morally good or morally bad can usually be expressed with statements that indicate their value, such as "Honesty is good," and "Injustice is bad."

Where do moral standards come from? Typically, moral standards are first learned when we are children. We learn our moral standards from family, friends, and various societal influences such as church, school, television,

magazines, music, and associations. Later, as we mature, our life experience and intellectual development may lead us to evaluate and perhaps revise these standards.

We may judge some moral standards to be reasonable and others we may come to see as unreasonable. If we decide a certain moral standard is unreasonable, we may discard it and adopt a new standard that seems more reasonable than the one we previously accepted. Through this maturing process, we develop moral standards that are more rational and so more suited for dealing with the moral issues of adult life. As Lawson and Vandivier's example shows, however, we do not always live up to the moral standards we hold. That is, we do not always do what we believe is morally right nor do we always pursue what we believe is morally good. Later in the chapter, we will look at how our actions can become disconnected from our moral beliefs.

Moral standards can be contrasted with norms or standards we hold about things that are not moral. Examples of **nonmoral standards** and norms include the standards of etiquette by which we judge people's manners as good or bad, the rules of behavior set by parents, teachers, or other authorities, the norms we call *the law* by which we determine what is legally right and wrong, the standards of language by which we judge what is grammatically right and wrong, the standards of art by which we judge whether a painting or a song is good or bad, and the sports standards by which we judge how well a game of football or basketball is being played. In fact, whenever we make judgments about the right or wrong way to do things, or judgments about what things are good and bad, or better and worse, our judgments are based on standards or norms of some kind. In Vandivier's case, we can guess that he probably believed that reports should be written with good grammar; that having a well-paid, pleasant, and challenging job was a good thing; and that it's right to follow the law and wrong to break it. The norms of good grammar, the value of a well-paid, pleasant, and challenging job, and the laws of government are also standards. However, these standards are not moral standards. As Vandivier's decision demonstrates, we sometimes choose nonmoral standards over our moral standards.

How do we distinguish between moral and nonmoral standards? Before reading any further, look at the two groups of norms in table 1.1 and see if you can tell which

is the group of moral norms and which is the group of nonmoral norms.

During the last two decades, numerous studies have shown that the human ability to distinguish between moral norms and nonmoral norms emerges at a very early age. Moreover, that ability remains with us throughout life.¹⁴ Psychologist Elliot Turiel and several others have found that by the age of three, a normal child has acquired the ability to tell the difference between moral norms and conventional norms. By age three, the child sees violations of moral norms as more serious and always wrong. However, violations of nonmoral norms are seen as less serious, and those violations are seen as wrong only when authorities mandate such norms.¹⁵ For example, three-year-olds will say that it is not wrong to chew gum at schools where teachers do not have a rule against it. But they will insist it is still wrong to hit someone even at schools where teachers do not have a rule against hitting. Because this ability to distinguish between moral and conventional norms develops in childhood, it was not just easy, but trivially easy for you to see that the norms in group one are moral norms and those in group two are nonmoral norms. This innate ability to distinguish moral norms from nonmoral norms is not unique to Americans, Europeans, or Westerners. It is an ability that every normal human being in every culture develops.¹⁶ Even though all cultures may not agree on which norms are moral norms and which are nonmoral norms (although there is a surprising amount of agreement), they do agree that the two are different and that the difference is extremely important.

Quick Review 1.1

Moral Norms and Nonmoral Norms

- From the age of three, we can distinguish moral from nonmoral norms.
- From the age of three, we tend to think that moral norms are more serious than nonmoral norms and apply everywhere, independent of what authorities say.
- The ability to distinguish moral from nonmoral norms is innate and universal.

Table 1.1 Moral versus Nonmoral Norms

Group 1	Group 2
"Do not harm other people."	"Do not eat with your mouth open."
"Do not steal what belongs to others."	"Do not chew gum in class."
"Do not lie to other people."	"Do not wear socks that do not match."

DISTINGUISHING BETWEEN MORAL AND NON-MORAL NORMS What is the difference between moral norms and nonmoral, or conventional, norms? This question is not easy to answer, even though three-year-olds seem to know the difference. Philosophers have suggested six characteristics that help pin down the nature of moral standards. (Psychologist Elliot Turiel and others have drawn on the work of philosophers to help them distinguish moral from nonmoral norms in their studies.)

Six Characteristics of Moral Standards

Moral standards are standards that deal with matters that we think are of serious consequence, override self-interest, are based on good reasons and not on authority, are universal, are based on impartial considerations, and are associated with special feelings such as guilt and shame, and with a special moral vocabulary such as “obligation,” or “responsibility.” We learn these standards as children from a variety of influences and revise them as we go through our lives.^{17, 18, 19, 20, 21, 22, 23}

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1. Moral Standards Deal with Serious Matters

Moral standards deal with matters that are serious. That is, they deal with matters that we think can seriously wrong or significantly benefit human beings. For example, most people in American society hold moral standards against theft, rape, enslavement, murder, child abuse, assault, slander, fraud, law-breaking, and so on. These standards plainly deal with matters that people feel are serious forms of injury. Because they are about serious matters, violating moral standards is seen as seriously wrong. Moreover, we feel that the obligation to obey moral standards has greater claim on us than conventional norms do. In the BFGoodrich case, it was clear that both Lawson and Vandivier felt that lying in their report and endangering the lives of pilots were both serious harms, and so both were moral matters. On the other hand, failing to adhere to grammatical standards would not have been a serious failure. Since the benefits of developing a cure for river blindness were so significant, Vagelos felt that Merck had a moral obligation to develop the drug Mectizan.

2. Moral Standards Are Preferred to Other Values

3. Moral Standards Are Independent of Authority

4. Moral Standards Are Universal

5. Moral Standards Are Determined Impartially

6. Moral Standards Are Associated with Special Emotions and Vocabulary

1.2.3: Refining the Concept of Ethics

What, then, is ethics?

Ethics is the discipline that examines your moral standards or the moral standards of a society.

Ethics asks how moral standards apply to your life and whether these standards are reasonable or unreasonable—that is, whether they are supported by good reasons or poor ones. So you start to engage with ethics when you take the moral standards you have absorbed from family, church, and friends and ask yourself questions like these: What do these standards imply for the situations in which I find myself? Do these standards really make sense? What

are the reasons for or against these standards? Why should I continue to believe in them? What can be said in their favor and what can be said against them? Are they really reasonable for me to hold? Are their implications in this or that particular situation reasonable?

Ethical Application

Returning to BFGoodrich

To illustrate the kinds of questions ethics asks let's return to Vandivier's role in the BFGoodrich case. Vandivier had apparently been raised to accept the moral standard that one has an obligation to tell the truth. Consequently, he felt that in his

particular situation, it would be wrong to write a false report on the brake. We might ask whether writing what he believed would be a false report was really wrong in his particular circumstances. Vandivier had several important financial obligations both toward himself and other people. He has stated, for example, that he had just married and bought a house, so he had mortgage payments to make each month and had to provide support for his family. If he did not write the report as he was ordered to do, then he would be fired and not be able to live up to these obligations. Do these moral obligations toward himself and his family outweigh his obligation to not write a false report? What is the basis of his obligation to tell the truth, and why is the obligation to tell the truth greater or lesser than a person's obligations toward oneself and one's family?

Next, consider Lawson's obligations toward his employer, BFGoodrich. Doesn't an employee have a moral obligation to obey his employer? Does the obligation to obey one's employer outweigh the obligation to "try to do your best" as an engineer? What is the source of both of these obligations, and what makes one greater or lesser than another? Also consider that the company and all its older and more experienced managers insisted that the best course of action was to write the report qualifying the brake. If something went wrong with the brake or the contract, BFGoodrich would be held accountable, not Lawson, who was a young and relatively low-level employee. Since the company, not Lawson, was accountable, did it have the moral right to make the final decision about the report, instead of Lawson, who had just finished college? Does the moral right to make a decision belong to the party that will be held accountable for the decision? What is the basis of such a right, and why should we accept it?

Finally, consider that Vandivier stated that his refusal to write the report would have given him some "satisfaction" but would have made no difference because someone else would have been hired to write the report. Since the consequences would be the same whether he agreed or refused, did he really have a moral obligation to refuse? Can one have a moral obligation to do something that will make no difference? Why?

Notice the sort of questions that arise from the choices Vandivier and Lawson faced in the BFGoodrich case. They are questions about the reasonableness of our moral standards or about the way we use them. These questions could include the following: Is it reasonable to apply various moral standards to a situation? Is it reasonable to say that one moral standard is more important or less important than another? What reasons might we have to hold certain moral standards? When you ask these kinds of questions about your own moral standards or about the moral standards of a society, you have started to engage in ethics. Ethics is the study of moral standards. It is the process of examining the moral standards you or your society (or other societies) holds in order to determine whether these standards are reasonable or unreasonable and how they apply to the concrete situations and issues you face. The ultimate aim of ethics is to develop a body of moral

standards that you feel are reasonable for you to hold. They will be reasonable to the extent that you have thought them over carefully and have decided they are justified for you to accept and to apply to the choices you make.

NORMATIVE AND DESCRIPTIVE STUDY Ethics is not the only way to study morality. The social sciences—such as anthropology, sociology, and psychology—also study morality. However, they do so in a way that is different from the approach to morality that ethics takes. While ethics is a *normative* study of morality, the social sciences engage in a *descriptive* study of morality.

A *normative study* is an investigation that tries to reach normative conclusions—that is, conclusions about what things are good or bad or about what actions are right or wrong.

A normative study aims to discover what *ought* to be. As we have seen, ethics is the study of moral standards whose explicit purpose is to determine as far as possible which standards are correct or supported by the best reasons, and so it tries to reach conclusions about moral right and wrong and moral good and evil.

A *descriptive study* is an investigation that does not try to reach any conclusions about what things are truly good or bad or right or wrong.

However, a descriptive study tries to describe or explain the world without reaching any conclusions about whether the world is as it ought to be. For example, anthropologists and sociologists may study the moral standards that a particular village or culture holds. They may try to develop accurate descriptions of the moral standards of that culture and perhaps develop a theory that explains how they came to hold those standards. However, it is not the aim of anthropologists or sociologists to determine whether these moral standards are correct or incorrect.

Ethics, in contrast, is a study of moral standards whose explicit purpose is to determine as far as possible whether a given moral standard (or moral judgment based on that standard) is more or less correct. The sociologist asks, "Do Americans believe that bribery is wrong?" By contrast, the ethicist asks, "Is bribery wrong?" The ethicist, then, is concerned with developing reasonable normative claims and theories. However, an anthropological or sociological study of morality aims at providing descriptive characterizations of people's beliefs and theories that can explain those beliefs.

BUSINESS ETHICS What we have said about ethics so far has been meant to convey an idea of what ethics is.

Here, however, we are not concerned with ethics in general, but with a particular field of ethics: business ethics.

Business ethics is a specialized study of moral right and wrong that focuses on moral standards in business institutions, organizations, and activities.

Business ethics is a study of moral standards and how these apply to the social systems and organizations through which modern societies produce and distribute goods and services, and to the activities of the people who work within these organizations. Business ethics is a form of applied ethics. It not only includes the analysis of moral norms and moral values but also tries to apply the conclusions of this

analysis to the institutions, organizations, and activities that we call business.

As this description of business ethics suggests, the issues that business ethics covers encompass a wide variety of topics. When analyzing the ethical issues raised by a concrete situation or case, the issues can be sorted in terms of whether they are *systemic*, *corporate*, or *individual* issues.

Failing to sort out the different kinds of issues raised by a concrete situation can result in a lot of confusion. Moreover, the kinds of solutions appropriate for systemic or corporate issues are generally not appropriate for dealing with individual issues. If a company is trying to deal with a systemic issue—such as a government culture that permits bribery—then the issue must be dealt with on a systemic level. That is, the systemic issue must be dealt with through the coordinated actions of many different social groups. On the other hand, corporate ethical issues

Types of Issues Covered by Business Ethics

To introduce some order into this variety, it will help if we distinguish between the three different kinds of issues.

Interactive

Systemic Issues

Corporate Issues

Individual Issues

Systemic issues in business ethics are ethical questions about the economic, political, legal, and other institutions within which businesses operate. They include questions about the morality of capitalism or of the laws, regulations, industrial structures, and social practices within which U.S. businesses operate. One example would be questions about the morality of the government contracting system through which BFGoodrich was allowed to test the adequacy of its own brake design for the A7-D. Another example would be questions about the morality of the international institutions with which Merck was forced to deal when it was looking for a way to get its cure for river blindness to the people who needed it most.