

BUSINESS ETHICS

Readings and Cases in Corporate Morality
Second Edition



W. Michael Hoffman / Jennifer Mills Moore

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READINGS AND CASES IN CORPORATE MORALITY

SECOND EDITION

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In addition to this anthology, Professors Hoffman and Moore have jointly co-authored articles in business ethics and are co-editors of various publications.

PREFACE

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

The field of business ethics has grown tremendously since 1984, when the first edition was released. At that time, business ethics had just begun to gain momentum. Today it is a mature field. In a 1988 report, the Business Roundtable referred to corporate ethics as "a prime business asset," and corporations have begun to take significant steps toward integrating ethical values into their corporate cultures. The American Assembly of Collegiate Schools of Business has called for grounding in ethics as one of the essential elements of a sound business education. Literature in business ethics continues to grow and deepen.

In the second edition of *Business Ethics*, we have attempted to include both the best new thinking on ethical issues in business and the first edition's time-tested favorites. The goals of the text remain the same. We have tried to be *comprehensive*. In our coverage of the issues, we have selected what we consider to be the most important currently debated moral concerns in the field. We have retained all the topics from the first edition with the exception of price fixing and have added material on employee privacy, drug and polygraph testing, comparable worth, worker health and safety, and hostile takeovers. The sections on advertising, the environment, and bribery have been expanded, and we have updated the section on investment in South Africa. The case material has also been dramat-

ically updated. Many cases from the first edition remain, but we have included timely new cases such as those on tobacco advertising, the space shuttle *Challenger* disaster, and Eastern Airlines' labor-management relations.

As with the first edition, we have tried to be *impartial*. The format of the text, for the most part, is point/counterpoint, and we have included the strongest statements we could find of different perspectives on the issues. We have made an effort to include articles by thinkers from a wide range of constituencies—not just philosophers, but representatives of business, government, labor, law, public interest groups, and a variety of professions.

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

In addition to a general introduction to ethical theory, the text includes an introduction to each part which sets out the major themes of the articles and cases and places them in context. Each part ends with an updated bibliography of supplementary readings, and a longer general bibliography can be found at the end of the text. A new feature of this edition is a set of questions following each chapter and each set of cases. These can be used as a focus for student discussion, for review, or for tests, quizzes, or student assignments. An Instructor's Manual accompanies this second edition. The manual is designed to serve as a resource for instructors. Its features include lecture outlines, teaching aims and suggestions, test questions, and suggestions for structuring the course.

We would like to express our appreciation to Bentley College and the University of Delaware for their support of this and other projects in business ethics. A special thanks also goes to Anne Glynn and Amy Chiari, staff assistants to the Center for Business Ethics, and to Mary Imperatore and Dorothy Milsom, secretaries to the Department of Philosophy at the University of Delaware, for help in the preparation of various stages of this manuscript. Finally, we are obliged to the following scholars for their insightful critical analyses of earlier drafts of this book: L. E. Andrade,

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CONTENTS

PREFACE	xv
GENERAL INTRODUCTION: ETHICAL FRAMEWORKS FOR APPLICATION IN BUSINESS	1
PART 1 ETHICS AND BUSINESS: FROM THEORY TO PRACTICE	19
INTRODUCTION	19
1 Theories of Economic Justice	33
John Rawls, <i>Justice as Fairness</i>	34
Robert Nozick, <i>Distributive Justice</i>	41
J. J. C. Smart, <i>Distributive Justice and Utilitarianism</i>	48
QUESTIONS FOR DISCUSSION	52
2 Capitalism and Socialism: A Tale of Two Systems	53
Irving Kristol, <i>A Capitalist Conception of Justice</i>	54
Carl Cohen, <i>Socialist Democracy</i>	59
QUESTIONS FOR DISCUSSION	67
3 Ethics and Business Decision Making	68
Verne E. Henderson, <i>The Ethical Side of Enterprise</i>	69
Laura L. Nash, <i>Ethics Without the Sermon</i>	79
Steven Kelman, <i>Cost-Benefit Analysis: An Ethical Critique</i>	90
James V. DeLong and Robert A. Nisbet, <i>Defending Cost-Benefit Analysis: Two Replies to Steven Kelman</i>	97

QUESTIONS FOR DISCUSSION	101
--------------------------	-----

Cases for Part One	103
---------------------------	------------

<i>The Gift Relationship: From Human Blood to Social Policy</i> by Richard M. Titmuss	104
---	-----

<i>Training for Ethical Management at Cummins Engine</i> by Michael R. Rion	109
---	-----

<i>Why Should My Conscience Bother Me?</i> by Kermit Vandivier	116
--	-----

QUESTIONS FOR DISCUSSION	125
--------------------------	-----

SUPPLEMENTARY READING FOR PART ONE	125
------------------------------------	-----

PART 2 THE NATURE OF THE CORPORATION	127
---	------------

INTRODUCTION	127
--------------	-----

4 Legitimacy, Responsibility, and Liability	143
--	------------

George Cabot Lodge, <i>The Ethical Implications of Ideology</i>	144
---	-----

Milton Friedman, <i>The Social Responsibility of Business Is to Increase Its Profits</i>	153
--	-----

Christopher D. Stone, <i>Why Shouldn't Corporations Be Socially Responsible?</i>	157
--	-----

Thomas Donaldson, <i>The Social Contract: Norms for a Corporate Conscience</i>	162
--	-----

Keith Davis, <i>Five Propositions for Social Responsibility</i>	165
---	-----

Anthony F. Buono and Lawrence T. Nichols, <i>Stockholder and Stakeholder Interpretations of Business' Social Role</i>	170
---	-----

W. Michael Hoffman and James V. Fisher, <i>Corporate Responsibility: Property and Liability</i>	176
---	-----

QUESTIONS FOR DISCUSSION	182
--------------------------	-----

5 Identity and Agency	183
------------------------------	------------

Kenneth Goodpaster and John B. Matthews, Jr., <i>Can a Corporation Have a Conscience?</i>	184
---	-----

Peter A. French, <i>Corporate Moral Agency</i>	194
--	-----

John R. Danley, <i>Corporate Moral Agency: The Case for Anthropological Bigotry</i>	202
---	-----

QUESTIONS FOR DISCUSSION	208
--------------------------	-----

6 Governance and Structure	209
SECTION A BOARD OF DIRECTORS	210
Ralph Nader, Mark Green, and Joel Seligman, <i>Who Rules the Corporation?</i>	210
Irving S. Shapiro, <i>Power and Accountability: The Changing Role of the Corporate Board of Directors</i>	219
Harold S. Geneen, <i>Why Directors Can't Protect the Shareholders</i>	226
SECTION B TAKEOVERS AND CORPORATE RESTRUCTURING	231
Michael C. Jensen, <i>Takeovers: Folklore and Science</i>	231
Robert Kuttner, <i>The Truth about Corporate Raiders</i>	240
QUESTIONS FOR DISCUSSION	246
Cases for Part Two	247
<i>Corporate Free Speech Is Upheld</i> , First National Bank of Boston v. Bellotti.	248
<i>Directorships of Major U.S. Corporations Tightly Interlocked</i> , Senate Committee on Governmental Affairs	253
<i>The Directors Woke Up Too Late at Gulf</i> by Wyndham Robertson	254
<i>Oklahoma Meets Wall Street</i> by Paul Hirsch	260
QUESTIONS FOR DISCUSSION	266
SUPPLEMENTARY READING FOR PART TWO	266
 PART 3 WORK IN THE CORPORATION	 269
INTRODUCTION	269
7 Employee Rights and Duties	287
David Ewing, <i>An Employee Bill of Rights</i>	288
George G. Brenkert, <i>Privacy, Polygraphs and Work</i>	294
Joseph R. Des Jardins and Ronald Duska, <i>Drug Testing in Employment</i>	301

Michael Waldholz, <i>Drug Testing in the Workplace: Whose Rights Take Precedence?</i>	309
Donald L. Martin, <i>Is an Employee Bill of Rights Needed?</i>	312
Ruth R. Faden and Tom L. Beauchamp, <i>The Right to Risk Information and the Right to Refuse Health Hazards in the Workplace</i>	315
QUESTIONS FOR DISCUSSION	322
8 Whistle Blowing	324
Richard T. De George, <i>Whistle Blowing</i>	325
Gene G. James, <i>Whistle Blowing: Its Moral Justification</i>	332
QUESTIONS FOR DISCUSSION	344
9 The Quality of Working Life	346
Richard E. Walton, <i>Alienation and Innovation in the Workplace</i>	347
Irving Bluestone, <i>Labor's Stake in Improving the Quality of Working Life</i>	350
Mike Parker and Dwight Hansen, <i>The Circle Game</i>	355
Mitchell Fein, <i>The Myth of Job Enrichment</i>	361
Edward Cohen-Rosenthal, <i>Should Unions Participate in Quality of Working Life Activities?</i>	366
QUESTIONS FOR DISCUSSION	370
10 Hiring Practices: Preferential Hiring, Reverse Discrimination, and Comparable Worth	371
William Bradford Reynolds, <i>Equal Opportunity, Not Equal Results</i>	372
Nancy Kubasek and Andrea M. Giampetro, <i>Moving Forward on Reverse Discrimination</i>	376
Laura M. Purdy, <i>In Defense of Hiring Apparently Less Qualified Women</i>	381
Gerald W. McEntee, <i>Comparable Worth: A Matter of Simple Justice</i>	385
Phyllis Schlafly, <i>Comparable Worth: Unfair to Men and Women</i>	388
QUESTIONS FOR DISCUSSION	391

Cases for Part Three	393
<i>DuPont's Policy of Exclusion from the Workplace</i> by Martha W. Elliott and Tom L. Beauchamp	394
<i>Roger Boisjoly and The Challenger Disaster: A Case Study in Management Practice, Corporate Loyalty, and Business Ethics</i> by Russell P. Boisjoly and Ellen Foster Curtis	397
<i>The Eastern Airlines Union-Management Experiment</i> by John Simmons	404
<i>High Court Backs a Preference Plan for Blacks in Jobs: United Steelworkers of America v. Weber</i> by Linda Greenhouse	410
QUESTIONS FOR DISCUSSION	416
SUPPLEMENTARY READING FOR PART THREE	416
 PART 4 THE CORPORATION IN SOCIETY	 419
INTRODUCTION	419
 11 The Consumer	 437
John Kenneth Galbraith, <i>The Dependence Effect</i>	438
F. A. von Hayek, <i>The Non Sequitur of the "Dependence Effect"</i>	442
Theodore Levitt, <i>The Morality (?) of Advertising</i>	445
David M. Holley, <i>A Moral Evaluation of Sales Practices</i>	452
George G. Brenkert, <i>Strict Products Liability and Compensatory Justice</i>	460
QUESTIONS FOR DISCUSSION	470
 12 The Environment	 471
William T. Blackstone, <i>Ethics and Ecology</i>	472
Kenneth E. Boulding, <i>Fun and Games with the Gross National Product: The Role of Misleading Indicators in Social Policy</i>	477
Robert W. Lee, <i>Conservatives Consider the Crushing Cost of Environmental Extremism</i>	482

Larry E. Ruff, <i>The Economic Common Sense of Pollution</i>	487
Mark Sagoff, <i>At the Shrine of Our Lady of Fátima, or Why Political Questions Are Not All Economic</i>	494
QUESTIONS FOR DISCUSSION	503
13 Regulation	504
Norman E. Bowie, <i>Business Codes of Ethics: Window Dressing or Legitimate Alternative to Government Regulation?</i>	505
Ian Maitland, <i>The Limits of Business Self-Regulation</i>	509
George A. Steiner, <i>New Patterns in Government Regulation of Business</i>	518
Steven Kelman, <i>Regulation that Works</i>	525
QUESTIONS FOR DISCUSSION	529
14 Multinational Business	530
SECTION A MULTINATIONALS IN LESS DEVELOPED COUNTRIES	531
Louis Turner, <i>There's No Love Lost between Multinational Companies and the Third World</i>	531
Richard T. De George, <i>Ethical Dilemmas for Multinational Enterprise: A Philosophical Overview</i>	536
James E. Post, <i>Ethical Dilemmas of Multinational Enterprise: An Analysis of Nestle's Traumatic Experience with the Infant Formula Controversy</i>	541
SECTION B BRIBERY	548
Scott Turow, <i>What's Wrong with Bribery</i>	548
Mark Pastin and Michael Hooker, <i>Ethics and the Foreign Corrupt Practices Act</i>	550
Robert E. Frederick, <i>Bribery and Ethics: A Reply to Pastin and Hooker</i>	554
Henry W. Lane and Donald G. Simpson, <i>Bribery in International Business: Whose Problem Is It?</i>	560
SECTION C SOUTH AFRICA	567
Kenneth N. Carstens, <i>A Case for Sanctions against South Africa</i>	567

Patricia H. Werhane, <i>Moral Justifications for Doing Business in South Africa</i>	574
QUESTIONS FOR DISCUSSION	579
Cases for Part Four	581
<i>Tobacco Advertising, Taxes Come under Attack in Congress</i> by John Robinson	582
<i>The Ford Pinto</i> by W. Michael Hoffman	585
<i>Hooker Chemical and the Love Canal</i> by Timothy S. Mescon and George S. Vozikis	592
<i>A South African Investment</i> by Manuel G. Velasquez, with an update by Timothy Smith	597
QUESTIONS FOR DISCUSSION	603
SUPPLEMENTARY READING FOR PART FOUR	604
 PART 5 THE FUTURE CORPORATE ETHOS	 607
INTRODUCTION	609
 15 Developing the Moral Corporation	 615
Christopher D. Stone, <i>The Culture of the Corporation</i>	616
Mark Pastin, <i>Lessons from High-Profit, High-Ethics Companies: An Agenda for Managerial Action</i>	624
W. Michael Hoffman, <i>Developing the Ethical Corporation</i>	628
QUESTIONS FOR DISCUSSION	634
 Case for Part Five	 635
<i>The Proctor & Gamble Rely Case: A Social Response Pattern for the 1980s?</i> by Archie B. Carroll and Elizabeth Gatewood	636
QUESTIONS FOR DISCUSSION	642
SUPPLEMENTARY READING FOR PART FIVE	642
FURTHER SUGGESTED READING ON BUSINESS ETHICS	643

General Introduction: Ethical Frameworks for Application in Business

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

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

It is often said that business and ethics don't mix. In business, some argue, profit takes first place. Business has its own rules and objectives, and ethical concepts, standards, and judgments are inappropriate to the business context.

But this view is fundamentally mistaken. Business is an economic institution, but like our economy as a whole it has a moral foundation. The free market system is a product of our convictions about the nature of the good life and the good society, about the fair distribution of goods and services, and about what kinds of goods and services to distribute. It is true that the goal of business has been profit, but profit making is not a morally neutral activity. Traditionally, we have encouraged business to pursue profits because we believed—rightly or wrongly—that profit seeking violated no rights and would be best for society as a whole. This conviction has been the source of business' legitimacy, our belief in its right to exist. In the past two decades, the traditional belief in business' contribution to the general welfare has been challenged; for many, business' connection with the moral foundation which justified it no longer seems clear. Distrust of business has increased; recent polls, for example, indicate that Americans believe that the ethical standards of business are lower than those of society as a whole. Many thinkers contend that business faces a true crisis of legitimacy. In such a climate an investigation of business values, of the moral dimension of business, and of the role of business in society becomes urgent. To undertake such an investigation is the task of business ethics. We view this task as taking place on four levels:

1. An ethical investigation of the context in which American business is conducted—that is, capitalism or the free market system. Does the system truly contribute to a good society and reflect our most important social values? In particular, is it a just system? What is economic justice? The selections included in Part One of this text explore the meaning of economic justice and the question of whether capitalism or socialism best embodies that ideal. It also suggests some specific ways in which ethical values have operated or should operate in business decision making.
2. An inquiry, within this broad economic context, into the nature and role of business organizations. Is the function