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**BUSINESS
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Second Edition

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Business Ethics

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Business Ethics

Preface

Courses in ethics have long been standard fare in American colleges and universities. Courses in business ethics are of more recent vintage. The latter took root in the post-Watergate era, and were nurtured by successive exposés involving bribes and kickbacks, illegal political contributions, airplane disasters, and the sale of defective tires, automobiles, and other products. Consumerism, the cry for increased governmental control, and a changing attitude of large numbers of people toward business and its social responsibility have made questions of business ethics topics of general and current concern.

This book is an attempt to cover the field in a systematic and reasonably comprehensive way. It deals first with the techniques of moral reasoning and argumentation that are needed to analyze moral issues in business. It then raises basic questions about the morality of economic systems, especially that of the United States. It next discusses a variety of current and pressing moral issues in business, from worker's rights to trade secrets. Finally, it discusses the moral obligations of nations to other nations, of peoples to other peoples geographically distant from them, and of one generation to later generations.

Because business ethics is a comparatively new field of scholarly endeavor, I should make clear some of my presuppositions and aims from the start.

This is not a book on general ethics, one that simply takes its examples from the business world. Ethics as a discipline has a long and venerable history. But students do not need to know that history, nor do they need to know the numerous disputed questions with which that discipline abounds in order to engage in moral thinking. Moral issues are pressing, and people must grapple with them, using the best tools available to them. I try, therefore, to introduce the student to as much of the technical aspect of ethics as is necessary for him or her to approach moral issues intelligently, and to take part in the ongoing

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debate about the morality of certain social and business practices. The aim of my initial chapters is a practical one, and to achieve this end I either ignore, or pass over lightly, some of the theoretical issues on which much of contemporary professional ethical thought is focused. Students, I assume, come to classes in business ethics with a good deal of moral baggage. They are not nonmoral beings who must be made moral; they are moral beings who can be helped to think through moral issues, and to argue cogently and effectively for their moral views.

The traditional approach to ethics is an individualistic one. Our notions of morality, moral worth, and moral praise and blame have derived primarily from consideration of the human person as a moral agent. We know what it means to call a person moral, or his or her actions morally praiseworthy. Economic systems do not act in a way comparable to the way human individuals act; corporations and nations act only figuratively—through the agency of human intermediaries. Moral language must therefore be used with care and caution when applied outside of the realm of human individuals and their actions. Special problems arise when considering the morality of corporations, nations, and people—problems that concern the meaning of moral terms, and problems that must be faced and clarified if we are to be clear about our moral judgments in these areas.

I assume that there is little need to argue that murder is wrong, that stealing and lying are in general wrong, or that discrimination on the basis of sex, race, or creed is immoral in business as well as in other areas of life. There is no need for a course in business ethics to arrive at, or justify, those conclusions. But many of the answers to questions in business ethics are not clear-cut, including reverse discrimination, truth in advertising, whistle blowing, and disclosure, among others. These require careful analysis, and a weighing of appropriate facts and applicable principles in order to arrive at justifiable answers. The viewpoint of our society is clearer on some of these issues than on others. I have tried to present the complexities of each problem, and to weigh the opposing views on each issue. When I have taken sides, I have given my reasons for doing so; if an argument is inconclusive, I have indicated where and why. On broad social issues, no argument will be the final one, and my hope is that students using this text will, by reading it, be encouraged and emboldened to continue the public debate on these issues.

I do not think it is sufficient simply to identify moral problems in business, to determine what actions are right and wrong, and to demand that people be moral heroes. If practices are immoral, and if people are faced with the obligation of sacrificing their jobs and their security to fulfill their moral obligations, then those practices should be changed. I therefore attempt not only to discuss what is morally required of a person in a business (a worker, a manager, or a member of the board of directors), but also what structures are conducive to a person's accepting moral responsibility and fulfilling his or her moral obligations. The question of how to reorganize firms so as to preclude the necessity for whistle blowing is as pressing (if not more pressing) a question as asking when a person is morally obliged to blow the whistle.

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Business is a social activity, and, like all social activity, cannot function unless certain moral prerequisites are fulfilled. An analysis of these prerequisites, and of the social and business structures conducive to morality, are, I believe, an important and frequently neglected aspect of business ethics. At each stage of investigation, therefore, I raise and attempt to answer not only the question of whether a particular practice is moral or immoral, but also the question of what alternative can and should be pursued with respect to immoral practices. The morality of individuals should not be separated from the morality of business procedures and institutions; in this book, I handle them together, to the extent possible.

The daily newspapers carry ample current materials for analysis, for those who want case studies and specific, timely examples of moral issues in business. I have incorporated into my discussion some actual and some fictitious case studies, to illustrate specific principles, to exemplify ways of analyzing moral problems, and to contrast varying approaches to an issue. Although the book is written so that it develops a total view through successive chapters, each chapter can be studied apart from the others. Those who wish to omit the analysis of some issues and to concentrate instead on a selected few can do so without a loss of intelligibility. Those wishing to read further on a topic will find suggestions for doing so listed at the end of each chapter. The reading lists include the books or articles mentioned in the chapter, and represent both sides of controversial questions.

. . .

During the four years since the first edition of this book appeared, business courses have proliferated and the field of business ethics has expanded. It is now a firmly established field. Two book-length bibliographies document the many books and articles in the field, two journals of business ethics have appeared, and a professional Society for Business Ethics is thriving.

Business ethics as a field is defined by the set of interrelated problems with which it deals. The field is developed by research. The second edition of this book attempts to take into account the significant research that has appeared during the past four years, as well as the pertinent developments in American business and society. Three new chapters have been added, one on workers' rights, one on whistle blowing, and one on moral issues related to the use of computers in business. Most of the original chapters have been significantly revised or enlarged. But the book's aim, approach, and theme remain the same: American business can be made more moral. This book is an attempt to help its readers think about how this might be accomplished.

R. T. De George

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Introduction

Ethics and Business

“**B**usiness and ethics don’t mix,” is the old adage. “Nor do heaven and businessmen,” is the wry reply. This adage, a piece of American folk knowledge, forms part of a popular view, which I shall call the *Myth of Amoral Business*. The myth, as is true of most myths, has several variations. Many people believe the myth; at least, they more or less believe it. It expresses a partial truth and accounts for a surface phenomenon. At the same time, it conceals a good deal of reality. The myth is to some extent descriptive. It describes how American business and American business men and women perceive themselves and are perceived by others; that they are concerned with profit, with producing goods and providing services, and with buying and selling. According to the myth, people in business are not explicitly concerned with morality—they are *amoral*. This does not mean they are *immoral*. Rather, they feel that moral considerations are inappropriate in business. They are opposed to moralizing. They dislike being preached to by moralists, and they are very reluctant to throw stones at the glass houses of even their fiercest competitors. Most people in business do not act immorally or maliciously. They think of themselves, in their private lives as well as in their business lives, as moral people. They simply feel that business is not expected to be concerned with morality. Even when a firm acts according to a moral principle, it rarely boasts about it in moral terms, or presents its action as such.

One of the interesting variations on the theme is that because businesses are not concerned with morality, they often act immorally. Think of the many unsavory scandals that make newspaper headlines—accounts of bribery, misrepresentation, white-collar crime, kickbacks, unsafe products, and insider manipulation of markets. And then there is business’s lack of concern for the environment, for company towns where the local plant has closed, and a gen-

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eral lack of concern for the common good. According to the myth, businesses act immorally not because of a desire to do evil, but simply because they want to make a profit and therefore disregard some of the consequences of their actions.

The Myth of Amoral Business not only represents the way many people in and out of the business world perceive business, but also the way many would like to continue to perceive business. It is much easier to deal with dollars and cents than to deal with value judgments. It is more comfortable to discuss a problem in terms of a *bottom line*, which represents profit or loss. It is easier for those in business, and also easier for those not in business, to judge a firm by its financial status. The bottom line is what concerns investors, what directly affects the workers in a company. This is what consumers expect.

As with most popularly held myths, the Myth of Amoral Business captures a popular truth. Yet it also conceals a good deal. This book, and the general topic of business ethics, concerns what has for a long time been concealed or ignored. Scandals, environmental problems, and energy problems have all helped the reality to surface now and then, but no *Myth of Moral Business* has resulted. What, then, is the hidden reality? What is the true relation of ethics and business, which is now slowly emerging? What are the indications of its emergence?

Let us address the last question first. The breakdown of the Myth of Amoral Business has been signaled in three fairly obvious ways: by the reporting of scandals and the concomitant public reaction to these reports; by the formation of popular groups, such as the environmentalists and the consumerists; and by the concern of business, as expressed in conferences, magazine and newspaper articles, the burgeoning of codes of ethical conduct, and so on. How does the reporting of scandals in business, and the popular reaction to them, signal a breakdown of the myth? Consider what the myth implies, if it is taken seriously. If it is true that business is viewed as amoral, that it is not expected to behave according to moral rules, and that it is appropriate for it to do whatever is necessary in order to increase its profit, then there would be no surprise, shock, or uproar when a business acts immorally. The uncovering of bribes and kickbacks would not be news. Revelations about unsafe products and white-collar crime would be routine—expected and unexceptional. The fact that such events *do* make news, that they *do* cause public reaction, that they *do* adversely affect a company's image, and *do* cause scandal is an indication that the Myth of Amoral Business is not unambiguously held.

Many more people now expect companies to act morally, at least in certain instances and within certain limits. It is no longer true that anything goes. (Even though the myth does not say that anything goes, some of its variations imply this.) Contemporary reactions provide evidence that, if the myth does describe the way things are, many people think that things should be otherwise, that is, that business should behave morally. At least two groups—the environmentalists and the consumerists—articulate their demands and try to force businesses to consider values other than those that are reducible to sales figures and ledger sheets. The issues raised by these groups are not stated in terms