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GEORGE G.

BRENKERT

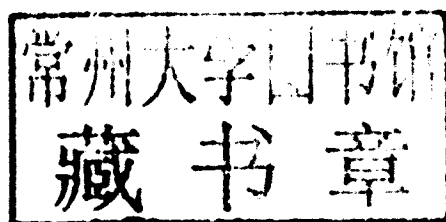
TOM L.

BEAUCHAMP

The Oxford Handbook *of*
BUSINESS
ETHICS

THE OXFORD HANDBOOK OF
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BUSINESS ETHICS
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Edited by
GEORGE G. BRENKERT
TOM L. BEAUCHAMP



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THE OXFORD HANDBOOK OF
BUSINESS ETHICS

PREFACE

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When Oxford University Press asked us to prepare a volume on business ethics, we eagerly agreed. We believe that business ethics is deserving of much greater attention by philosophers and ethicists than it has received. To this end, we have solicited chapters from leading philosophers who have made important contributions to our understanding of central issues in business ethics. This volume is unabashedly aimed at those who seek a philosophical approach to these issues. This focus does not exclude the practical implications and importance of these essays, but it does mean that the conceptual, theoretical, and normative nature of the issues discussed is given precedence in this volume.

The chapters in this Handbook are all original essays that develop prominent areas of business ethics. The reader will note that the authors come from the full spectrum of views on business ethics—from those who place special emphasis on individual liberty to those who give more emphasis to the social context of business. Though business ethics has come a great distance from its founding a half century ago, it still has much further to go. We hope that these essays will be useful to the readers of this volume and help spur additional work in business ethics that will continue the development of this intellectually rich and important field.

The preparation of this volume has taken several years. We greatly appreciate the willingness of several of our authors who have encountered personal difficulties to persist through them and complete their work. We are likewise grateful for the readiness of all our authors to go through numerous drafts of their chapters as this book was being brought to completion.

Washington, D.C.

July, 2009

GGB

TLB

CONTRIBUTORS

DENIS G. ARNOLD, Department of Philosophy, Department of Management,
Belk College of Business, University of North Carolina, Charlotte

ROBERT AUDI, Department of Philosophy, Department of Management,
Mendoza College of Business, University of Notre Dame

TOM L. BEAUCHAMP, Department of Philosophy, Kennedy Institute of Ethics,
Georgetown University

JOHN R. BOATRIGHT, Department of Management, Graduate School of Business,
Loyola University of Chicago

NORMAN E. BOWIE, Department of Strategic Management and Organization,
Carlson School of Management, University of Minnesota

BERNARD BOXILL, Department of Philosophy, University of North Carolina,
Chapel Hill

GEORGE G. BRENKERT, McDonough School of Business, Georgetown University

THOMAS L. CARSON, Department of Philosophy, Loyola University of Chicago

WESLEY CRAGG, Department of Philosophy, Department of Business Ethics,
Schulich School of Business, York University

RICHARD T. DE GEORGE, Department of Philosophy, University of Kansas

AINE DONOVAN, Ethics Institute, Medical School, Dartmouth College

GERALD GAUS, Department of Philosophy, University of Arizona

KENNETH E. GOODPASTER, Department of Ethics and Business Law, Opus
College of Business, University of St. Thomas

CAROL C. GOULD, Department of Philosophy, Department of Political Science,
Temple University

RONALD M. GREEN, Department of Religion, Dartmouth College

JOHN HASNAS, McDonough School of Business, Georgetown University

CHRIS MACDONALD, Department of Philosophy, St. Mary's University

JOHN J. MCCALL, Department of Philosophy, Department of Management,
Erivan K. Haub School of Business, Saint Joseph's University

CHRISTOPHER MCMAHON, Department of Philosophy, University of California,
Santa Barbara

PAUL T. MENZEL, Department of Philosophy, Pacific Lutheran University

LISA H. NEWTON, Department of Philosophy, Business Law and Ethics
Department, Charles F. Dolan School of Business, Fairfield University

WAYNE NORMAN, Department of Philosophy, Duke University

RICHARD A. SPINELLO, Department of Operations & Strategic Management,
Carroll School of Management, Boston College

ANDREW STARK, Department of Political Science, Department of Strategic
Management, Rotman School of Management, University of Toronto

ALAN STRUDLER, Department of Legal Studies and Business Ethics, Wharton
School, University of Pennsylvania

MANUEL VELASQUEZ, Department of Management, Leavey School of Business,
Santa Clara University

PATRICIA H. WERHANE, Department of Philosophy and College of Commerce,
DePaul University, Darden Graduate School of Business, University of Virginia

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THE OXFORD HANDBOOK OF

BUSINESS ETHICS

INTRODUCTION

BUSINESS ethics has long existed in the form of reflection on the ethical dimensions of business exchanges and institutions. As such, business ethics is traceable to ancient times. However, only in the last half century has business ethics developed as an identifiable field of study. About the same time that biomedical ethics was taking shape in the 1970s, conferences were being held and articles and books on business ethics were being published. This book reflects the work that has been done in these last four decades.

TWO UNDERSTANDINGS OF BUSINESS ETHICS

“Business ethics” is understood in two distinctive ways by those who have a major interest in its development. One group approaches it from a background in philosophy, and the other group approaches it primarily from the business community. Since this volume has been prepared for those who view business ethics from a philosophical approach, we start with an explanation of this very important distinction.

Business Ethics from a Philosophical Orientation

The philosophical ethics orientation consists of the analysis of moral problems and case studies using categories such as justice, utility, rights, obligations, and personal virtues. Problems of business ethics involving these concepts include issues internal to businesses such as problems of discrimination in hiring and promotion as well as issues external to them such as consumer, governmental, and environmental problems. In this approach, a consideration of moral theory is basic for a proper understanding of how to treat moral problems and engage in the analysis of perplexing cases in business ethics.

A reason for using the theoretical orientation to business ethics preferred by philosophers is to avoid situations in which discussion of moral problems in business is little more than an exposure to the prejudices of persons who do not generalize beyond their own viewpoint. Discussion and reflection on issues of sexual harassment, executive salaries, whistle-blowing, and the like may lack critical distance due to cultural blindness, rash analogy, or mere popular opinion. For example, if one limits one's study of some issue to the facts of cases and to problems of management, the outcome might only be that one becomes immersed in the current system of doing business without achieving any distance from the prejudices or blindness of the current system. The philosophical goal is to reach moral understanding through a general and impartial framework or theory. This approach does not assert that philosophical reflection is a fully adequate basis for business ethics, but it does assert that reflection through theory and principle allows us to examine and, where appropriate, depart from certain dominant or tradition-bound assumptions.

Business Ethics from a Business Orientation

By contrast, the business orientation tends to view its endeavor in terms of various relationships that obtain largely within business. In this conception business ethics pertains to relations between employer and employee, between manager and workers, and between supervisors and supervisees. This understanding of business ethics has developed in the United States in step with practical developments such as the U.S. Federal Sentencing Guidelines, the Defense Industry Initiative, and the Ethics and Compliance Officer Association. Each of these has been concerned with developing programs to foster employee compliance with legal and regulatory strictures as well as background values, motivation formats, rules, and norms that would help foster employee legal and ethical behavior. As a result, many major U.S. businesses have ethics officers who oversee these programs. Their focus is practical rather than theoretical by design and by the nature of the institutions in which they function.

The business approach is often focused on moral problems and apparent dilemmas that could have been avoided or minimized through more skillful management. Particularly difficult and important case studies are often used to stimulate reflection on whether, by whom, and when certain actions should be taken. Often cases and problems are examined in terms of alternative strategies and actions. Usually such a rich array of alternatives is available that it is not feasible to reach agreement on a single best solution; however, complete agreement or a single solution may not be the purpose of the investigation. Learning how to spot and manage problems is of high importance. The focus is meant to be practical.

The business orientation sometimes stays close to empirical work on subjects under study. Problems of environmental pollution, for example, are studied by detailing empirical facts about pollution and disease and by examining social processes that have diminished the scope of decision making in business and have created new responsibilities through government requirements. The economic aspects of pollution control are an influential example. The responses of corporations to

changing legal and regulatory situations may be emphasized, as may considerations of what has been and may become public policy. Tax policies and the economic consequences of proposed public policies may be studied in detail and are likely to be viewed as central to the investigation.

The two different orientations to business ethics mentioned in this section are not mutually exclusive, though the philosophical orientation is probably the broader of the two. The most constructive approach is to acknowledge that moral problems and the analysis of cases invite multiple forms of productive analysis. The editors of this volume strongly encourage this way of thinking about the field. However, this book is committed almost entirely to philosophical approaches. This is not because the editors see this approach as superior or of greater significance. The commitment of this volume is to see how far and in what ways philosophy can help us develop an impartial and probing business ethics.

REGRETTABLE WAYS IN WHICH BUSINESS ETHICS HAS BEEN VIEWED

In both of the ways just outlined, business ethics is a matter of serious study and investigation. Almost everyone engaged in business ethics views the field in this way. However, business ethics is not always regarded by others as having an important status as an area of investigation. It has, especially in its philosophical forms, received less recognition and acceptance than some areas of practical ethics—many believe that it is derivative from other areas of philosophy and possibly even conflicted as a result of the connection to business. It is sometimes suggested that the idea of ethics is not taken seriously as a constraint on business conduct, and some even hold that there is no ethics in business. It has also been said that business is not a profession and therefore cannot have a professional ethics of the sort expected in medical ethics and legal ethics.

These perspectives need to be heard, but they also need to be restrained and carefully stated. They have often been stated inaccurately, and they also are likely to retard development of good moral practices in business. Business is, perhaps, the premier institution that influences the lives of everyone in society, from hourly workers to physicians and philosophers. It is regrettable when an institution of such significance is treated in the discipline of philosophy as if it has only a subordinate status and is not an important subject of ethical analysis and evaluation. Business raises some of the most important and difficult ethical issues ethicists and philosophers need to consider—conflicts between self-interest and the interests of others, manipulation and cooperation, trust and distrust, honesty and deception, responsibility for future generations, and so on. Business ethics also does not use different methods or forms of reasoning than those found in other areas of applied ethics, nor does it have less connection to some of the most important public policy issues

of our times. As this book goes to press, the United States and much of the world face a financial crisis that was fed by unethical conduct and lax oversight. Some of the conduct underlying this crisis is now considered scandalous, yet little moral reflection had been invested in the practices involved. Both activities in business and failures of government oversight of business are involved. These kinds of issues deserve the closest kind of ethical and philosophical attention.

THE ORGANIZATION AND CONTENTS OF THIS VOLUME

This book is divided into nine parts ranging from basic philosophical issues to the moral culture of business organizations. Each part provides the relevant background history in business ethics, presents the major current issues, and offers solutions to leading problems.

Part I: Basic Philosophical Issues

We all grow up with an understanding of how to meet society's moral expectations, but philosophical assessment of this morality and of how its scope can be extended involve a different kind of understanding and practice than that provided in our moral upbringing. The terms "ethical theory" and "moral philosophy" refer to reflection on the nature and justification of right actions as well as the nature and role of moral character. Philosophers seek to introduce clarity, substance, and precision of argument into the discussion of moral rightness and wrongness, the virtues, social justice, and intrinsic value. Their goal is usually to justify a system of standards or some moral point of view on the basis of carefully analyzed and defended norms of distributive justice, human rights, trustworthiness, contractual relationships, and the like. The writers in this book take such a philosophical approach to the topics in business ethics they address.

A number of different methods have been employed in business ethics, and not all of them are either distinctly philosophical or attempts to justify a position. Some approaches are descriptive and do not involve taking moral positions. Other approaches are normative and make explicit appeals to ethical theory in order to develop arguments to support their positions. Still other approaches are almost purely conceptual. They pay close attention to one or more central concepts in business ethics, such as capitalism, whistle-blowing, conflict of interest, and liability.

Both the nature of ethical theory and the methods used in the work of business ethics are studied in part I. In "The Methods of Business Ethics," Ronald M. Green and Aine Donovan examine how the mission of business ethics has fostered several methodological approaches—chiefly drawn from philosophical analysis and

descriptive methodologies. They treat the work of several leading business ethics scholars and include in the scope of their discussion a number of ways in which these methods have affected methods of teaching business ethics. In “The Place of Ethical Theory in Business Ethics,” Robert Audi explains the nature of ethical theory, provides an account of the leading theories, and explores the ways in which these theories form a critical resource for the treatment of practical moral problems. He discusses how theory connects to practice and provides several concrete illustrations of how ethical theory helps address practical problems in business ethics. In particular, he shows how theory can be helpful in the analysis of problems of affirmative action, whistle-blowing, and advertising,

Part II: Competitive Markets and Corporate Responsibility

A famous maxim is that “the business of business is business,” meaning that the responsibilities of a business should be confined to the business world of contracts, stockholders, profits, record keeping, taxes, and the like. This position resists the encroachment of government into competitive markets and rejects the proposition that corporations have moral and social responsibilities other than responsibilities that the corporation voluntarily assumes. However, corporations are chartered by society. This charter permits a corporation to conduct business only within contractually imposed limits, and there are, in addition, moral and social norms that further limit and prescribe the activities of business. Precisely what this free market system is and how much freedom it gives to corporations are topics taken up in this part.

“Capitalism” is generally understood in these discussions as a market-based, economic system governed by capital—that is, the wealth of an individual or an establishment accumulated by or employed in its business activities. Entrepreneurs and the institutions they create generate the capital with which businesses provide goods, services, and payments to workers. Defenders of capitalism argue that this system maximally distributes social freedoms and desirable resources, resulting in the best economic outcomes for everyone in society. On this view, business’s only social responsibilities are to maximize legally generated profits. However, over the past several decades there has been a significant reaction against this view. It is argued that businesses have responsibilities far beyond following the law and profit making. When society accepts capitalism, this view holds, it need not also accept the view that economic freedom always has priority over competing conceptions of the collection and distribution of social goods, or of other responsibilities owed to employees, customers, society, and the environment.

In “The Idea and Ideal of Capitalism,” Gerald Gaus considers what a relatively pure form of capitalism would look like if we were to have one. He then asks what would be required for its justification and asks whether traditional justifications work. Gaus analyzes what he calls the rather vague idea of “capitalism” into distinct elements and asks how each element might be justified. The main aim is not