

SOLUTIONS MANUAL

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Books

SEVENTH EDITION

Business Ethics

A Textbook with Cases



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TRACK 1: CHAPTER REVIEW

Part 1: Moral Philosophy and Business

CHAPTER 2: Normative Theories of Ethics

Introduction

The collapse of Bernard Madoff's fraudulent hedge fund raised a number of ethical questions. Should investors who profited from it repay their profits to offset others' losses, or not? Should the Madoff investors pool their gains and try to equalize their losses?

Answering these questions requires moral judgment, which in turn must be based on sound moral principles.

Consequentialist and Nonconsequentialist Theories

Normative theories propose some principle or principles for distinguishing right from wrong actions. According to consequentialist theories, the moral rightness of an action is determined by its results. Nonconsequentialist theories, or deontological theories, contend that right and wrong are determined by more than the consequences of the act.

Egoism

In 2000 it was learned that the Firestone tires on Ford Explorers were prone to split, leading the vehicles to crash. This was reminiscent of the case of the “500” tires Firestone had earlier made, which had led to deaths; the company did not recall these all at once, but in phases, explaining that it would not be in the company’s self-interest to do otherwise.

The view that equates morality and self-interest is egoism. Personal egoists claim they should pursue their own best self-interest, but they do not say what others should do. Impersonal egoists claim that everyone should let self-interest guide their conduct.

Misconceptions about Egoism

Egoists do not think that they should avoid all unpleasant experiences; they might undergo them if it is in their self-interest to do so. Not all egoists endorse hedonism, the view that pleasure is the only thing good in itself. Moreover, egoists can act honestly, be gracious and helpful, provided that this will benefit them.

Psychological Egoism

Egoism does not say that we should not help others, just that we have no basic moral duty to do so. Psychological egoism holds that humans are so constructed that they must behave selfishly.

Problems with Egoism

Psychological egoism is not a sound theory, as people often do seem to be motivated by considerations other than self-interest.

Ethical egoism is not really a moral theory at all, as the point of morality is to restrain our self-interest so we can live together in society.

Ethical egoism ignores blatant wrongs, such as theft, sexism, and murder.

Utilitarianism

Utilitarianism is the view that we should always act to promote the greatest balance of good over bad for everyone affected by our actions. By “good” utilitarians mean happiness, or pleasure.

The basic theme of this view is held in the work of Jeremy Bentham and John Stuart Mill.

Bentham thought that pleasure and pain were types of sensation, and offered a “hedonic calculus” of six criteria for evaluating them. He rejected any distinctions between types of pleasure, and focused just on their quantity. Mill thought Bentham’s account of pleasure was too simple, and distinguished between qualities of pleasure as well as quantities. Both Mill and Bentham were hedonists. In its most basic version utilitarianism, called act utilitarianism, holds that we must try to maximize the beneficial consequences of our individual acts for all affected by them.

Six Points about Utilitarianism

- We must consider unhappiness as well as happiness.
- We must recognize that actions affect others to different degrees.
- Almost anything might in principle be right in some situation.
- Utilitarians wish to maximize happiness for the long run.
- They acknowledge that we do not know what the effects of our actions will be.
- We should not disregard our own pleasure.

Utilitarianism in an Organizational Context

Several features make utilitarianism appealing in organizations:

- It provides a clear basis for formulating and evaluating policies.
- It provides an objective way of resolving conflicts of interest.
- It provides a flexible approach to moral decision-making.

Critical Inquiries of Utilitarianism

- Is it really workable? We might be very uncertain about the outcomes of some of our actions, and comparing levels of happiness is difficult.
- Are some acts wrong in themselves? A. C. Ewing, for example, holds that utilitarianism would lead to more cheating, lying, and unfair actions.

- Is utilitarianism unjust? Utilitarianism might require that some people's happiness should be sacrificed for the benefits of others. As such, it might endorse the use of eminent domain, in which private land is taken for public use.

The Interplay between Self-Interest and Utility

To the extent that each business pursues its own self-interest it can be thought to be egoistic. But the pursuit of self-interest is also utilitarian in that it can lead to the total good, a view proposed by Adam Smith in *The Wealth of Nations*.

Kant's Ethics

Kant provides an example of a nonconsequentialist approach to ethics. He believed that moral rules could be known on the basis of reason alone, and said that we do not need to know the likely results of an action to judge it morally.

Good Will

Kant said that nothing was good in itself except for a good will. By will he meant the ability to act from principle; only when we act from a sense of duty does our act have moral worth. We determine our duty by the categorical imperative.

The Categorical Imperative

Kant believed that there was one command that was binding on all rational agents—the categorical imperative, that says that we must always act so that the maxim of our action can be consistently willed to be universal law. By maxim, Kant meant the principle or rule that people formulate to determine their conduct. If a maxim could not be universally applied without contradiction then it would not pass the test of the categorical imperative, and hence could not lead to a moral act. By contrast, a hypothetical imperative is one that tells us what to do if we desire a particular outcome.

Universal Acceptability

We could look at the categorical imperative as enjoining us to prescribe moral laws for everyone; such laws must have universal acceptability.

Humanity as an End, Never Merely a Means

As rational creatures, Kant held that we should always treat other rational creatures as ends in themselves, and never merely as a means. This leads to the second formulation of the categorical imperative: One must always act so as to treat rational humanity as ends in themselves, and never as mere means.

Kant in an Organizational Context

Kant's moral view has implications for organizations:

- It gives us firm rules to follow, such as never to lie.
- It forbids treating humans as means to an end.
- Kant stresses the importance of motivation and acting on principle.

Critical Inquiries of Kant's Ethics

- What has moral worth? Kant holds that if a person does the right thing out of habit or sympathy, his act does not have moral worth. But this seems too severe.
- Is the categorical imperative an adequate test of what is right? It might be that there are exceptions to the general rules, such as stealing food if one is starving.
- What does it mean to treat people as means? It is not always clear when one is treating a person as a means or not.

Other Nonconsequentialist Perspectives

Prima Facie Obligations

W.D. Ross held that we have certain specific moral obligations to others as well as those that are more general. These obligations might conflict, and so our obligations are at least mostly prima facie ones—obligations that can be overridden by more important considerations.

Assisting Others

Some worry that utilitarianism makes people slaves to the general happiness. By contrast, many philosophers draw a distinction between those acts that people are required to do and those that are supererogatory—acts that it would be good to go but not immoral to omit.

Moral Rights

A right is an entitlement to have others act in a certain way. Rights derived from a legal system are legal rights; from a moral system, moral rights. Moral rights that are not the result of roles, relationships, or circumstances are human rights. These have several important characteristics: they are universal, they are held equally by all humans, they are not transferable, and nor can they be relinquished. They are also natural, in that they do not depend on human institutions.

Negative rights are rights to be free from external interference; positive rights are rights to have others provide us with certain goods, services, or opportunities.

Nonconsequentialism in an Organizational Context

- It stresses that moral decision-making involves the weighing of different factors.
- It acknowledges that organizations have their own legitimate ends to pursue.
- It stresses the importance of moral rights.

Critical Inquiries of Nonconsequentialism

- How well justified are nonconsequentialist principles and moral rights? Ross maintained that we have intuitive knowledge of them, but is this true?
- Can nonconsequentialists handle conflicting rights and principles in a satisfactory manner/

Utilitarianism Once More

Rule utilitarianism holds that we should ask what moral code a society should adopt to maximize happiness.

What Will the Optimal Code Look Like?

Rule utilitarians hold that the optimal code will not be that of act utilitarianism. They think that people will make mistakes if they try to calculate the consequences of each act, and that practices such as promise keeping would become shaky.

Rule utilitarianism is subject to two major objections. First, we should violate the rules if this would maximize happiness. Second, nonconsequentialists object to seeing moral principles determined by consequences.

Moral Decision-Making: Toward a Synthesis

Progress can be made towards solving moral problems by rational discussion. In such a discussion people should agree on the relevant facts, and try to spell out the moral principles that they are drawing on.

Obligations, Ideals, Effects

Both nonconsequentialist and consequentialist approaches share some common ground. They are both concerned with obligations, and with ideals, and with the effects of actions. An action that does not pass scrutiny on these three issues will be morally suspect. This leads to a two-step process for evaluating actions. The first step is to identify the obligations, ideals, and effects involved. The second is to decide which deserves special emphasis.

Study Corner:

- Key terms and concepts
- Points to review

Case 2.1: Hacking into Harvard

Case 2.2: The Ford Pinto

Case 2.3: Blood for Sale

TRACK 2: QUESTION BANK

1. A supererogatory act is an act
 - A. That it would be good to go but not immoral to omit.
 - B. That it would be immoral to perform.

Many philosophers draw a distinction between those acts that people are required to do and those that are supererogatory—acts that it would be good to go but not immoral to omit.

2. Adam Smith wrote
 - A. *The Wealth of Nations*
 - B. *The Metaphysics of Morals*

Adam Smith wrote *The Wealth of Nations*.

3. What holds that we must always act so that the maxim of our action can be consistently willed to be universal law?
 - A. The hypothetical imperative.

B. The categorical imperative.

Kant believed that there was one command that was binding on all rational agents—the categorical imperative, that says that we must always act so that the maxim of our action can be consistently willed to be universal law.

4. Who developed the categorical imperative?

A. Mill

B. Kant

Kant developed the categorical imperative.

5. Negative rights are

A. Rights to be free from some interference.

B. Rights to some goods or services that must be provided by others.

Negative rights are rights to be free from external interference; positive rights are rights to have others provide us with certain goods, services, or opportunities.

6. Who developed the hedonic calculus?

A. Mill

B. Bentham

Bentham thought that pleasure and pain were types of sensation, and offered a “hedonic calculus” of six criteria for evaluating them.

7. Who held that utilitarianism would lead to more lying and cheating?

A. A. C. Trenton

B. A. C. Ewing

AC Ewing holds that utilitarianism would lead to more cheating, lying, and unfair actions.

8. The view that equates morality and self-interest is

A. Egoism

B. Hedonism

The view that equates morality and self-interest is egoism.

9. Personal egoists hold that

- A. All people should be egoists
- B. They should be egoists

Personal egoists claim they should pursue their own best self-interest, but they do not say what others should do.

10. Impersonal egoists hold that

- A. Everyone should maximize the overall happiness
- B. Everyone should pursue their own self-interest

Impersonal egoists claim that everyone should let self-interest guide their conduct.

TRACK 3: JOIN-IN EXERCISES

- 1) Do you believe that some things, like blood or kidneys, should not be bought or sold?
Why, and what items do you think are market inalienable in this way?
- 2) How do you go about making ethical decisions? Would your approach be improved by using the two-step process outlined above?

- 3) Do you think that there are any actions that should never be performed, no matter what the consequences? Why, or why not?

- 4) Which approach do you think is most persuasive of the moral views that have been outlined here? Explain your answer.

- 5) Do you think that psychological egoism is plausible?