

# How does ethical theory help?

## Egoism

*‘Following the theory of egoism, an act is morally right if the decision maker freely decides in order to pursue either their short term or their long term interests.’*

# Adam Smith, *The Wealth of Nations*

- Because humans can only have a limited knowledge of the consequences of their actions they should pursue their own interests (an idea that dates back to Greek thought).
  - Everybody should have equal opportunity to become either a producer or consumer of goods.
  - In economics:
    - self interest produced a positive outcome for everybody through the principle of the invisible hand'
    - Milton Friedman gave the example of the pencil:
    - <http://www.youtube.com/watch?v=R5Gppi-O3a8>
    - it is the economic counterpoint to democratic theory.
- e.g. Though customers benefit from quality goods, the real reason the seller concentrates on quality is for his benefit.
- The 'free market' approach is called laissez faire economics.
- Each person should be free to pursue his or her own interests and ultimately negative effects will be eliminated by the market itself.

## **Adam Smith; *The Wealth of Nations*, 1776**

‘Every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it.... He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.’

# Problems with the Egoist approach

- What if one person or corporation pursues their interests at the expense of other egoists?
- Though the market is supposed to control this we can see from current tariff laws that things don't work out quite as well as Adam Smith might have hoped.

# How does ethical theory help?

**Kant**



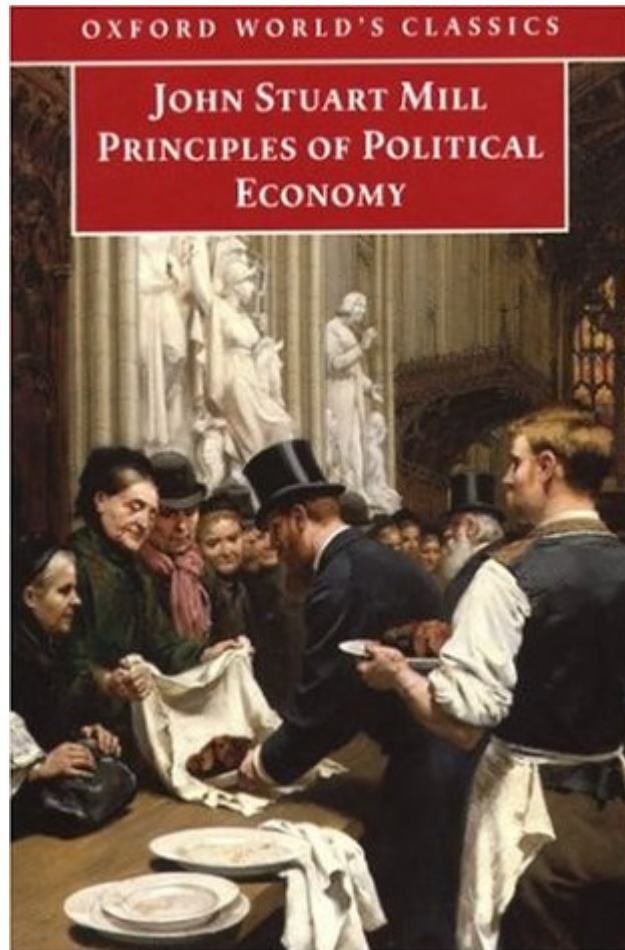
# Kant's Categorical Imperative

- The categorical imperative ensures considerations: consistency, dignity, universality.
  - Applying the Categorical Imperative:
    - Could I universalise a practice involving child labour?
    - Are children being used as a means to an end?
    - Would every legislator of the moral law consider the action acceptable?
  - Using Kant in stakeholder theory
- Considering stake holders as having goals and priorities of their own.

# Difficulties with Kant

- An inadequate account of consequences.
- Is it too idealistic viewing man as a free autonomous rational agent who can simply work out his duty?

# How does ethical theory help?



- Utilitarianism



# Hedonistic consequentialism

- There are a variety of versions:
  - Classical Utilitarianism: Happiness
  - Preference Utilitarianism: Preferences
  - Ideal Utilitarianism: wider view of intrinsic goods- beauty, love, trust, etc.
- Utility is an idea compatible with the quantitative mathematical methodology of economics.
- Cost benefit analysis- economic utility of choices.

# Problems with the utilitarian approach

- Subjectivity
- Problem of quantification of utility
- Distribution of utility

# Problems with traditional ethical approaches

- **Too abstract**

Managers will rarely sit down and apply abstract moral reasoning to choice.

- **Too reductionist**

Why must it be only duty or only consequence.

- **Too impersonal**

These theories seem to take little account of individual concerns, relationships, interests.

- **Too rational and codified**

The legalism can often undermine individual autonomy and the role of emotion and moral feelings.

# How does ethical theory help?



# An alternative approach

- Virtue Theory
  - More flexible than absolutism
  - More contextualised than abstract relative theories
  - Looks at the character of the decision maker
- Aristotle identified two types of exchange:
  - **Oeconomicus** : household trading (this is essential)
  - **Chrematistike** : trading for profit
- Looks at the moral and intellectual virtues (honesty, proper ambition, liberality, magnificence).
- Robert Solomon sees Aristotle's conception of virtues as essential in the business community.
- Integrity, courage but also wit and sense of humour.
- It is after all where many people spend most of their working life.

# Virtue and business ethics (2)

- Virtue theory, by focussing on ‘eudaimonia’ not only focusses on the success but the manner in which it is achieved.
- Economic success is only one part of the good business life (Good relationships with employees, colleagues and stakeholders is just as important).
- Show compassion for employees in the context of their narrative and moral community (*paying them wages so kids can go to school, or enabling a whole family to work together if that was the cultural norm*).

***BUT...***

# MacIntyre

- MacIntyre on the other hand argues there is no place for virtue in business because it is only concerned with external goods: profit.
- MacIntyre argues that virtue doesn't get very far in business but many would contend with that today.
- Dobson describes virtue theory as a trojan horse for business.
- The concepts of a 'practice' and 'internal goods' can not uphold corporate culture.

“A fishing crew may be organised and understood as a purely technical and economic means to a productive end, whose aim is only or overridingly to satisfy as profitably as possible some market’s demand for fish. Just as those managing its organisation aim at a high level of profits, so also the individual crew members aim at a high level of reward. Not only the skills, but also the qualities of character valued by those who manage the organisation, will be those well designed to achieve a high level of profitability. And each individual at work as a member of such a fishing crew will value those qualities of character in her or himself or in others which are apt to produce a high level of reward for her or himself. When however the level of reward is insufficiently high, then the individual whose motivations and values are of this kind will have from her or his own point of view the best of reasons for leaving this particular crew or even taking to another trade. And when the level of profitability is insufficiently high, relative to comparative returns on investment elsewhere, management will from its point of view have no good reason not to invest their money elsewhere.”



“Consider by contrast a crew whose members may well have initially joined for the sake of their wage or other share of the catch, but who have acquired from the rest of the crew an understanding of and devotion to excellence in fishing and to excellence in playing one’s part as a member of such a crew. Excellence of the requisite kind is a matter of skills and qualities of character required both for the fishing and for achievement of the goods of the common life of such a crew. The dependence of each member on the qualities of character and skills of others will be accompanied by a recognition that from time to time one’s own life will be in danger and that whether one drowns or not may depend upon someone else’s courage. And the consequent concern of each member of the crew for the others, if it is to have the stamp of genuine concern, will characteristically have to extend to those for whom those others care: the members of their immediate families. So the interdependence of the members of a fishing crew in respect of skills, the achievement of goods and the acquisition of virtues will extend to an interdependence of the families of crew members and perhaps beyond them to the whole society of a fishing village. When someone dies at sea, fellow crew members, their families and the rest of the fishing community will share a common affliction and common responsibilities.”

## Dobson

- This latter fishing crew clearly does pursue the internal goods of a practice. But it is an organization that is in fundamental ways alien to and powerless against the rigours of market competition.

## MacIntyre

- It is a corporation's focus on external goods- on the goods of effectiveness over and above the goods of excellence- that disqualifies it as practice.

# Problems with the virtue approach

- The difficulty in discerning what is the ‘ideal life’ and how to choose which one.
- What constitutes a virtue?
- Are virtue theory and business ethics actually incompatible as MacIntyre and Dobson suggest?