

MARKETS, ETHICS, AND BUSINESS ETHICS

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For my Dad
Kenneth G. Scalet

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PREFACE

THIS BOOK DEVELOPS a study of ethics as a path toward a deeper understanding of markets, corporations, and the business system. How can ethics guide our interpretation of this world and our choices within it?

This book is designed to help you make ethical decisions and find practical ways to discuss ethics with others. It's written in a conversational tone. In practical settings much of ethics is less about being a lone ranger and more about initiating conversations with others at the right moments. A great practical skill is having the ability to discuss ethical challenges from several angles in dialogue with others. It requires a mix of honesty and humor. The book isn't about giving advice or recommending positions. It's about entering ethical discussions and then clarifying the strongest arguments for and against competing positions. The book aims to increase your comfort and skills for doing two things: (1) interpreting the business and economic system as a whole from an ethical point of view and (2) understanding specific ethical debates for developing your own decision-making within business and economic life.

Consider this puzzle. Some people believe that self-interest alone and free markets create the best business and economic system. In the words of political philosopher David Gauthier, markets ideally are *morally free zones* that allow for the unbridled pursuit of self-interest—and yet all for an ethical result. Others reject this idea, believing that in our professional lives, we must work beyond self-interest and bring ethical reflection directly within our everyday decisions. Both perspectives express a role for ethics but in different ways. Who is right? How do we decide who is right? Which ethical guidelines and self-interested considerations should guide our decision-making in business and economic life? This book addresses these questions, among many others.

The book begins by introducing basic but challenging ideas about ethical theories, markets, property rights, corporations, and law. These discussions lead to a debate about corporate responsibility in Part II. Some say that a corporation's only responsibility is to maximize profits within the law. Others say that this credo misses the *ethics* part. We will examine this debate. Then, in Parts III and IV, the book introduces and applies ethical ideas about efficiency, liberty, rights, equality, what people deserve, character, community, and others. Each of these later chapters offers a central ethical value as a focal point of discussion. Taken together, these chapters integrate a range of values for assessing the moral complexities of business and economic life.

DISTINCTIVE FEATURES OF THIS BOOK

1. *Current business context.* The economic and financial crises of the last several years have motivated a cultural and global debate about the rules of the business system and the choices people make within that system. The book emphasizes a balance between *personal* and *institutional* perspectives, integrating a micro perspective about the

ethics of individual decision-making alongside a macro perspective about evaluating the rules of the system that shape those choices.

2. *Continuity across subjects.* The book examines the role of ethics in business and economic life from the perspectives of consumers, investors, managers, owners, and employees—basically, all those who participate in the system in one capacity or another. In this sense the book is for all readers who wish to deepen their understanding of markets, corporations, and the business system from an ethical perspective. The book covers all the major topics discussed in texts in business ethics, and the special emphasis is continuity and integration of subjects across business, economics, political philosophy, and ethics.
3. *Engaging chapters.* Each chapter analyzes a central concept with digestible and engaging discussions, and then applies these materials to debates in business and economic life. Students practice ethical reasoning throughout the chapters—including online case studies—to develop skills that are versatile and have many applications beyond the text.
4. *The challenge of ethical debate.* How is productive ethical debate possible? First, it requires mastery of a range of important basic concepts, which are covered throughout the book. Second, there is a fairly well-defined structure to the ideas that lead to competing visions about the role and content of ethics in business and economic life, and this book develops that structure. A study of ethics is more than a balancing of intuitions. An important question is how do those intuitions and debates fit into a more comprehensive understanding of ethics and values? This book focuses on developing this systematic perspective, which reveals intriguing, challenging, and enjoyable intellectual puzzles. Experiencing and responding to these intellectual puzzles can lead to a healthy respect for ethical debate.
5. *Chapter organization.* The goal of each chapter is to integrate and develop important ideas on the chapter topic, analyze provocative ethical puzzles, and indicate how the chapter ideas have versatile applications. The text emphasizes core concepts underlying many ethical debates and how they form building blocks for competing arguments across topics.

Each chapter includes a listing of skills to be developed in that chapter, an introduction, a summary, a listing of key terms defined within the text, and discussion questions. The discussion questions are especially notable for this text. They are an integral part of the study of each chapter for those who seek a more advanced understanding of the material. These questions can focus your interests on some particular aspect of the reading or indicate additional puzzles beyond the core discussion. The online materials include a brief list of recommended readings that can also be assigned in tandem with the main text. As the chapters progress, the materials become part of an expanding network of ideas for engaging ethical discussions and debates. Taking all of these organizational elements together, each chapter is designed to allow for great flexibility to focus on themes that are of greatest interest.

6. *Practical Applications.* The text includes many applications and examples, and there are accompanying online materials with case studies for analysis, which are indicated by the [insert book icon] symbol within each chapter. In addition, your own online searches can also yield a treasure trove of examples. Many of the best cases and examples happen in real time, and the daily news invariably provides revealing and exciting

applications. By following current events, you can witness the ideas of the text playing out in real time before your eyes.

7. *Background.* This book offers a comprehensive introduction and requires no previous acquaintance with philosophy, business, or economics. The fourteen chapters are designed for a one-semester course of study. The book defines all of its key terms and in that sense is a self-contained study for introductory classes; but the discussions are designed to offer challenges at varied levels of analysis. The writing is appropriate as an introduction for business, philosophy, and general education students; as the main text for business ethics and professional ethics classes; and as a text for interdisciplinary majors that combine philosophy, politics, economics, and law. In addition, the writing is designed for broader and more advanced backgrounds for MBA courses and advanced applied ethics, political philosophy, or ethics and economics courses.

This text is available in a variety of formats—digital and print. To learn more about our programs, pricing options, and customization, visit www.pearsonhighered.com.

ACKNOWLEDGMENTS

After a decade of teaching and writing, this book began to take shape through my experience and conviction that many people enjoy and seek discussion of ethical puzzles in business and economics but the opportunities can seem too few. This book responds to the hope of contributing to greater public dialogue about the role of ethics in public life.

There are so many people to thank for all of the discussions, debates, and inspiration—more than I could possibly list. It's a product of many influences and many years.

Let me begin by thanking my Dad to whom this book is dedicated. Over a long career I saw how his undergraduate and MBA students loved his humor, common sense, and humanity about all matters concerning business and economics. Were I to carry forward even in small part his years of inspired teaching, I would feel lucky. I still remember our first conversation about economics—he started by asking me the purpose of businesses—and ever since the two of us have discussed and debated economic issues, always to my enjoyment and profit. I will always cherish the countless conversations through the many drafts of this book, with his probing questions at every step of the way. For everything, Dad, this book is dedicated to you.

I thank my wife Debby and daughter Sophia for their endless encouragement and support, especially in those moments when the work took many times longer than I imagined that it would. Debby always fortified me to take the time that I needed to bring this book to life. My family not only endured innumerable hours that I spirited away on research and writing, but they endured the scintillating conversations that I couldn't help but initiate about topics such as externalities, deontological ethics, and global governance gaps. For this and far more than I could ever write here, I am forever grateful.

At Binghamton University, outstanding students generated dynamic debates year after year, including an introductory class called “Markets, Ethics, and Law” that enrolled more than 2,000 students over a decade. This collective dialogue was a source of great creativity in my thinking and writing. The ideas in this book were also refined through other advanced undergraduate and graduate courses and in my teaching at the University of Baltimore, where I now work. Teaching at a university can keep you young because it provides a continuing antidote to those who think that the younger generation has lost its way. The hard work, intelligence, and passion of young people that I experienced year in and year out is truly remarkable. I have so many students to thank for these years of conversations—too many to mention given the great cumulative impact. Let me especially mention Samuel Itin, Lucas Testoriori, Murray Friedman, and Dustin Frost—their interest in this book project led them to read and offer helpful comments on early versions of this manuscript. These conversations included many alumni interactions as well. I'd like to especially thank Owen Pell, Binghamton University class of 1980, not only for the enriching dialogue on topics related to this book but his inspiring views on education and the role of ethics in business and economic life.

I have special gratitude to David Schmitz, my advisor at the University of Arizona, where I taught my first course in business ethics and learned new ways to connect philosophy and economics. David created an intellectual community where ideas germinated in an atmosphere of freedom—an idyllic environment. David continues to mentor generations of students into the philosophy profession.

I would like to thank friend and colleague Chris Griffin for years of debate and discussion on topics related to this book. In the tradition of Socrates, Chris will disagree with great zest about anything philosophical that sounds off-base—not just to find better answers but as one friend to another. And in our conversations he’s had plenty of opportunity to display this sign of friendship! (Whatever errors remain in this book are probably because I didn’t try out the ideas on him first.)

As a senior research scholar at Binghamton University, I thank former Harpur College Deans Peter Mileur and Don Nieman for their support of my research efforts, including research time while employed at Binghamton University for developing early drafts of the book. I have many colleagues to thank at Binghamton for conversations related to this book, including John Arthur, Eric Dietrich, Thomas F. Kelly, Stefan Sciaraffa, and Melissa Zinkin. I thank the University of East Anglia (UEA) in Norwich, England, during my visiting appointments in 2008 and 2010, for office space, time to think and write, and the generous collegiality of its faculty members. I am thankful for those experiences, as well as the study abroad and UEA students who debated the topics of this book. I also thank the University of Baltimore for summer research grants to complete this work as well as my colleagues in the Division of Legal, Ethical, and Historical Studies for their support, and, in particular, Joshua Kassner.

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