



A NOTE ON FIVE TRADITIONAL THEORIES OF MORAL REASONING

The study of ethics and the analysis of moral decision-making are traditions as old as philosophy itself. The development of procedures for ethical decision-making and reasonable standards for behavior are part of every culture, and the description of values, moral beliefs and mores of a society, institutions, or particular individuals are part of the way we define and describe people, collectives, and states. Yet the tasks of justifying moral beliefs and integrating them into ordinary life, and the processes involved in applying ethical standards to everyday decision-making are incomplete and exasperating since everyday decision-making is a process that sometimes challenges those beliefs.

In business, the process is more difficult because economic goals and exigencies often appear to override other considerations. Integrating ethical considerations into managerial decision-making without pushing aside economic considerations is neither easy nor without risk. Yet ignoring normative considerations in economic affairs is itself a normative decision that overlooks elementary facts: (1) most economic decisions are choices where the decision-makers could have chosen otherwise; (2) every such decision or action affects people, and an alternative action or inaction would affect them differently; and (3) every decision or set of decisions is embedded in a belief system that presupposes some basic values or their abrogation.

The term “ethics” or “ethical” is often used to refer to good behavior, and the term “morals” sometimes refers to the mores or norms of a particular community. We shall usually use the term “morality” interchangeably with “ethics.” The term “ethics” will be used as a generic word referring to the analysis, the process, and the normative elements of decision-making, including what is right or wrong, good or bad, how we should act, and the standards for judging conduct. An ethical judgment includes evaluating bad as well as good decisions, actions, motives, and behavior.

Philosophical ethics is the study of moral discourse, the analysis of the nature of moral principles, and the study of the nature and justification of moral terms. The task of business ethics includes studying the appropriateness of moral discourse in economics, analyzing the moral status of institutions such as corporations, which, like individuals at least in some sense, appear to make moral decisions, and scrutinizing the relativity of moral principles, both in an institutional setting and in the multinational arena.

This note was prepared by Patricia H. Werhane. It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Copyright © 1994 by the University of Virginia Darden School Foundation, Charlottesville, VA. All rights reserved. *To order copies, send an e-mail to sales@dardenpublishing.com. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the Darden School Foundation.*

Ethics is also empirical or descriptive. The collection of information on business, business values, or the belief structure of a particular corporate culture, descriptive data analysis of the actual decision-making habits of managers, and the analysis of case studies are all part of business ethics' empirical work.¹

Ethics is also more explicitly normative; ethicists study and develop moral standards, rules, and procedures for ethical decision-making. In business ethics, the viability of those standards and procedures includes the possibility of their practical application in particular contexts.

The distinction between descriptive and normative ethics is a critical one; it allows us to introduce distinctions important in any ethical analysis. In such discussions, one wants always to distinguish between what is accepted practice in a particular situation or set of contexts, and what a particular institution or culture holds to be acceptable or valuable, even when such ideals are not practiced throughout the society. Such distinctions become even more acute when dealing with multinational contexts. For example, in the now famous case of Lockheed's negotiations with the Japanese in the 1970s for a Lockheed TriStar contract, what appeared to be *accepted* practice in Japan—for managers to make "sensitive payments" to governmental officials in order to get contracts—turned out to be *unacceptable* to the Japanese.

What is accepted practice, of course, is not always moral, and this distinction leads to another, that between what is legal and what is ethical. What is enacted into law is often grounded on ethical principles, such as basic human rights or the principles of justice. Most legal systems do not cover all ethical considerations, and indeed, we often appeal to moral principles to judge the law. But not all laws are ethical, as witnessed in South Africa, where until recently it was illegal not to discriminate. Sometimes the law reflects actual practices of a community, but often practices of a community circumvent the law. Thus, we want to keep in mind the distinctions between what is legal, what is acceptable or held to be of value, and what is, in fact, accepted practice.

Let us turn to a brief discussion of some important components of five prominent, traditional ethical theories. This discussion, while not conclusive or complete, will help us develop a framework for moral reasoning and decision-making that takes into account and answers the demands of some of the various approaches to moral reasoning while having practical applications.

Utilitarianism

Whenever one analyzes an ethical issue in business, one's concern is with the economic costs and benefits of the alternatives. Although such an approach appears to be primarily economic, it is buttressed by a well-known ethical theory, utilitarianism. Linking what is universally desired with what is desirable, the utilitarian argues that what is most important and universally valued is the satisfaction of desires or interests, human pleasure or happiness, or the reduction of human suffering. Moreover, a utilitarian points out that whatever one's motives or intentions, we judge human action

¹Kenneth Goodpaster, "The Concept of Corporate Responsibility," *Just Business* ed. Tom Regan (New York: Random House, 1984) 294-99.

For the exclusive use of

-3-

in terms of its outcomes; that is, we measure the positive or negative utility of an action itself, not merely what it was meant to achieve. The best sort of decision, then, is one that maximizes human interests, best satisfies desires or pleasures, or minimizes harm. (Human interests include life, health, wealth, human dignity, autonomy, or mere pleasure.)

A utilitarian measures harm and benefit in terms of their qualitative and quantitative merit, long-term and short-term results, or immediate or latent satisfaction. In making a moral decision, one takes into account how a particular action or set of decisions would affect the greatest number of people, evaluating each person's interests impartially.² The best kind of moral decision-making, then, applies the principle of utility impartially over the range of persons affected by the decision or its outcomes, weighing each person and his or her interests equally, seeking equitable, if not equal, distribution of benefits or harm. The best outcome either maximizes the interests (or contributes to the happiness) of the greatest number, leading to more benefits than harm for most people, or at a minimum, reduces harm, all things considered.

Some utilitarians argue that one judges each act separately according to its utility. Others argue that one generalizes decision-making, judging a decision in accordance to the rule it embodies. In each instance, the utilitarian asks whether this sort of action is the *kind* of action that ordinarily produces a balance of the benefits and/or a reduction of the harm. Utilitarians are sometimes accused of developing a theory that does not focus on what is uniquely human because animals, too, seek pleasure and avoid pain. But a utilitarian would respond that only human beings can make choices, distinguish between pleasure and benefit, and determine what is in their best interests. Thus, only humans can direct and maximize utilitarian concerns.

Making choices on the basis of utility is a very basic, normative, decision-making practice. This is standard fare not only for business, but also for everyday choices and for public policy. Yet it may be the case that utilitarianism cannot account for all that is at issue in a decision, even a decision in business. It could be the case that some sorts of practices are wrong for other reasons, despite their widespread practice or utility. For example, blacks in South Africa have the highest standard of living of any blacks in Africa. Yet the question remains, are these positive benefits always justified if the means to achieve them are questionable by some other standard? The famous nineteenth-century utilitarian John Stuart Mill answered this question by arguing that freedom is unique and of the primary interest of human beings, and that other interests and benefits are secondary to freedom, including economic welfare. So benefits are not utility maximizing, according to Mill, if basic freedoms are violated or not realized.³

² As John Stuart Mill says, "As between his [the agent's] own happiness and that of others, utilitarianism requires him to be as strictly impartial as a disinterested and benevolent spectator." *Utilitarianism* (Cleveland: Meridian Books, 1968), 268. Mill also quotes Bentham as saying, "Everybody to count for one, nobody for more than one" (319).

³ John Stuart Mill, *Utilitarianism*, especially chapter five.

For the exclusive use of

-4-

From another utilitarian perspective, one could ask Mill whether we can always justify sacrificing economic benefits for freedom, even if this causes widespread human suffering as, say, a revolution in South Africa surely will do. One can see, then, that a balance must be struck between the very basic value of freedom and the other, very basic need to alleviate human suffering. In multinational operations, these questions are important, because the aim of every multinational company is to increase economic benefit, both for itself and, in the process, for the host country. But if those benefits cost a society in terms of losses to other interests or freedoms, the company is usually challenged to rethink its operative goals.

Utilitarianism raises some important considerations that must be accounted for in any decision matrix, including the following:

- Any decision must be impartial, treating each person equally but no more than equally.
- Ideally, no decision is acceptable that increases harms of any sort, even to a small number of people.
- An ideal decision is one that maximizes the pleasures, preferences, desires, interests, or well-being of the greatest number.

Rule-Based Morality

When we raise those questions about utilitarianism, we appeal to a second set of traditional ethical theories sometimes called deontology or rule-based morality. The father of this point of view is the eighteenth-century German philosopher Immanuel Kant. Kant argued that ethics and ethical decision-making concerns what is uniquely human, which is our ability to make rational, free choices from a number of possible alternatives. Moreover, according to Kant, moral decisions have to do with what we can bring under our control, that is, our choices and our intentional actions rather than the consequences of our actions, which we cannot always regulate. According to Kant, moral choices and moral actions also have to do with actions that apply to all human beings. The best moral choices are those that you would want others to make, even when you cannot make yourself an exception, and that respect others as persons. A moral act, then, can be defined as an act done from a sense of principle, which is that principle you would want others to adopt in their actions and that respects others as moral agents. In contemporary terms, a moral act would be an act that reasonable persons would agree was right, that you would expect others to do, that could be embodied into a universally applicable law, and that respects people and respects them equally.

From a Kantian perspective, we might ask the following kinds of questions when deciding what action to take:

- Does the action set positive or negative precedents?
- Is it an action that is acceptable to other reasonable persons?

For the exclusive use of

-5-

- Is it “legislatable?” For example, is it applicable to other similar situations?
- Does it respect or at least not denigrate human dignity?

Kant’s analysis introduces us to a criterion for moral assessment that is not simply an evaluation of utility or foreseeable outcomes or merely reflects law, codes, or societal mores. Some actions are judged to be wrong not merely because of their positive or negative outcomes, but also because they violate standards for acceptable behavior or moral rules. For example, most of us would agree that we should avoid deception, keep promises, respect the basic rights of everyone equally (e.g., the rights to life, freedom, and privacy), treat people fairly, and avoid causing harm. These rules are standards of ordinary morality that reasonable people would agree should hold for everyone. Reasonable people advocate and defend those standards (and others), because it is in the best interest of all of us if these rules are followed, and it is usually not in our long-term interest if these rules are habitually violated. Moral rules set the criteria for acceptable behavior by specifying how all are expected to act, without making an exception for ourselves.

Since they are general standards, moral rules help us to evaluate laws, codes, and social practices. But where do moral rules come from? There are a number of tempting explanations. Perhaps moral rules are God-given or part of human nature. But proving that is the case involves us in religious debates that would take us far astray. Another way to derive moral rules is through a thought experiment. Imagine that you, your family, and your colleagues are on a spaceship heading for a distant planet that you are going to populate. You are not sure how long the journey will take or what the conditions will be when you arrive. During the journey, you and the other passengers must set up the guidelines for behavior and the standards for law and justice that will regulate the new colony. Since you do not know in advance what your status will be on the new planet, you are likely to choose guidelines that will give fair opportunities to all settlers, including yourself and future generations. Under those conditions, you are likely to set guidelines that specify equal rights to life and basic liberties, protect contracts and promises, punish lying, stealing, cheating, and murder, and provide everyone with an equal opportunity to achieve well-being. Assuming that the spaceship travelers are reasonable people, the guidelines or rules you develop will be those agreed upon by all members of the party. One can think of moral rules, then, as those rules reasonable people, in ignorance of their own circumstances or future, would agree are the best standards for their own behavior and the behavior of others.

Moral standards have exceptions, because there are times when one cannot respect all moral rules or respect them equally. For instance, when one’s life is threatened, one often must kill in self-defense. But one can override standards (e.g., that everyone has a right to life) only when one has good reasons, reasons that other reasonable people would accept as being sound (e.g., self-defense) because they appeal to another standard (e.g., equal rights include *my* right to life and freedom).⁴

⁴ Adam Smith, *Lectures on Jurisprudence*, ed. R. L. Meek, D. D. Raphael, and P. G. Stein (Oxford: Oxford University Press, 1978), especially A (i.ii.12-14); and Bernard Gert, *Morality* (New York: Oxford University Press, 1988), especially chapters 1-7.

For the exclusive use of

-6-

Moreover, although moral rules are general rules, how they are interpreted depends, in part, on the context of a particular situation. For example, one would not be required to never lie, even in extreme circumstances such as national emergencies or war.

Some commonly held moral rules include:

- nonmalevolence (avoid harming others)
- keeping promises, honoring contracts
- respecting persons and their rights
- mutual aid (for one's family, and/or community, and/or nation, and/or world)
- respect for property (however defined)

A Rights Approach

The idea of the respect for human dignity leads us to a third tradition, derived from rule-based morality, which claims that independently of the culture, historical context, or the social institutions in which they find themselves, human beings have certain moral rights simply by virtue of being human. Everyone should be entitled to realize these rights, though in fact they may not be universally recognized.

Those who hold that human rights are basic moral claims argue that certain rights (in particular the rights to life, freedom, equal opportunity, and the right not to be harmed) are necessary for human dignity. Without those rights, life as a full human being is impossible because rational choice and control of one's life would not be an option.

Philosophers often distinguish between positive and negative rights. Negative rights are the rights not to be interfered with, harmed, or threatened, and the right to be free to do as one pleases so long as those actions do not interfere with others' similar rights. It is often argued that basic rights include only negative rights, because only those sorts of rights apply universally to every human being. Some negative rights include:

- the right to life
- the right to liberty
- the right to personal respect
- the right to be left alone

For the exclusive use of

-7-

Negative rights are distinguished from positive rights or welfare rights. These more controversial rights include rights to a decent minimum standard of living, food, housing, education, and (sometimes) employment. Even those who defend only negative rights, however, sometimes qualify that defense by arguing that, without minimum standards of well-being, rights to life and freedom could not be entertained or enjoyed.

Some examples of positive rights include:

- the right to survive
- the right to personal security and safety
- the right to a decent standard of living
- the right to education

Utilitarian theories, rule-based morality, and a rights approach all entail a theory of moral obligation. That is, if benefits or a minimization of harm are desirable, then obligations are built into our decision-making to achieve that end. If certain rights are basic to the human condition, then one has equal obligations to respect the rights of all humans equally. But what is the extent of one's obligations? Are one's duties merely negative ones; that is, not to cause or increase harm, not to infringe on others' rights, and to act in such a way that one does not set negative precedents or violate norms of common sense morality? Or are one's duties positive ones; that is, to maximize human interests, to be proactive in setting positive precedents, and to enforce human rights?

There are no simple answers to those questions. In part, the answers have to do with one's ability, the context in which one is operating, and societal expectations. But the questions are important in business ethics because they concern the extent of corporate obligations. Business makes a unique contribution to the economic well-being of our society. Yet sometimes the public expects business to be proactive by taking a positive role in social responsibility.

The debate about the extent of positive and negative obligations of business cannot be resolved absolutely. The discussion of rights and obligations does, however, lead to certain tentative conclusions:

1. Managerial decision-making must question any action, set of actions, or corporate goals that, on balance, contribute negatively to human well-being or contribute harm to human rights or human dignity. A prudent business decision is one that, at the least, recognizes minimum obligations not to worsen the status or viability of these ideals.
2. Ordinarily, any actions that, on balance, weaken human rights or contribute to their violation are not acceptable, even when these actions result in economic benefits.

Virtues and Virtuous Character

The question of self-restraint and prudence in business decision-making introduces the notion of managerial virtue. In the preceding analysis of traditional ethical theories, we have neglected one important aspect of ethics that is central to a discussion of behavior: virtue. It is often argued that business, like other social phenomena, is a practice or a set of social practices. What is important and often ignored in this analysis is the character of the managers who are engaged in such practices: their virtues and vices. In a point of view derived from Aristotle rather than Kant, the cultivation of excellence in moral character is crucial for managers. Business is part of a community and managers need to see themselves as good citizens in that community. The development of moral character is a necessary condition for good business people and therefore for ethical excellence in business.

In a contemporary Aristotelian analysis, Robert Solomon cites six Aristotelian virtues as being central to business. These virtues can be broken down as follows:

- community or social responsibility
- excellence
- public identity
- membership and loyalty
- integrity
- good judgment
- integration or wholeness

The six civic virtues are mapped against what Solomon calls the passions of the social self: loyalty, honor, and a sense of shame. The aim of the model is the common good, the well-being of society, of which business is an integral part. The strength of this framework is its focus on personal character and moral excellence in a social setting in which the individual is not isolatable from that setting.⁵

Although personal moral excellence is a necessary condition for business decision-making, what is peculiar or even unique to applied ethics of which business ethics is a part, are the kinds of moral dilemmas faced in real-life settings. Solving the kinds of dilemmas that often confront individuals in institutional and market contexts requires skills in moral reasoning that go beyond character; the decision-maker must take into account the precedents and precedent-setting standards that entail impartial generalizations projecting beyond a particular business situation. What is unique or at least interesting about business decision-making is that it is inherently contextual and utilitarian even as it demands the application, or setting out, of principles or rules.

⁵ Robert C. Solomon, *Ethics and Excellence* (New York: Oxford University Press, 1992): especially Part III.

The development and exercise of good moral character is a necessary condition for moral managerial decision-making. But managerial virtue is not enough, in itself, to solve the moral dilemmas in business. This analysis suggests that any framework for ethical decision-making should include the minimum requirement that the manager avoid doing business with other managers and businesses that consistently exhibit or practice negative virtues. Otherwise, the proliferation of vices in business is economically encouraged and allowed to flourish.

Social Justice

Social justice, a fifth set of issues, is linked to traditional ethical theories. Justice is ordinarily synonymous with fairness, the requirement of consistency, equity, and impartiality. Justice requires treating similar cases similarly and treating persons as equals except when they have relevant differences. This formal, comparative definition is usually supplemented with a noncomparative one, the stipulation that each person is to be given his or her due (what one has a right to claim as a person, or what one deserves or is owed because of need, merit, contracts, effort, contribution, or some other appropriate criterion). These two definitions complement each other as if we focused on treating persons as equals, it would be possible for us to treat every person impartially but poorly. The comparative stipulation is necessary, too, or else we could give each person his or her due in individual instances without being consistent or impartial.⁶

Justice concerns both processes and outcomes, and often the criteria for evaluating whether a process or outcome is just are different. A process would be fair if it treated all persons or institutions impartially and as equals and if the procedures gave each person his or her due in that context. Treating persons and institutions impartially and as equals does not entail treating every person equally. Rather, it implies two criteria. The first and most obvious criterion is the ideal of offering equal opportunities for all participants in a particular process. A just process does not discriminate based on inequality when the inequality hurts people's opportunity to participate in the process. For example, when an NFL team such as the Chicago Bears holds a tryout, everyone who wants to (even women) should be allowed to try out, but most of us should not be allowed on the team because we are not qualified to play. The second criterion is giving each person his or her due. For example, if you have two children, one of whom is sick, and you have medicine for only one child, it would be fair to give the medicine only to the sick child rather than distribute it equally to them.⁷

In a process, justice is an ideal and seldom achievable, but there are clear cases of injustices that could have been avoided. For example, airlines used to bar men from applying for positions as flight attendants. The airlines' process of hiring was unfair because gender is not a relevant qualification for becoming a flight attendant.

⁶ Alan Gewirth, "Economic Justice: Concepts and Criteria," *Economic Justice* ed. Kenneth Kipnis and Diana T. Meyers (Totowa, NJ: Rowman & Allanheld, 1985): 9–10.

⁷ Ronald Dworkin, *Taking Rights Seriously* (Cambridge: Harvard University Press, 1977): especially pages 225–29.

Two criteria for determining the justice of any process, based on the principles of treating similar cases similarly and giving each person his or her due, are evaluating a process in terms of equal opportunity and treating people as equals. Those principles serve as guidelines underlying the development of rules and policies. Nevertheless, a process could be unfair, yet produce a balance of benefits and harm very much like a fair process. For example, ordinarily women are not allowed to try out for major sports teams. Women have not brought suit against teams or leagues, however, because 99.9 percent are physically unqualified. Even if the process of selection was changed, the outcome is not likely to be different.

It is tempting to try to develop one principle of justice that encompasses all human activities and phenomena. But what should this principle be? Is it most fair to distribute social goods equally? What about the inequality of human needs? What about agreements or contracts, one's efforts and contributions, or societal rules? Several criteria have been suggested as ideals of distributive fairness: equality, need, effort, contribution, merit or virtue, contracts and other agreements, societal mores or rules, and even chance.⁸

A more subtle approach was proposed by Michael Walzer. Walzer points out that different societal activities (what Walzer calls "social spheres of interest") embody distinct social-justice criteria that govern both the distribution of opportunities in processes and the ideal distribution of outcomes. What might be considered a fair method of distribution for one set of societal activities could be inappropriate for another.⁹ For example, in a politically democratic society, we use the criterion of equality to distribute the right to vote, but this measure is unacceptable when we are hiring. Welfare distributions are based on the principle of need. The lottery is based on chance. The Academy Awards are (allegedly) based on merit.

In the market, we use a number of criteria to judge the fairness of both economic processes and market outcomes. The most prominent criterion is a contract. Contracts made between reasonable persons are considered binding and fair under normal conditions, whatever the distribution of outcomes, so long as both parties are in a similarly competitive, informed position and so long as the contract does not violate any basic rights. For example, voluntary employment contracts are usually valid except when one tries to sell oneself into slavery. The market also allocates and distributes rewards in terms of contribution; at least ideally, it does so. A fair process of employment entails equal opportunity and qualifications in hiring, employment contracts, and the criteria of effort and contribution in retention, reward, and promotion.

We tend to focus on the fairness of market processes, arguing that unequal economic distributions that result from fair market processes are not unfair because they are a result of effort, contribution, an efficient market, and fair competition. Nevertheless, because no market process is completely impartial and distributive advantages are not always identical to what people are due, we sometimes balance these inequalities or externalities with laws that govern the distribution of

⁸ Diana T. Meyers, "Reason, Unreason, and Economic Justice," *Economic Justice* ed. Kipinis and Meyers, 1. See also Gregory Vlastos, "Justice and Equality," *Social Justice* ed. Richard B. Brandt (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1962).

⁹ Michael Walzer, *Spheres of Justice* (New York: Basic Books, 1983).

-11-

opportunities (EEO legislation) or outcomes (graduated income tax and taxes on corporate earnings). Moreover, because no activity is purely isolated from any other, social spheres overlap, and externalities often produce untoward consequences. Any corporation has to take into account the effect of externalities as well as the fairness of procedures, even when it has no intention of creating harm, violating rights, or engaging in inequitable activities.

In sum, a framework for ethical decision-making must use fair procedures and account for unjust outcomes.

1. Any decision and procedure for implementation should:
 - a. treat each person as an equal
 - b. give each person his or her due (i.e., what is owed because of need, merit, virtue, contracts, moral rules, or law)

At the same time,

2. Any outcome that is a result of unfair procedures should be subject to review and revision.
3. Any procedure, even an ostensibly fair one, that produces unfavorable outcomes should be subject to review.

Finally, all these theories demonstrate that, although an ethical decision is rational, it is not based merely on facts. Facts are critical because we need to take into account the context of our decisions so that what is harmful or unjust (or conversely beneficial or just) makes sense in that situation or set of situations. At the same time, moral decision-making demands a justificatory procedure that is not merely subjective because a moral decision must be an impartial decision that is publicly defensible. Moral reasoning, then, is not merely articulating what one thinks, believes, or feels. Moral judgments are not merely personal opinions, although they may result in opinion. Rather, moral judgments, like other judgments, must be logically defensible and publicly acceptable. Each of the foregoing theories sets out minimum standards for an acceptable moral decision that can serve as nonrelative criteria for moral judgments. For it is surely the case that any business decision that on balance increases harm to interests or rights, that promulgates vices, or that creates more injustice than the status quo cannot be an acceptable one.