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Maybe the best way to introduce a discussion of business ethics is by looking at how a real company has incorporated ethics into its operations. Consider then how Merck & Co., Inc., a U.S. drug company, dealt with the issue of river blindness.

River blindness is a debilitating disease that has afflicted about 18 million impoverished people living in remote villages along the banks of rivers in tropical regions of Africa and Latin America. The disease is caused by a tiny parasitic worm that is passed from person to person by the bite of the black fly, which breeds in fast-flowing river waters. The tiny worms burrow under a person's skin, where they grow as long as 2 feet curled up inside ugly round nodules half an inch to an inch in diameter. Inside the nodules, the female worms reproduce by releasing millions of microscopic offspring called *microfilariae* that wriggle their way throughout the body moving beneath the skin, discoloring it as they migrate, and causing lesions and such intense itching that victims sometimes commit suicide. Eventually, the *microfilariae* invade the eyes and blind the victim. In some West African villages, the parasite had already blinded more than 60 percent of villagers over fifty-five. The World Health Organization estimated that the disease had blinded 270,000 people and left another 500,000 with impaired vision.

Pesticides no longer stop the black fly because it has developed immunity to them. Moreover, until the events described below, the only drugs available to treat the parasite in humans were so expensive, had such severe side effects, and required such lengthy hospital stays that the treatments were impractical for the destitute victims who lived in isolated rural villages. In many countries, young people fled the areas along the rivers, abandoning large tracts of rich fertile land. Villagers who stayed to live along the rivers accepted the nodules, the torturous itching, and eventual blindness as an inescapable part of life.

In 1980, Dr. Bill Campbell and Dr. Mohammed Aziz, research scientists working for Merck, discovered evidence that one of the company's best-selling animal drugs, Ivermectin, might kill the parasite that causes river blindness. Dr. Aziz, who had once worked in Africa and was familiar with river blindness, traveled to Dakar, Senegal, where he tested the drug on villagers who had active infections. Astonishingly, he discovered that a single dose of the drug not only killed all the *microfilariae*, it also made the female worms sterile and made the person immune to new infections for months. When Aziz returned to the United States, he and Dr. Campbell went to see Merck's head of research and development, Dr. P. Roy Vagelos, a former physician. They showed him their results and recommended that Merck develop a human version of the drug.

At the time, it cost well over \$100 million to develop a new drug and test it in the large-scale clinical studies the U.S. government required. Roy Vagelos realized that even if they succeeded in developing a human version of the drug for the victims of river blindness, "It was clear that we would not be able to sell the medicine to these people, who would not be able to afford it even at a price of pennies per year."¹ And even if the drug was affordable, it would be almost impossible to get it to most of the people who had the disease since they lived in remote areas without access to doctors, hospitals, clinics, or drug stores. Moreover, if the drug had bad side effects for humans, these could threaten sales of the animal version of the drug, which were about \$300 million a year. Finally, if a cheap version of the human drug was made available, it could be smuggled through black markets and resold for use on animals, thereby undermining the company's sales of Ivermectin to veterinarians.

Although Merck had worldwide sales of \$2 billion a year, its net income as a percent of sales had been in decline due to the rapidly rising costs of developing new drugs, the increasingly restrictive and costly regulations being imposed by government agencies, a lull in basic scientific breakthroughs, and a decline in the productivity of company research programs. The U.S. Congress was getting ready to pass

the Drug Regulation Act, which would intensify competition in the drug industry by allowing competitors to more quickly copy and market drugs originally developed by other companies. Medicare had recently put caps on reimbursements for drugs and required cheaper generic drugs in place of the branded-name drugs that were Merck's major source of income. In the face of these worsening conditions in the drug industry, was it a good idea for Merck to undertake an expensive project that showed little economic promise? On top of all this, Vagelos later wrote:

There was a potential downside for me personally. I hadn't been on the job very long and I was still learning how to promote new drug development in a corporate setting. While we had some big innovations in our pipeline, I was still an unproven rookie in the business world. I would be spending a considerable amount of company money in a field, tropical medicine, that few of us other than Mohammed Aziz knew very well ... CEO Henry Gadsden had become worried—with good cause—about Merck's pipeline of new products, and he had hired me to solve that problem. It was as obvious to me as it was to Mohammed and Bill that even if Ivermectin was successful against river blindness, the drug wasn't going to pump up the firm's revenue and make the stockholders happy. So I was being asked to take on some risk for myself and for the laboratories.²

Vagelos knew he was faced with a decision that, as he said, “had an important ethical component.” Whatever the risk to the company and his career, it was clear that without the drug, millions would be condemned to lives of intense suffering and partial or total blindness. After talking it over with Campbell, Aziz, and other managers, Vagelos came to the conclusion that the potential human benefits of a drug for river blindness were too significant to ignore. In late 1980, he approved a budget that provided the money needed to develop a human version of Ivermectin.

It took seven years for Merck to develop a human version of Ivermectin. The company named the human version Mectizan. A single pill of Mectizan taken once a year could eradicate from the human body all traces of the parasite that caused river blindness and prevented new infections. Unfortunately, exactly as Vagelos had earlier suspected, no one stepped forward to buy the miraculous new pill. Over the next several years, Merck officials—especially Vagelos who by then was Merck's chief executive officer (CEO)—pleaded with the World Health Organization (WHO), the U.S. government, and the governments of nations afflicted with the disease, asking that someone—anyone—come forward to buy the drug to protect the 100 million people who were at risk for the disease. None responded to the company's pleas.

When it finally became clear no one would buy the drug, the company decided to give Mectizan away for free to victims of the disease.³ Yet, even this plan proved difficult to implement because, as the company had earlier suspected, there were no established distribution channels to get the drug to the people who needed it. Working with the WHO, therefore, the company financed an international committee to provide the infrastructure to distribute the drug safely to people in the Third World and to ensure that it would not be diverted into the black market to be sold for use on animals. Paying for these activities raised the amount it invested in developing, testing, and now distributing Mectizan to well over \$200 million, without counting the cost of manufacturing the drug itself. By 2010, Merck had given away more than 2.5 billion tablets of Mectizan worth approximately \$3.5 billion and was providing the drug for free to 80 million people a year in Africa, Latin America, and the Middle East. Besides using the drug to relieve the intense sufferings of river blindness, the company had expanded the program to include the treatment of elephantiasis, a parasitic disease

that often coexists with river blindness which Merck researchers discovered could also be treated with Mectizan. By 2010, over 300 million people had received Mectizan to treat elephantiasis and 70 million more received it the following year.

When asked why the company invested so much money and effort into researching, developing, manufacturing, and distributing a drug that makes no money, Dr. Roy Vagelos, CEO of the company, replied that once the company suspected that one of its animal drugs might cure a severe human disease that was ravaging people, the only ethical choice was to develop it. Moreover, people in the Third World "will remember" that Merck helped them, he commented, and will respond favorably to the company in the future.⁴ Over the years, the company had learned that such actions have strategically important long-term advantages. "When I first went to Japan 15 years ago, I was told by Japanese business people that it was Merck that brought streptomycin to Japan after World War II to eliminate tuberculosis which was eating up their society. We did that. We didn't make any money. But it's no accident that Merck is the largest American pharmaceutical company in Japan today."⁵

Having looked at how Merck dealt with its discovery of a cure for river blindness, let us now turn to the relationship between ethics and business. Pundits sometimes quip that *business ethics* is a contradiction in terms—an "oxymoron"—because there is an inherent conflict between ethics and the self-interested pursuit of profit. When ethics conflicts with profits, they imply, businesses always choose profits over ethics. Yet, the case of Merck suggests a different perspective—a perspective that many companies are increasingly taking. The managers of this company spent \$200 million developing a product that they knew had little chance of ever being profitable because they felt they had an ethical obligation to make its potentially great benefits available to people. In this case, at least, a large and very successful business seems to have chosen ethics over profits. Moreover, the comments of Vagelos at the end of the case suggest that, in the long run, there may be no inherent conflict between ethical behavior and the pursuit of profit. On the contrary, the comments of Vagelos suggest that ethical behavior creates the kind of goodwill and reputation that expand a company's opportunities for profit.

Not all companies operate like Merck, and Merck itself has not always operated ethically. Many—perhaps most—companies will not invest in a research and development project that will probably be unprofitable even if it promises to benefit humanity. Every day newspapers announce the names of companies that choose profits over ethics or that, at least for a time, profited through unethical behavior—Enron, Worldcom, Global Crossing, Rite-Aid, Oracle, ParMor, Adelphia, Arthur Andersen, Louisiana-Pacific, and Qwest—are but a few of these. In 2004, even Merck was accused of failing to disclose heart problems associated with its drug Vioxx, and in 2010 the company put \$4.85 billion into a fund to compensate patients who said they had suffered heart attacks or strokes because they had used Vioxx. (In spite of its significant lapse in regard to Vioxx, Merck has remained committed to operate ethically and has continued to win dozens of awards for its openness and ethically responsible operations.)⁶

Although there are many companies that at one time or another have engaged in unethical behavior, habitually unethical behavior is not necessarily a good long-term business strategy for a company. For example, ask yourself whether, as a customer, you are more likely to buy from a business that you know is honest and trustworthy or one that has earned a reputation for being dishonest and crooked. Ask yourself whether, as an employee, you are more likely to loyally serve a company whose actions toward you are fair and respectful or one that habitually treats you and other workers unjustly and disrespectfully. Clearly, when companies are competing against each other for customers and for the best workers, the company with a reputation for ethical behavior has an advantage over one with a reputation for being unethical.

This book takes the view that ethical behavior is the best long-term business strategy for a company—a view that has become increasingly accepted during the last few years.⁷ This does not mean that occasions never arise when doing what is ethical will prove costly to a company. Such occasions are common in the life of a company, and we will see many examples in this book. Nor does it mean that ethical behavior is always rewarded or that unethical behavior is always punished. On the contrary, unethical behavior sometimes pays off, and the good guy sometimes loses. To say that ethical behavior is the best long-range business strategy just means that, over the long run and for the most part, ethical behavior can give a company significant competitive advantages over companies that are not ethical. The example of Merck suggests being ethical is good business strategy, and a bit of reflection on how we, as consumers and employees, respond to companies that behave unethically supports the view that unethical behavior leads to a loss of customer and employee support. Later, we will see what more can be said for or against the view that ethical behavior is the best long-term business strategy for a company.

The more basic problem is, of course, that the ethical course of action is not always clear to a company's managers. In the Merck case, Roy Vagelos decided that the company had an ethical obligation to proceed with the development of the drug. Yet to someone else the issue may not have been so clear. Vagelos notes he would be "spending a considerable amount of company money" in a way that would not "make stockholders happy" and that would put his own career at "some risk." Don't the managers of a company have a duty toward investors and shareholders to invest their funds in a profitable manner? Indeed, if a company spent all of its funds on charitable projects that lost money, wouldn't it soon be out of business? Then, wouldn't its shareholders be justified in claiming that the company's managers had spent their money unethically? And should Vagelos have risked his career, with the implications this had for his family? Is it so clear, then, that Vagelos had an ethical obligation to invest in an unprofitable drug? What reasons can be given for his belief that Merck had an obligation to develop the drug? Can any good reasons be given for the claim that Merck had no such obligation? Which view do you think is supported by the strongest reasons?

Although ethics may be the best policy, then, the ethical course of action is not always clear. The purpose of this book is to help you, the reader, deal with this lack of clarity. Although many ethical issues remain difficult and obscure even after a lot of study, gaining a better understanding of ethics will help you deal with ethical uncertainties in a more adequate and informed manner.

This text aims to clarify the ethical issues that you may face when you work in a business and perhaps, become part of a company's management team. This does not mean that it is designed to give you moral advice nor that it is aimed at persuading you to act in certain "moral" ways. The main purpose of the text is to provide you with a deeper knowledge of the nature of ethical principles and concepts along with an understanding of how you can use this knowledge to deal with the ethical choices you will encounter in the business world. This type of knowledge and skill should help you steer your way through ethical decisions like the one Vagelos had to make. Everyone in business is confronted with decisions like these, although usually not as significant as deciding whether to pursue a potential cure for river blindness. Before you even start working for a company, for example, you will be faced with ethical decisions about how "creative" your resume should be. Later, you may have to decide whether to cut corners just a little in your job, or whether to give your relative or friend a company contract, or whether to put a little extra into the expenses you report for a company trip you made. Or maybe you will catch a friend stealing from the company and have to decide whether to turn him in, or you will find out

your company is doing something illegal and have to decide what you are going to do about it, or maybe your boss will ask you to do something you think is wrong. Ethical choices confront everyone in business, and this text hopes to give you some ways of thinking through these choices.

The first two chapters will introduce you to some methods of moral reasoning and some fundamental moral principles that can be used to analyze moral issues in business, as well as some of the obstacles that can get in the way of thinking clearly about ethical issues. The following chapters apply these principles and methods to the kinds of moral dilemmas that confront people in business. We begin in this chapter by discussing three preliminary topics: (1) the nature of business ethics and some of the issues it raises, (2) moral reasoning and moral decision-making, and (3) moral responsibility. Once these notions have been clarified, we devote the next chapter to a discussion of some basic theories of ethics and how they relate to business.

1.1 The Nature of Business Ethics

According to the dictionary, the term *ethics* has several meanings. One of the meanings given to it is: “the principles of conduct governing an individual or a group.”⁸ We sometimes use the term *personal ethics*, for example, when referring to the rules by which an individual lives his or her personal life. We use the term *accounting ethics* when referring to the code that guides the professional conduct of accountants.

A second—and for us more important—meaning of *ethics* according to the dictionary is this: Ethics is “the study of morality.” Just as chemists use the term *chemistry* to refer to a study of the properties of chemical substances, ethicists use the term *ethics* to refer primarily to the study of morality. Although ethics deals with morality, it is not quite the same as morality. Ethics is a kind of investigation—and includes both the activity of investigating as well as the results of that investigation—whereas morality is the subject matter that ethics investigates.

Morality

morality The standards that an individual or a group has about what is right and wrong or good and evil.

So what, then, is morality? We can define **morality** as the standards that an individual or a group has about what is right and wrong, or good and evil. To clarify what this means, let’s consider another case, one that is a bit different from the Merck case.

Several years ago, B. F. Goodrich, a manufacturer of vehicle parts, won a military contract to design, test, and manufacture aircraft brakes for the A7-D, a new light airplane the U.S. Air Force was designing. To conserve weight, Goodrich managers guaranteed that their compact brake would weigh no more than 106 pounds, contain no more than four small braking disks or “rotors,” and be able to repeatedly stop the aircraft within a specified distance. The contract was potentially very lucrative for the company and so its managers were anxious to deliver a brake that “qualified,” that is, that passed all the tests the U.S. Air Force required for the A7-D.

An older Goodrich engineer, John Warren, designed the brake. A young engineer named Searle Lawson was given the job of determining the best material to use as the brake lining and testing the brake to make sure it “qualified.” Searle Lawson was in his twenties. He had just graduated from school with an engineering degree and Goodrich had only recently hired him.

Lawson built a “prototype”—a working model—of the small brake to test lining materials. He found that when the brake was applied, the linings on the four rotors heated up to 1500 degrees and began disintegrating. When he tried other linings and

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got the same results, Lawson went over Warren's design and decided it was based on a mistake. By his own calculations, there was not enough surface area on the rotors to stop an airplane in the required distance without generating so much heat the linings failed. Lawson went to Warren, showed him his calculations and suggested Warren's design should be replaced with a new design for a larger brake with five rotors. Warren rejected the suggestion that his design was based on a mistake that a "green kid" just out of engineering school had discovered. He told Lawson to keep trying different materials for brake linings until he found one that worked.

But Lawson was not ready to give up. He went to talk with the manager in charge of the project and showed him his calculations. The project manager had repeatedly promised his own superiors that development of the brake was on schedule and knew he would probably be blamed if the brake was not delivered as he had promised. Moreover, he probably felt he should trust Warren who was one of his best engineers, rather than someone just out of engineering school. The project manager told Lawson that if Warren said the brake would work, then it would work. He should just keep trying different materials like Warren told him to do. Lawson left the project manager feeling frustrated. If he did not have the support of his superiors, he thought, he would just keep working with the brake Warren designed.

Several weeks later Lawson still had not found a lining that would not disintegrate on the brake. He spoke with his project manager again. This time his project manager told him to just put the brake through the tests required to "qualify" it for use on the A7-D airplane. Then, the manager told him in no uncertain terms that no matter what, he was to make the brake pass all its qualifying tests. His manager's orders shook Lawson and he later shared his thoughts with Kermit Vandivier, a technical writer who had been assigned to write a report on the brake:

I just can't believe this is really happening. This isn't engineering, at least not what I thought it would be. Back in school I thought that when you were an engineer you tried to do your best, no matter what it cost. But this is something else. I've already had the word that we're going to make one more attempt to qualify the brake and that's it. Win or lose, we're going to issue a qualification report. I was told that regardless of what the brake does on tests, it's going to be qualified.⁹

Lawson put together a production model of the brake and ran it through the tests a dozen times. It failed every time. On the thirteenth attempt, Lawson "nursed" the brake through the tests by using special fans to cool the brake and by taking it apart at each step, cleaning it carefully, and fixing any distortions caused by the high heat. At one point, a measuring instrument was apparently deliberately miscalibrated so it indicated that the pressure applied on the brake was 1000 pounds per square inch (the maximum available to the pilot in the A7-D aircraft) when the pressure was actually 1100 pounds per square inch.

Kermit Vandivier, who was to write the final report on the tests, was also troubled. He talked the testing over with Lawson who said that he was just doing what the project manager had ordered him to do. Vandivier decided to talk with the senior executive in charge of his section. The executive listened, but then said, "It's none of my business and it's none of yours." Vandivier asked him whether his conscience would bother him if during flight tests on the brake something should happen resulting in death or injury to the test pilot. The Goodrich executive answered, "Why should my conscience bother me? ... I just do as I'm told, and I'd advise you to do the same."¹⁰

When Kermit Vandivier was told to write up a report that concluded the brake had passed all qualifying tests, he refused. Such a report, he felt, would amount to

“deliberate falsifications and misrepresentations” of the truth.¹¹ But a short time later, he changed his mind. He later said:

My job paid well, it was pleasant and challenging, and the future looked reasonably bright. My wife and I had bought a home ... If I refused to take part in the A7-D fraud, I would have to either resign or be fired. The report would be written by someone anyway, but I would have the satisfaction of knowing I had had no part in the matter. But bills aren't paid with personal satisfaction, nor house payments with ethical principles. I made my decision. The next morning I telephoned [my superior] and told him I was ready to begin the qualification report.¹²

Lawson and Vandivier wrote the final report together. “Brake pressure, torque values, distances, times—everything of consequence was tailored to fit” the conclusion that the brake passed the qualifying tests.¹³ A few weeks after Goodrich published their report, the U.S. Air Force put the brakes on A7-D test planes and pilots began flying them.

moral standards The norms about the kinds of actions believed to be morally right and wrong as well as the values placed on what we believe to be morally good and morally bad.

Below, we will talk about what happened when test pilots flew the planes equipped with the Goodrich brakes. At this point, note that Lawson believed that as an engineer he had an obligation “to do your best, no matter what it cost,” and that Vandivier believed it was wrong to lie and to endanger the lives of others, and believed also that integrity is good and dishonesty is bad. These beliefs are all examples of moral standards. **Moral standards** include the *norms* we have about the kinds of actions we believe are morally right and wrong, as well as the *values* we place on what we believe is morally good or morally bad. Moral norms can usually be expressed as general rules about our actions, such as “Always tell the truth,” “It’s wrong to kill innocent people,” or “Actions are right to the extent that they produce happiness.” Moral values can usually be expressed with statements about objects or features of objects that have worth, such as “Honesty is good,” and “Injustice is bad.”

Where do moral standards come from? Typically, moral standards are first learned as a child from family, friends, and various societal influences such as church, school, television, magazines, music, and associations. Later, as we mature, our experience, learning, and intellectual development will lead us to think about, evaluate, and revise these standards according to whether we judge them to be reasonable or unreasonable. You may discard some standards that you decide are unreasonable, and may adopt new standards because you come to believe they are more reasonable than the ones you previously accepted. Through this maturing process, you develop standards that are more rational and so more suited for dealing with the moral issues of adult life. As Lawson and Vandivier’s example shows, however, we do not always live up to the moral standards we hold; that is, we do not always do what we believe is morally right nor do we always pursue what we believe is morally good. Later in the chapter, we will look at how our actions can become disconnected from our moral beliefs.

nonmoral standards The standards by which we judge what is good or bad and right or wrong in a nonmoral way.

Moral standards can be contrasted with norms or standards we hold about things that are not moral. Examples of **nonmoral standards and norms** (sometimes also called “conventional” standards and norms) include the standards of etiquette by which we judge people’s manners as good or bad, the rules of behavior set by parents, teachers, or other authorities, the norms we call *the law* by which we determine what is legally right and wrong, the standards of language by which we judge what is grammatically right and wrong, the standards of art by which we judge whether a painting or a song is good or bad, and the sports standards by which we judge how well a game of football or basketball is being played. In fact, whenever we make judgments about

the right or wrong way to do things, or judgments about what things are good and bad, or better and worse, our judgments are based on standards or norms of some kind. In Vandivier's case, we can surmise that he probably believed that reports should be written with good grammar; that having a well-paid, pleasant, and challenging job was a good thing; and that it's right to follow the law. The conventional norms of good grammar; the value of a well-paid, pleasant, and challenging job; and the laws of government are also standards, but these standards are not moral standards. As Vandivier's decision demonstrates, we sometimes choose nonmoral standards over our moral standards.

How do we distinguish between moral and nonmoral or conventional standards? Before reading any further, look at the two lists of norms below and see if you can tell which is the list of moral norms and which is the list of nonmoral norms:

Group One

- "Do not harm other people,"
- "Do not lie to other people,"
- "Do not steal what belongs to others."

Group Two

- "Do not eat with your mouth open,"
- "Do not chew gum in class,"
- "Do not wear socks that do not match."

During the last two decades, numerous studies have shown that the human ability to distinguish between moral norms and conventional or nonmoral norms emerges at a very early age and remains with us throughout life.¹⁴ The psychologist Elliot Turiel and several others have found that by the age of three, a normal child has acquired the ability to tell the difference between moral norms and conventional norms. By age three, the child sees violations of moral norms as more serious and wrong everywhere, while violations of conventional norms are less serious and wrong only where authorities set such norms.¹⁵ For example, three year olds will say that while it is not wrong to chew gum at schools where teachers do not have a rule against it, it is still wrong to hit someone even at schools where teachers do not have a rule against hitting. Because this ability to distinguish between moral and conventional norms develops in childhood, it was not just easy, but trivially easy for you to see that the norms in group one are moral norms, and those in group two are conventional. This innate ability to distinguish moral norms from conventional norms is not unique to Americans or Europeans or Westerners; it is an ability that every normal human being in every culture develops.¹⁶ People in all cultures may not completely agree on which norms are moral norms (although there is a surprising amount of agreement) and which are conventional, but they all agree that the two are different and that the difference is extremely important.

So what is the difference between moral norms and nonmoral or conventional norms? This is not an easy question to answer even if three year olds seem to know the difference. However, philosophers have suggested six characteristics that help pin down the nature of moral standards (and psychologists like Elliot Turiel and others have drawn on the work of philosophers to help them distinguish moral from nonmoral norms in their studies).

First, moral standards deal with matters that are serious, i.e., matters that we think can seriously wrong or significantly benefit human beings.¹⁷ For example, most people in American society hold moral standards against theft, rape, enslavement, murder, child abuse, assault, slander, fraud, lawbreaking, and so on. All of these plainly deal with matters that people feel are serious forms of injury. Because they are about serious matters, violating moral standards is seen as seriously wrong and we feel that the obligation to obey moral standards has greater claim on us than conventional norms do. In

Quick Review 1.1

Moral Norms and Nonmoral Norms

- From the age of three we can distinguish moral from nonmoral norms.
- From the age of three we tend to think that moral norms are more serious than nonmoral norms and apply everywhere independent of what authorities say.
- The ability to distinguish moral from nonmoral norms is innate and universal.

*Quick Review 1.2***Six Characteristics of Moral Standards**

- Involve serious wrongs or significant benefits
- Should be preferred to other values including self-interest
- Not established by authority figures
- Felt to be universal
- Based on impartial considerations
- Associated with special emotions and vocabulary

the Goodrich case, it was clear that both Lawson and Vandivier felt that lying in their report and endangering the lives of pilots were both serious harms and so both were moral matters, whereas adhering to grammatical standards was not. And because the benefits of developing a cure for river blindness were so significant, Dr. Vaglos felt that Merck had an obligation to develop the medicine Mectizan.

Second, and strikingly, we feel that moral standards should be preferred to other values including (and perhaps especially) self-interest.¹⁸ That is, if a person has a moral obligation to do something, then he or she is supposed to do it even if this conflicts with other, conventional norms or with self-interest. In the Goodyear case, for example, we feel that Lawson should have chosen the moral values of honesty and respect for life over the self-interested value of keeping his job. This does not mean, of course, that it is always wrong to act on self-interest; it only means that when we believe a certain standard or norm is a moral norm, then we also feel that it would be wrong to choose self-interest over the moral norm. This second characteristic of moral standards is related to the first since part of the reason why we feel that moral standards should be preferred to other considerations is because moral standards deal with serious matters.

Third, unlike conventional norms, moral standards are not established or changed by the decisions of authority figures or authoritative bodies. Laws and legal standards are established by the authority of a legislature or the decisions of voters while family norms and classroom norms are set by parents and teachers. Authorities do not establish moral standards, however, nor does their validity rest on voters' preferences, and so they cannot be changed by the decision of any person or group. Instead, the validity of moral standards rests on whether the reasons that support and justify them are good or bad; when moral standards are based on good reasons, the standards are valid.

Fourth, moral standards are felt to be universal.¹⁹ That is, if we genuinely hold that certain standards—such as “Do not lie” or “Do not steal”—are *moral* standards, then we will also feel that everyone should try to live up to those standards, and we will get upset when we see others transgressing them. When we learned that Bernard (“Bernie”) Madoff, and the managers of Enron and Lehman Brothers had all been lying to us and to their investors, and that Pfizer managers stole at least \$1 billion from taxpayers, while Tenet Healthcare and HCA managers stole almost as much, we did not feel that it was okay for them to have violated our moral standards against lying and theft. We did not think: “It was okay for them to lie and steal, so long as *they* felt it was okay.” Nor did we think: “Although *I* feel lying and stealing is wrong, *they* do not have to abide by *my* moral standards.” On the contrary, the public got angry precisely because they felt that the standards against lying and stealing are *moral* standards, and so *everyone* has to abide by them, whether they want to or not. Conventional norms, on the other hand, are not seen as universal. Laws, for example, apply only within a specific jurisdiction; family rules are authoritative only within the family; game rules apply only to those playing the game, and so on.

Fifth, and generally, moral standards are based on impartial considerations.²⁰ The fact that you will benefit from a lie while others will be harmed is irrelevant to whether lying is morally wrong. Some philosophers have expressed this point by saying that moral standards are based on “the moral point of view”—that is, a point of view that does not evaluate standards according to whether they advance the interests of a particular individual or group, but one that goes beyond personal interests to a “universal” standpoint in which everyone's interests are impartially counted as equal.²¹ Other philosophers have made the same point by saying that moral standards are based on the kinds of impartial reasons that an “ideal observer” or an “impartial spectator” would accept, or that in deciding moral matters “each counts for one and none for more than one.”²² As we are going to see in the next chapter, however,

although impartiality is a characteristic of moral standards, it must be balanced with certain kinds of partiality, in particular, with the partiality that arises from legitimate caring for those individuals with whom you have a special relationship, such as family members and friends. Morality says that we should be impartial in those contexts where justice is called for, such as when we are setting salaries in a public company. But morality also identifies certain contexts, such as taking care of family members, where preferential caring for individuals can be morally legitimate and perhaps, even morally required.

Last, moral standards are associated with special emotions and a special vocabulary.²³ For example, if I act contrary to a moral standard, I will normally feel guilty, ashamed, or remorseful; I will describe my behavior as “immoral” or “wrong,” and I will feel bad about myself and experience a loss of self-esteem. A careful reading of Lawson’s and Vandivier’s statements, for example, suggests that they felt ashamed and guilty about what they were doing. And when we see others acting contrary to a moral standard we accept, we normally feel indignation, resentment, or even disgust toward those persons; we say that they are not “living up” to their “moral obligations” or their “moral responsibilities” and we may esteem them less. This is perhaps what you felt when reading about what Lawson and Vandivier did.

Moral standards, then, are standards that deal with matters that we think are of serious consequence, are based on good reasons and not on authority, override self-interest, are based on impartial considerations, and are associated with special feelings such as guilt and shame, and with a special moral vocabulary such as “obligation,” or “responsibility.” We learn these standards as children from a variety of influences and revise them as we go through our lives.

Ethics

What, then, is ethics? **Ethics** is the discipline that examines your moral standards or the moral standards of a society. It asks how these standards apply to your life and whether these standards are reasonable or unreasonable—that is, whether they are supported by good reasons or poor ones. So you start to do ethics when you take the moral standards you have absorbed from family, church, and friends and ask yourself: What do these standards imply for the situations in which I find myself? Do these standards really make sense? What are the reasons for or against these standards? Why should I continue to believe in them? What can be said in their favor and what can be said against them? Are they really reasonable for me to hold? Are their implications in this or that particular situation reasonable?

Take Vandivier and the B. F. Goodrich case as an example. Vandivier had apparently been raised to accept the moral standard that one has an obligation to tell the truth, and so he felt that in his particular situation, it would be wrong to write a false report on the brake. But we might ask whether writing what he felt was a false report was really wrong in his particular circumstances. Vandivier had several important financial obligations both toward himself and other people. He states, for example, that he had just married and bought a house, so he had mortgage payments to make each month and had to provide support for his family. If he did not write the report as he was ordered to do, then he would be fired and not be able to live up to these obligations. Do these moral obligations toward himself and his family outweigh his obligation not to write a false report? What is the basis of his obligation to tell the truth, and why is the obligation to tell the truth greater or lesser than a person’s obligations toward oneself and one’s family? Consider, next, Lawson’s obligations toward his employer, B. F. Goodrich. Doesn’t an employee have a moral obligation to obey his employer? Does the obligation to obey one’s employer outweigh the obligation to

Ethics The discipline that examines one’s moral standards or the moral standards of a society to evaluate their reasonableness and their implications for one’s life.

“try to do your best” as an engineer? What is the source of both of these obligations, and what makes one greater or lesser than another? Consider, also, that the company and all its older and more experienced managers insisted that the best course of action was to write the report qualifying the brake. If something went wrong with the brake or the contract, B. F. Goodrich would be held accountable, not Lawson, who was a young and relatively low-level employee. Because the company, not Lawson, would be held accountable, did the company have the moral right to make the final decision about the report, instead of Lawson, who had just finished college? Does the moral right to make a decision belong to the party that will be held accountable for the decision? What is the basis of such a right, and why should we accept it? Consider, finally, that Vandivier states that, in the end, his personal refusal to participate in writing the report would have given him some “satisfaction,” but would have made no difference to what happened because someone else would have been hired to write the report. Because the consequences would be the same whether he agreed or refused, did he really have a moral obligation to refuse? Can one have a moral obligation to do something that will make no difference? Why?

Notice the sort of questions to which we are led by the choices Vandivier and Lawson faced. They are questions about whether it is reasonable to apply various moral standards to their situation, whether it is reasonable to say that one moral standard is more or less important than another, and what reasons we might have to hold these standards. When you ask these kinds of questions about your own moral standards or about the moral standards of your society, you have started to do ethics. Ethics is the study of moral standards—the process of examining the moral standards you or your society (or other societies) hold in order to determine whether these standards are reasonable or unreasonable and how, if at all, they apply to the concrete situations and issues you face. The ultimate aim of ethics is to develop a body of moral standards that you feel are reasonable for you to hold—standards that you have thought about carefully and have decided are justified for you to accept and to apply to the choices that fill our lives.

Ethics is not the only way to study morality. The social sciences—such as anthropology, sociology, and psychology—also study morality, but do so in a way that is different from the approach to morality that ethics takes. While ethics is a *normative* study of morality, the social sciences engage in a *descriptive* study of morality. A **normative study** is an investigation that tries to reach normative conclusions—that is, conclusions about what things are good or bad or about what actions are right or wrong. In short, a normative study aims to discover what *ought* to be. As we have seen, ethics is the study of moral standards whose explicit purpose is to determine as far as possible which standards are correct or supported by the best reasons, and so it tries to reach conclusions about moral right and wrong and moral good and evil.

A **descriptive study** is one that does not try to reach any conclusions about what things are truly good or bad or right or wrong. Instead, a descriptive study tries to describe or explain the world without reaching any conclusions about whether the world is as it *ought* to be. Anthropologists and sociologists, for example, may study the moral standards that a particular village or culture holds. In doing so, they try to develop accurate descriptions of the moral standards of that culture and perhaps, develop a theory that explains how they came to hold those standards. However, it is not the aim of anthropologists or sociologists to determine whether these moral standards are correct or incorrect.

Ethics, in contrast, is a study of moral standards whose explicit purpose is to determine as far as possible whether a given moral standard (or moral judgment based on that standard) is more or less correct. The sociologist asks, “Do Americans believe that bribery is wrong?” whereas the ethicist asks, “Is bribery wrong?” The ethicist,

normative study An investigation that attempts to reach conclusions about what things are good or bad or about what actions are right or wrong.

descriptive study An investigation that attempts to describe or explain the world without reaching any conclusions about whether the world is as it should be.

then, is concerned with developing reasonable normative claims and theories, whereas an anthropological or sociological study of morality aims at providing descriptive characterizations of people's beliefs.

Business Ethics

What we have said about ethics so far has been meant to convey an idea of what ethics is. Here, however, we are not concerned with ethics in general, but with a particular field of ethics: *business ethics*. **Business ethics** is a specialized study of moral right and wrong that focuses on business institutions, organizations, and activities. Business ethics is a study of moral standards and how these apply to the social systems and organizations through which modern societies produce and distribute goods and services, and to the activities of the people who work within these organizations. Business ethics, in other words, is a form of applied ethics. It not only includes the analysis of moral norms and moral values, but also tries to apply the conclusions of this analysis to that assortment of institutions, organizations, and activities that we call *business*.

As this description of business ethics suggests, the issues that business ethics covers encompass a wide variety of topics. To introduce some order into this variety, it will help if we keep separate three different kinds of issues that business ethics investigates: systemic, corporate, and individual issues. *Systemic* issues in business ethics are ethical questions raised about the economic, political, legal, and other institutions within which businesses operate. These include questions about the morality of capitalism or of the laws, regulations, industrial structures, and social practices within which U.S. businesses operate. One example would be questions about the morality of the government contracting system through which B. F. Goodrich was allowed to test the adequacy of its own brake design for the A7-D. Another example would be questions about the morality of the international institutions with which Merck was forced to deal when it was looking for a way to get its cure for river blindness to the people who needed it most.

Corporate issues in business ethics are ethical questions raised about a particular organization. These include questions about the morality of the activities, policies, practices, or organizational structure of an individual company taken as a whole. One set of examples of this kind of issue would be questions about the morality of B. F. Goodrich's corporate culture or questions about the company's corporate decision to "qualify" the A7-D brake. For example, did the Goodrich Company violate anyone's rights when it qualified the brake? What impact did the company's actions have on the welfare of the parties with whom it interacted? Were the company's actions just or unjust to other parties? Another set of examples would be questions about the morality of Merck's corporate decision to invest so many millions of dollars in a project that would probably not generate any profits. In doing this, did the company violate the rights of its stockholders? Was Merck's action fair and just to the various parties it affected? Yet other questions might be directed at B. F. Goodrich's corporate policies: Were ethics concerns part of its ongoing decision-making process? Did the company encourage or discourage employee discussions of how their decisions might impact the moral rights of other people?

Finally, *individual* issues in business ethics are ethical questions raised about a particular individual or particular individuals within a company and their behaviors and decisions. These include questions about the morality of the decisions, actions, or character of an individual. An example would be the question of whether Vandivier's decision to participate in writing a report on the A7-D brake, which he believed was false, was morally justified. A second example would be the question of whether it was moral for Merck's chair, Dr. P. Roy Vagelos, to allow his researchers to develop a drug that would probably not generate any profits.

business ethics A specialized study of moral right and wrong that concentrates on moral standards as they apply to business institutions, organizations, and behavior.

Quick Review 1.3

Business Ethics Is a Study of

- Our moral standards insofar as these apply to business
- How reasonable or unreasonable these moral standards we have absorbed from society are
- The implications our moral standards have for business activities.

Quick Review 1.4**Kinds of Ethical Issues**

- Systemic—ethical questions about the social, political, legal, or economic systems within which companies operate
- Corporate—ethical questions about a particular corporation and its policies, culture, climate, impact, or actions
- Individual—ethical questions about a particular individual's decisions, behavior, or character

It is helpful when analyzing the ethical issues raised by a concrete situation or case to sort out the issues in terms of whether they are *systemic*, *corporate*, or *individual* issues. Often, the world presents us with decisions that involve a large number of extremely complicated interrelated kinds of issues that can cause confusion, unless the different kinds of issues are first carefully sorted out and distinguished from each other. Moreover, the kinds of solutions that are appropriate for dealing with systemic or corporate issues are not the same as the kinds of solutions that are appropriate for dealing with individual issues. If a company is trying to deal with a systemic issue—such as a government culture that permits bribery—then the issue must be dealt with on a systemic level; that is, it must be dealt with through the coordinated actions of many different social groups. On the other hand, corporate ethical issues can be solved only through corporate or company solutions. If a company has a culture that encourages moral wrongdoing, for example, then changing that culture requires the cooperation of the many different people that make up the company. Finally, individual ethical issues need to be solved through individual decisions and actions, and, perhaps, individual reform.

So what happened after Searle Lawson and Kermit Vandivier turned in their report and the U.S. Air Force put the Goodrich brakes on planes flown by their test pilots? Lawson was sent as Goodrich's representative to Edwards Air Force Base in California where the test flights took place. There, he watched as the brakes caused several near crashes when the pilots tried to land the planes. In one case, he saw an airplane go skidding down the runway when the pilot's braking produced such intense heat inside the brake that its parts fused together and the wheels locked up. Surprisingly, none of the pilots were killed. When Lawson returned home, both he and Vandivier quit and notified the F.B.I. of what had been going on; this was their way of dealing with the *individual* issues their actions had raised. A few days later, Goodrich announced that it was replacing the small brake with a larger five-disk brake at no extra charge to the U.S. government, and in this way they tried to deal with the *corporate* issues the brake incident had created. About a year later, Lawson and Vandivier came before the U.S. Congress and testified about their experiences at Goodrich. Shortly thereafter, the U.S. Department of Defense changed the way it let companies test equipment so that it became harder for companies to submit fraudulent reports. These changes were responses to a key *systemic* issue that became obvious once the truth came out.

Applying Ethical Concepts to Corporations

The statement that business ethics applies ethical or moral concepts to corporate organizations raises a puzzling issue. Can we really say that the acts of *organizations* are moral or immoral in the same way that the actions of *human individuals* are? Can we say that corporations are morally responsible for their acts in the same sense that individuals are morally responsible for what they do? Or must we say that it makes no sense to apply moral terms to organizations as a whole, but only to the individuals who make up the organization? A few years ago, for example, employees of Arthur Andersen, an accounting firm, were caught shredding documents potentially proving that Arthur Anderson accountants had helped Enron hide its debt through the use of several accounting tricks. The U.S. Justice Department then charged the now-defunct *firm* of Arthur Andersen with obstruction of justice, instead of charging the *employees* who shredded the documents. Critics afterward claimed that the U.S. Justice Department should have charged the individual employees of Arthur Andersen, not the company, because "Companies don't commit crimes, people do."²⁴ Can moral notions like *responsibility*, *wrongdoing*, and *obligation* be applied to groups such as corporations, or are individuals the only real moral agents?

Chapter 1:

A Traditional Business

In over 28 countries, mostly North African nations, female circumcision—or “female genital mutilation” as its critics call it—is generally accepted. Female circumcision is normally performed when a girl is between 7 and 12 years old. It involves cutting away most of the girl’s external genitalia including the clitoris and labia. In most countries, the procedure is done by a female “practitioner” who uses a small knife or razor blade but no anesthesia. A young girl will often resist so several women must hold her down while the practitioner works. The women who perform circumcisions charge for their services and see their work as a business. It is estimated that in countries where the practice is widely accepted, the annual fees collected by all the businesses that provide circumcision services total tens of millions of dollars.

Mothers in these countries feel they must have their daughters circumcised because otherwise no “good” man will marry them. Many believe that circumcision controls a woman’s sexual desires, and cleanses her spiritually so that others can eat what she cooks. Although the practice is not mentioned in the Koran, many North African Muslims believe that female circumcision is required by certain sayings they attribute to Mohammad, the founder of Islam. However, Muslim scholars dispute both the authenticity and the interpretation of these sayings.

Many Americans and Europeans feel strongly that female genital mutilation is an immoral assault on a helpless and unwilling girl, an assault that provides her no medical benefit, risks serious infection, and permanently deprives her of the ability to feel sexual pleasure. They have pressured foreign governments to outlaw the practice and to crack down on the women who make a business of it because they are violating the human rights of thousands of girls.

Practitioners claim that Westerners who want to prohibit female circumcision are trying to impose their own morality on others. A Somali practitioner said: “This is a great offence and a great interference with our lives and our lifestyle. For too long

Europeans have come into our countries and told us how to live our lives and how to behave and we believe that is totally unacceptable. We will not allow foreigners to tell us how to behave or put our businesses at risk any longer. In order for our daughters to be free they must have this procedure. It is their right as women and our obligation as adults to make them into the best young women we can. Circumcision is a fundamental part of becoming a young woman and we will not deny them that because of some misplaced sense of morality from foreigners.”

Phillip Waites, a doctor and medical analyst for a news service noted, “The core issue here is whether or not Europeans have the right to step into another country and demand that they change their traditions and culture.” Remarking on the many practitioners for whom female circumcision is a business, he said: “There aren’t a whole lot of jobs in Somalia. There really isn’t a whole lot of anything in Somalia frankly, and these women have a specialty that not only garners them a good living but also gives them a certain status in the country that they might not otherwise have.”

1. Is the business of providing female circumcision services morally wrong? Why? If a practitioner asks for a small business loan from a Western “micro-finance lender” like www.Kiva.org would it be wrong for the lender to refuse? Would it be wrong for the lender to agree? Explain.
2. Is it wrong for Westerners to pressure North African governments to prevent practitioners from doing female circumcisions?
3. Does this case support ethical relativism or does it suggest that there are certain things that are wrong no matter what, or neither of these positions?

Sources: William Ashford, “Genital Mutilators Protest Scandinavian Efforts to Crack Down on Trade,” September 27, 2009 accessed August 9, 2010 at <http://scrapetv.com/News/News%20Pages/Business/pages-3/Genital-mutilators-protest-Scandinavian-efforts-to-crack-down-on-trade-Scrape-TV-The-World-on-your-side.html>; Amit R. Paley, “For Kurdish Girls, A Painful Ancient Ritual,” *The Washington Post*, December 29, 2008.

WorldCom's Whistleblower

ON THE EDGE

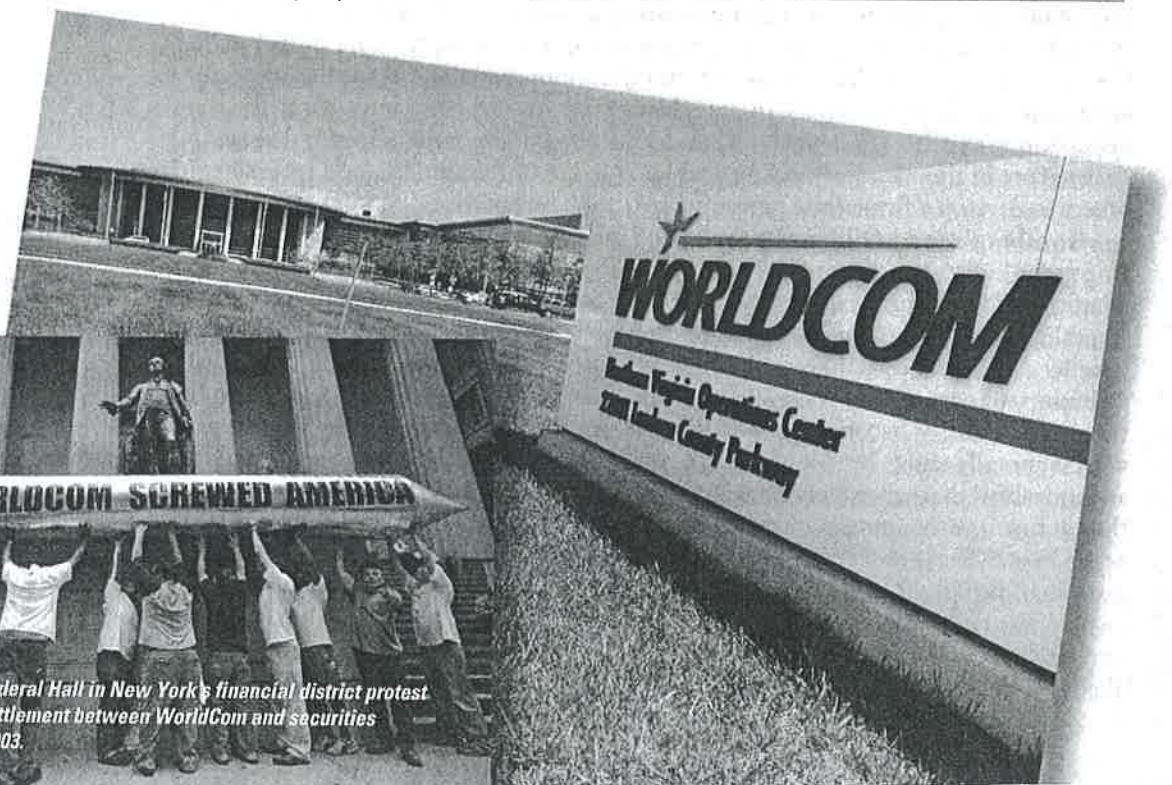
In March 2002, when WorldCom was struggling to coordinate and integrate the complex mess created by the 65 companies it had acquired, WorldCom's then highly respected chief financial officer, Scott Sullivan, moved \$400 million from a reserve account and recorded it as "income" in the company's public financial reports. Alerted to this, Cynthia Cooper, the perfectionist head of WorldCom's internal audit department, began to secretly examine the company's books at night. She soon discovered that Scott Sullivan (named a "best CFO" by *CFO Magazine* in 1998) and David Myers, WorldCom's controller, for years had publicly reported billions of dollars as "capital expenditures" when they were really operating costs, ignored uncollectible receivables, and reported as "income" what were really reserve funds, and did all this with the help of Arthur Andersen, the company's auditor and accounting firm. Though angrily threatened by Sullivan, and risking her job and career, on June 20, 2002, an apprehensive Cooper courageously met with the audit committee of WorldCom's board of directors and told them what had been going on. On June 25, WorldCom's directors announced the company had inflated

its profits by over \$3.8 billion—an amount later raised to \$9 billion—in the greatest accounting fraud in history. Sullivan and Myers were arrested; WorldCom shareholders lost \$3 billion; 17,000 WorldCom workers lost their jobs; Arthur Andersen was shut down for shredding evidence of other accounting frauds at other firms. Even today, many WorldCom managers and employees do not speak to her and she sometimes cries. Says Cooper: "There is a price to be paid. [But] it comes back to the values and ethics that you learn . . . The fear of losing my job was secondary to the obligation I felt."

1. Which of Kohlberg's six stages of moral development would you say that Cynthia Cooper had reached? Explain.
2. Do her actions and motives support or undermine Carol Gilligan's views? What would you say is unique about her or what she did?
3. How does William Damon's theory of moral identity apply to Cynthia Cooper?



Protesters outside Federal Hall in New York's financial district protest against a possible settlement between WorldCom and securities regulators in June, 2003.



DECEMBER 30, 2002 / JANUARY 6, 2003

SPECIAL DOUBLE ISSUE

PERSONS OF THE YEAR

The Whistleblowers

CYNTHIA COOPER
OF WORLD.COM

COLLEEN ROWLEY
OF THE FBI

SHERRON WATKINS
OF ENRON

Former WorldCom chairman Bernard L. Ebbers and chief financial officer Scott Sullivan are sworn in before testifying before Congress on July 8, 2002.

Arthur Andersen employees rally in support of their embattled accounting firm, which was implicated in the WorldCom scandal.

I am
Arthur Andersen

I AM
ARTHUR
ANDERSEN

Chapter 1:

Gun Manufacturers and Responsibility

John Allen Muhammad and John Lee Malvo shot and killed 13 people in Alabama, Georgia, Louisiana, Maryland, Virginia, and Washington, D.C. They used a semiautomatic assault rifle manufactured by Bushmaster Firearms, Inc. The two killers bought the rifle from Bull's Eye Shooter Supply, a gunshop in Tacoma, Washington, although federal law prohibited the shop from selling the gun to either Muhammad, who had a record of domestic battery, or to Malvo, who was a minor. Survivors of the victims have claimed that although Muhammad and Malvo were directly responsible for the deaths of the victims, both Bushmaster Firearms, Inc., and Bull's Eye Shooter Supply (and their owners) also "should be held responsible." Audits by the Bureau of Alcohol, Tobacco, and Firearms showed that Bull's Eye Shooter Supply had "lost" guns (238 in a 3-year period) or "lost" documentation—including its records of the Muhammad-Malvo sale—yet Bushmaster Firearms continued to sell its guns to the shop. Survivors of the victims claimed that Bushmaster Firearms had an obligation not to create an unreasonable risk of foreseeable harm from the distribution of its guns. The company, they claimed, failed to adequately investigate or screen

this dealer's record of weapons handling, failed to adequately monitor and supervise how its dealer was selling its guns, and failed to provide training or incentives for its dealer to comply with gun laws. If Bull's Eye and Bushmaster had acted as they had an obligation to act, Muhammad and Malvo would have been prevented from obtaining the assault rifle they needed to kill their victims since federal laws prohibited both from buying guns. Bull's Eye and Bushmaster helped cause the deaths, the wife of a victim claimed, and so "they share the responsibility for my husband's death and many others."

1. Are Bull's Eye and Bushmaster morally responsible for the Washington, D.C. victims' deaths? Why or why not?
2. Are gun manufacturers or gun dealers ever morally responsible for deaths caused by the use of their guns? Explain.
3. Are manufacturers ever morally responsible for deaths caused by the use of their products? Why or why not?

Source: Chris McGann, "Families of 2 Sniper Victims Sue Arms Dealer, Manufacturer," *Seattle Post-Intelligencer*, January 17, 2003, p. 1A.

But the idea that following orders somehow absolves me of any blame for what I do is mistaken. As we have seen, I am responsible for whatever injuries I cause so long as I knew what I was doing and did it of my own free will. Therefore, when I knowingly and of my own free will cause an injury, the fact that I was following orders at the time does not change the reality that I fulfilled the three conditions that qualify me as morally responsible for my actions—causality, knowledge, and freedom—and so I am necessarily morally responsible for the injury. This is not to say that it is always easy to refuse to follow orders. In fact, it is often extremely difficult and can carry great personal costs. And as the Milgram experiment showed, most people are willing to obey the orders of an authority even when they know they are being ordered to do something wrong. Nevertheless, when I know that if I follow an order, I will be cooperating with evil, I must do everything I can to summon the strength and courage to refuse.

✓ Study and Review on
mythinkinglab.com

Questions for Review and Discussion

1. Define the following concepts: moral standards, non-moral standards, ethics, business ethics, normative study, descriptive study, systemic ethical issue, corporate ethical issue, individual ethical issue, corporate social responsibility, stakeholder, stakeholder theory, shareholder theory, globalization, ethical relativism, Integrative Social Contracts Theory, preconventional morality, conventional morality, post-conventional morality, moral reasoning, consistency requirement, framing a situation, euphemistic labeling, rationalizing our actions, diminishing comparisons, displacement of responsibility, diffusion of responsibility, distorting the harm, dehumanizing the victim, biased theory, moral seduction, weakness of will, strength of will, locus of control, moral responsibility, mitigated responsibility.
2. "Ethics has no place in business." Discuss this statement.
3. In your judgment, did the managers of Merck have a moral obligation to spend the money needed to develop the drug for river blindness? Can you state the general moral standard or standards on which you base your judgment? Are you willing to apply the "consistency requirement" to your moral standard or standards?
4. Read again the account of B. F. Goodrich, Lawson, and Vandivier. Which, if any, of the "obstacles to moral behavior" do you see operating in this B. F. Goodrich situation?
5. "Kohlberg's views on moral development show that the more morally mature a person becomes, the more likely it is that the person will obey the moral norms of his or her society." Discuss this statement.

Web Resources

Readers who would like to research the general topic of business ethics on the Internet might want to begin by accessing the following web sites. The web site of Santa Clara University's Markkula Center for Applied Ethics has outstanding articles and other content plus hundreds of annotated links to other Web resources on ethics at www.scu.edu/ethics. Larry Hinman's Ethics Updates at the University of San Diego also has a large collection of articles and links to numerous topics in ethics at ethics.sandiego.edu. Still a useful resource for business ethics research on the Web is Sharon Stoeger's web site which provides links to numerous online business ethics resources at www.web-miner.com/buethics.htm. The Essential Organization provides links to numerous organizations and data resources that deal with corporate social responsibility at www.essential.org. Corporate Watch has information on various companies and issues related to business ethics at www.corpwatch.org as does Resources for Activists at www.betterworldlinks.org/book100.htm, World Watch at www.worldwatch.org; and Malenbaker's web site on corporate social responsibility at www.mallenbaker.net/csr.

Slavery in the Chocolate Industry¹

Forty-five percent of the chocolate we consume in the United States and in the rest of the world is made from cocoa beans grown and harvested on farms in the Ivory Coast, a small nation on the western coast of Africa. Few realize

that a portion of the Ivory Coast cocoa beans that goes into the chocolate we eat was grown and harvested by slave children. The slaves are boys between 12 and 16—but sometimes as young as 9—who are kidnapped from villages in

CASES

* Explore the Concept on
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surrounding nations and sold to the cocoa farmers by traffickers. The farmers whip, beat, and starve the boys to force them to do the hot, difficult work of clearing the fields, harvesting the beans, and drying them in the sun. The boys work from sunrise to sunset. Some are locked in at night in windowless rooms where they sleep on bare wooden planks. Far from home, unsure of their location, unable to speak the language, isolated in rural areas, and threatened with harsh beatings if they try to get away, the boys rarely attempt to escape their nightmare situation. Those who do try are usually caught, severely beaten as an example to others, and then locked in solitary confinement. Every year unknown numbers of these boys die or are killed on the cocoa farms that supply our chocolate.

The plight of the enslaved children was first widely publicized at the turn of the twenty-first century when True Vision, a British television company, took videos of slave boys working on Ivory Coast farms and made a documentary depicting the sufferings of the boys. In September 2000, the documentary was broadcast in Great Britain, the United States, and other parts of the world. The U.S. State Department, in its *Year 2001 Human Rights Report*, estimated that about 15,000 children from the neighboring nations of Benin, Burkina Faso, Mali, and Togo had been sold into slavery to labor on Ivory Coast farms. The International Labor Organization reported on June 11, 2001 that child slavery was indeed "widespread" in Ivory Coast and a Knight-Ridder newspaper investigation published on June 24, 2001 corroborated the use of slave boys on Ivory Coast cocoa farms. In 2006, *The New York Times* reported that child slavery continued to be a problem in West Africa. In 2007, *BBC News* published several stories on the "thousands" of children who were still working as slaves on cocoa farms in Ivory Coast. *Fortune Magazine* in 2008 reported that slavery in the Ivory Coast was still a continuing problem, and a *BBC* documentary entitled *Chocolate: The Bitter Truth*, broadcast on March 24, 2010, a decade after the use of slave boys in the chocolate industry was first revealed, showed young boys were still being used as slaves on the cocoa farms of the Ivory Coast.

Although slavery is illegal in the Ivory Coast, the law is poorly enforced. Open borders, a shortage of enforcement officers, and the willingness of local officials to accept bribes from people trafficking in slaves, all contribute to the problem. In addition, prices for cocoa beans in global markets have been depressed most years since 1996. As prices declined, the already impoverished cocoa farmers turned to slavery to cut their labor costs. Although prices began to improve during the early years of the twenty-first century, cocoa prices fell again in 2004 and remained low until the summer of 2010 when they again began to rise.

The poverty that motivated many Ivory Coast cocoa farmers to buy children trafficked as slaves was aggravated

by other factors besides low cocoa prices. Working on isolated farms, cocoa farmers cannot communicate among themselves nor with the outside world to learn what cocoa is selling for. Consequently they are at the mercy of local middlemen who drive out to the farms, buy the farmers' cocoa for half of its current market price, and haul it away in their trucks. Unable to afford trucks themselves, the farmers must rely on the middlemen to get their cocoa to market.

Chocolate is a \$13 billion industry in the United States which consumes 3.1 billion pounds each year. The names of the four largest U.S. chocolate manufacturers—all of whom use the morally "tainted" cocoa beans from the Ivory Coast in their products—are well known: Hershey Foods Corp. (maker of Hershey's milk chocolate, Reeses, and Almond Joy), M&M Mars, Inc. (maker of M&Ms, Mars, Twix, Dove, and Milky Ways), Nestlé USA, (maker of Nestlé Crunch, Kit Kat, Baby Ruth, and Butterfingers), and Kraft Foods (which also uses chocolate in its baking and breakfast products). Less well known, but a key part of the industry, are the names of Archer Daniels Midland Co., Barry Callebaut, and Cargill Inc., all of whom serve as middlemen who buy the beans from the Ivory Coast, grind and process them, and then sell the processed cocoa to the chocolate manufacturers.

While all the major chocolate companies used beans from Ivory Coast farms, a portion of which relied on the labor of enslaved children, many smaller companies avoided using chocolate made from Ivory Coast beans and instead turned to using chocolate processed from "untainted" beans grown in other parts of the world. These companies include: Clif Bar, Cloud Nine, Dagoba Organic Chocolate, Denman Island Chocolate, Gardners Candies, Green and Black's, Kailua Candy Company, Koppers Chocolate, L.A. Burdick Chocolates, Montezuma's Chocolates, Newman's Own Organics, Omanhene Cocoa Bean Company, Rapunzel Pure Organics, and The Endangered Species Chocolate Company. Other small companies turned to using fair trade chocolate and organic chocolate because these are made from beans grown on farms that are regularly monitored and so they, too, are made from untainted beans.

That many farmers in the Ivory Coast use slave boys to farm their cocoa beans was already known to American chocolate-makers when media reports first began publicizing the issue. In 2001, the Chocolate Manufacturers Association, a trade group of U.S. chocolate manufacturers (whose members include Hershey, Mars, Nestlé, and others), admitted to newspapers that they had been aware of the use of slave boys on Ivory Coast cocoa farms for some time. Pressured by various antislavery groups, the Chocolate Manufacturers Association stated on June 22, 2001 that it "condemned" "these practices" and agreed to fund a "study" of the situation.

On June 28, 2001, U.S. Representative Eliot Engel sponsored a bill aimed at setting up a labeling system that would inform consumers whether the chocolate they were buying was "slavefree," i.e., guaranteed not to have been produced by slave children. The measure passed the House of Representatives by a vote of 291 to 115. Before a measure can become law, however, both the House of Representatives and the Senate must approve it. U.S. Senator Tom Harkin therefore prepared to introduce the same bill in the Senate. Before the Senate could consider the bill, the U.S. chocolate industry—led by Mars, Hershey, Kraft Foods and Archer Daniels Midland and with the help of lobbyists Bob Dole and George Mitchell—mounted a major lobbying effort to fight the "slave-free" labeling system. The companies argued that a labeling system would not only hurt their own sales, but in the long run could hurt poor African cocoa farmers by reducing their sales and lowering the price of cocoa which would add to the very pressures that led them to use slave labor in the first place. As a result of the industry's lobbying, the "slave-free" labeling bill was never approved by the Senate. Nevertheless, Representative Engel and Senator Harkin threatened to introduce a new bill that would prohibit the import of cocoa produced by slave labor, unless the chocolate companies voluntarily eliminated slave labor from their production chains.

On October 1, 2001, the members of the Chocolate Manufacturers Association and the World Cocoa Foundation, caught in the spotlight of media attention, announced that they intended to put in place a system that would eliminate "the worse forms of child labor" including slavery. In spring of 2002, the Chocolate Manufacturers Association and the World Cocoa Foundation as well as the major chocolate producers—Hershey's, M&M Mars, Nestle, and World's Finest Chocolate—and the major cocoa processors—Blommer Chocolate, Guittard Chocolate, Barry Callebaut, and Archer Daniels Midland—all signed an agreement to establish a system of certification that would verify and certify that the cocoa beans they used were not produced by the use of child slaves. Known as the "Harkin-Engel Protocol," the agreement also said the chocolate companies would fund training programs for cocoa bean farmers to educate them about growing techniques while explaining the importance of avoiding the use of slave labor. The members of the Chocolate Manufacturers Association also agreed to "investigate" conditions on the cocoa farms and establish an "international foundation" that could "oversee and sustain efforts" to eliminate child slavery on cocoa farms. In July, 2002, the first survey sponsored by the Chocolate Manufacturers Association concluded that some 200,000 children—not all of them slaves—were working in hazardous conditions on cocoa farms and that most of them did not attend school.

Unfortunately, in 2002, Ivory Coast became embroiled in a civil war that continued until an uneasy peace was established in 2005 and finalized in 2007; rebel forces, however, continued to control the northern half of the country. Reports claimed that much of the money funding the violence of both the government and rebel groups during these years came from sales of cocoa, and that buyers of "blood chocolate" from Ivory Coast were supporting this violence.

The 2005 deadline the major chocolate companies and their associations had set, came, and passed without the promised establishment of a certification system to ensure beans were not being produced by slave children. At this point, the chocolate companies amended the protocol to give themselves more time by extending their own deadline to July, 2008, saying that the certification process had turned out to be more difficult than they thought it would, particularly with the outbreak of a civil war. Although the companies did not establish a certification system while the civil war raged, however, they did manage to secure enough cocoa beans to keep their chocolate factories going at full speed throughout the war.

By early 2008, the companies had still not started work on establishing a certification system or any other method of ensuring that slave labor was not used to produce the cocoa beans they used. The companies issued a new statement in which they extended to 2010 the deadline for complying with their promise to establish a certification system. According to the companies, they had been investing several million dollars a year into a foundation that was working on the problem of child labor. However, an investigative reporter, in an article published in *Fortune Magazine* on February 15, 2008, found the foundation had only one staff member working in Ivory Coast. The activities of the staff member were limited to giving "sensitization" workshops to local people during which he would explain that child labor is a bad thing. The foundation was also helping a shelter that provided housing and education to homeless street children. The reporter found no signs of work being done on a certification system. By now the monitoring systems used in the fair trade and organic parts of the industry had been functioning for several years, yet the larger companies operating in Ivory Coast seemed unable or uninterested in learning from their example.

The existence of a large and well-organized system for trafficking children from surrounding countries onto Ivory Coast farms was once again demonstrated on June 18, 2009. On that date INTERPOL, the international police organization, carried out a series of raids of several farms believed to harbor slave children and managed to rescue 54 children. Aged between 11 and 16, the children had been working 12 hours a day for no salary; many were regularly beaten and none had received any schooling. In

a public statement, INTERPOL estimated that “hundreds of thousands of children are working illegally in the plantations.”

On September 30, 2010, the Payson Center at Tulane University issued a report on the progress that had been made on the certification system the chocolate industry in 2002 had promised to establish, as well as on the progress the industry had made regarding its promise to eliminate “the worse forms of child labor,” including child slavery, on the farms from which the industry sourced its cocoa. The report was commissioned by the United States Department of Labor who had been asked by Congress to assess progress on the “Harkin-Engel Protocol,” and who gave Tulane University an initial grant of \$4.3 million in 2006, and an additional \$1.2 million in 2009 to compile the report. According to the report, “Industry is still far from achieving its target to have a sector-wide independently verified certification process fully in place ... by the end of 2010.” The report found that between 2002—the date of the original agreement—and September 2010, the Industry had managed to contact only about 95 (2.3 percent) of Ivory Coast’s cocoa farming communities, and that to complete its “remediation efforts” it would have to contact an additional 3,655 farm communities. While the Tulane group “confirmed” that forced labor was being used on the cocoa farms, it also found that no industry efforts to “remediate” the use of forced labor “are in place.”

Not surprisingly, the problem of certification still remained unresolved in 2011. After the media attention had died down, the manufacturers and distributors buying Ivory Coast cocoa beans seemed incapable of finding a way to “certify” that slavery was not used to harvest the beans they purchased. Representatives of the chocolate companies argued that the problem of certification was difficult because there are more than 600,000 cocoa farms in Ivory Coast; most of them small family farms located in remote rural regions that are difficult to reach and that lack good roads and other infrastructure. Critics, however, pointed out that these difficulties did not seem to pose any obstacles to obtaining beans from these many scattered cocoa farms. Cocoa bean farmers, poor and buffeted by the low price of cocoa beans, continued to use enslaved children although they were secretive about it. To make matters worse, on February 2011, fighting between the rebels in the north and the Ivory Coast government in the south again broke out for a brief period in a dispute over who was the legitimate winner of the 2010 presidential election. The fighting ended in April 2011 when one of the candidates finally conceded the election, allowing Alassane Ouattara to be declared the legitimate president.

In 2010 another film, this one entitled *The Dark Side of Chocolate*, once more documented the continuing

use of enslaved children on Ivory Coast farms, although representatives of the chocolate companies interviewed in the film denied the problem or claimed they did not know anything about it. The beans tainted by the labor of slave boys are therefore still being quietly mixed together in bins and warehouses with beans harvested by free paid workers, so that the two are indistinguishable. From there they still make their way into the now tainted chocolate candies that Hershey’s, M&M Mars, Nestle and Kraft Foods make and that we buy here and in Europe. Without an effective system of certification, in fact, virtually all the chocolate we eat that is made from West African (Ivory Coast and Ghana) cocoa contains a portion of tainted chocolate made from beans harvested by enslaved children.

Questions

1. What are the systemic, corporate, and individual ethical issues raised by this case?
2. In your view, is the kind of child slavery discussed in this case absolutely wrong no matter what, or is it only relatively wrong, i.e., if one happens to live in a society (like ours) that disapproves of child slavery? Explain your view and why you hold it.
3. Who shares in the moral responsibility for the slavery occurring in the chocolate industry?
4. Consider the bill that Representative Engle and Senator Harkin attempted to enact into a law, but which never became a law because of the lobbying efforts of the chocolate companies. What does this incident show about the view that “to be ethical it is enough for businesspeople to follow the law”?

Note

1. Sudarsan Raghavan and Sumana Chatterjee, “Child Slavery and the Chocolate Trade,” *San Jose Mercury News*, June 24, 2001, p. 1A; Stop Child Labor, “There’s Nothing Sweet About Child Slave Labor in the Cocoa Fields,” accessed on April 26, 2004 at <http://www.stopchildlabor.org/internationalchildlabor/chocolate.htm>; Sharon LaFraniere, “Africa’s World of Forced Labor in a 6 Year-Old’s Eyes,” *The New York Times*, October 29, 2006; Rageh Omaar, “The World of Modern Child Slavery,” *BBC News* [Online], March 27, 2007, accessed April 29, 2010 at http://news.bbc.co.uk/2/hi/programmes/this_world/6458377.stm; Christian Parenti, “Chocolate’s Bittersweet Economy,” *Fortune Magazine*, February 15, 2008; Payson Center for International Development and Technology Transfer Tulane University, *Fourth Annual Report: Oversight of Public and Private Initiatives to Eliminate the Worse Forms of Child Labor in the Cocoa Sector in Cote d’Ivoire and Ghana*, September 30, 2010, accessed March 10, 2011 at <http://www.childlabor-payson.org/Final%20Fourth%20Annual%20Report.pdf>.