Introduction to

BUSINESS ETHICS

Sudarmawan Samidi

Introduction to
BUSINESS ETHICS

Sudarmawan Samidi

Ipmi Press
Ipmi International Business School

Introduction to
BUSINESS ETHICS

Author
Sudarmawan Samidi

Editor
Mohammad Syamsul Maarif
Dety Nurfadilah

Layout & Design
Shavira Febryanti

Production & Publication
Gana Royana Putri

Published by
Ipmi Press
Ipmi International Business School
Jl. Rawajati Timur I No.1, RT.3/RW.2, Rawajati, Kec. Pancoran,
Kota Jakarta Selatan, Daerah Khusus Ibukota Jakarta. 12750
Gedung Ipmi Jakarta Selatan
Telp. 021-7978888
publisher@ipmi.ac.id

ISBN: 978-623-09-4667-7

Table of Contents

Preface

Ethics in business is not just a theoretical concept but a practical necessity. It influences decision-making processes, organizational culture, stakeholder relationships, and ultimately,the long-term sustainability of businesses. This book aims to provide a comprehensive introduction to the field of business ethics. In this book, we delve into the fundamentalprinciples and frameworks that guide ethical decision-making in various business contexts.

Whether you are a student embarking on your academic journey, a business professional seeking to enhance your understanding of ethical practices, or an educator looking for valuable resources to educate others, this book offers a valuable resource for all. It combines theoretical insights, real-world case studies, and practical examples to provide a well-roundedunderstanding of business ethics.

Throughout the chapters, we explore topics such as ethical theories, corporate social responsibility, stakeholder management, ethical leadership, ethical decision-makingframeworks, and ethical challenges in the digital age. We also highlight the importance of fostering an ethical culture within organizations and the role of individuals in promoting ethicalbehavior.

This book is a culmination of extensive research, industry expertise, and a passion for promoting ethical business practices. It is our hope that by delving into the concepts and principles presented within these pages, readers will gain a deeper appreciation for the importance of ethics in the business world and be equipped with the knowledge to navigate ethical challenges in their own professional endeavors.

We extend our gratitude to the contributors, researchers, and experts who have shared their insights and experiences, making this book a comprehensive and valuable resource. We also express our appreciation to the readers who have chosen to engage with this publication, as it is through your interest and dedication that the importance of business ethics is further recognized and promoted.

We invite you to embark on this enlightening journey into the realm of business ethics and explore the multitude of ethical considerations that shape the business landscape. May this book serve as a guide and catalyst for ethical decision-making, ultimately contributing to the development of a more ethical and responsible business environment.

Sincerely,

Sudarmawan Samidi
Ipmi International Business School

Author Biography

Sudarmawan Samidi is one of the faculty members of Ipmi International Business School. He delivers top-quality education in the courses, such as Business Ethics, Risk Management, Project Management, Business Research Methodology, Islamic Studies, Islamic Economic, Islamic Finance and Banking.

In 2010, he obtained his bachelor's degree (Lc.) in Islamic Law (Shariah) from the Faculty of Shariah and Jurisprudence, Al-Azhar University, Cairo, Egypt. In 2013, he earned a Master of Management (M.Mgt) degree from the Graduate School of Management, International Islamic University of Malaysia (IIUM). Currently, he is pursuing his doctoral degree in Business Management at School of Business, IPB University.

He started his career as an Account Executive, Retail Banking at Barclays Bank, PLC Abu Dhabi, United Arab Emirates for 3 years. Additionally, he has worked for 3 years in various companies in Malaysia, including as a Business Development Analyst at Fleming Gulf and a Journey Management Advisor at Schlumberger (Oil and Gas Services). In 2015, he decided to return to Indonesia and serve as a lecturer at the Faculty of Economics, Krisnadwipayana University. He later transferred to the IPMI International Business School as the Head ofResearch at IPMI Research Center (LPPM) while continuing his role as a lecturer. Since 2019, he has been working as a Policy Analyst for Islamic Economy Supporting Ecosystem at the National Committee for Islamic Economy and Finance (KNEKS), Republic of Indonesia.

He is also active in various organizations and professional associations, such as: Expert Council at the Islamic Economic Society (MES) of DKI Jakarta, Head of Public Relations and Communication Division at the Islamic Economic Forum for Indonesia Development (ISEFID), Head of Creative Economy Studies Division at the National Creative Economy Movement (GEKRAFS), Deputy Chairperson for Research and Technology in the Association of Indonesian Private Universities (APTISI) Region III of DKI Jakarta, Member of the Indonesian Association of Islamic Economists (IAEI), and Secretary General of the Malaysian Alumni Association (PAM).

Furthermore, he is also a speaker in various national and international webinars and seminars, and has published several scientific articles in the fields of Islamic Economics and Finance, Management & Business, and Talent Management, both in national and international journals. He can be contacted via Linkedin and email: sudarmawansamidi@gmail.com

CHAPTER 1: ETHICS AND BUSINESS

This chapter provides an introduction to the fundamental principles of ethics and demonstrates the relevance of these principles to businesses.

1.1 The Nature of Business Ethics

According to the dictionary, the term ethics encompasses a wide range of meanings. One of its definitions is "the rules of behavior that govern an individual or group." We sometimes use the term personal ethics to refer to the guidelines by which a person conducts his or her personal existence. We use the term accounting ethics to refer to the code that governs accountants' professional conduct.

According to the dictionary, the second and more significant definition of ethics is "the study of morality." Similar to how chemists use the term chemistry to refer to the study of chemical properties, ethicists use the term ethics to refer to the study of morality. Although ethics is concerned with morality, it is not identical to morality. Ethics is a type of investigation that encompasses both the act of investigating and the findings of that investigation, whereas morality is the topic that ethics investigates.

There are additional categories of standards, such as etiquette, legal, and language standards. Using five characteristics, moral standards can be distinguished from non-moral standards:

1) Moral standards pertain to issues that have the potential to significantly harm or benefit individuals. The majority of individuals in American society adhere to moral principles that condemn actions such as theft, rape, enslavement, murder, child abuse, assault, slander, fraud, and violation of the law.
2) Moral standards, in our perspective ought to be prioritized over other values, such as personal gain. It is important to note that prioritizing self-interest over morality is not always justifiable, although acting in self-interest may not necessarily be deemed inappropriate in all circumstances.
3) Moral standards are not determined or modified by entities with authoritative power. The soundness of ethical norms is contingent upon the sufficiency of the rationales that are deemed to underpin and validate them. As long as these rationales are sufficient, the norms retain their validity.
4) Moral standards are commonly perceived as having a universal applicability.

Individuals are obligated to adhere to these established regulations regardless of their personal preferences.

5) Moral standards are established on objective and unbiased factors. The moral wrongness of lying is not contingent upon the potential benefit to oneself and harm to others.
6) Moral standards are linked to distinct affective states and a unique lexicon, encompassing concepts such as guilt, shame, and remorse. The moral wrongness of lying remains unaffected by the potential benefit to oneself and the harm causedto others.

The field of ethics pertains to the systematic study and analysis of an individual's or a society's moral principles and values. The inquiry pertains to the applicability of thesestandards in our daily existence and the extent to which they can be deemed reasonable or unreasonable, based on the quality of the justifications that support them.

Hence, an individual initiates ethical inquiry by drawing upon the moral principles internalized from their family, religious, and social circles, and subsequently questioning:

- What implications do these standards hold for the various situations in which I am situated?
- Do these standards possess logical coherence?
- What are the arguments in favor of or opposed to these standards?
- What are the reasons that justify my sustained belief in them?
- What are the arguments in favor and against them?
- Are they genuinely justifiable for me to maintain?
- Do the implications in a specific situation demonstrate rationality?

Ethics is an academic discipline that involves the systematic inquiry into moral standards. It entails the critical evaluation of the moral standards of individuals or societies to ascertain their rationality or irrationality, with the aim of applying them to specific situations and ethical dilemmas. The primary objective of ethics is to establish a set of ethical principles that are deemed rational to uphold. These principles are thoroughly contemplated and deemed justified for us to adopt and implement in the decisions we make in our daily lives.

The study of morality can be approached through means other than ethics. The social sciences, namely anthropology, sociology, and psychology, investigate morality through a distinct methodology compared to the ethical approach. While ethics is primarily concerned with prescribing moral standards, the social sciences adopt a descriptive approach to studying ethics.

Ethics is also a subject of study in other fields, including the social sciences. However, these fields approach the study of ethics from a descriptive perspective rather than a normative one. In other words, they provide an account of the world without making normative judgments regarding its desirability. In contrast, ethics is a normative field that seeks to ascertain the correctness of standards.

A **normative study** is a research endeavor that attempts to arrive at normative deductions, specifically, deductions concerning the ethical or moral value of things or actions. In brief, a normative inquiry endeavors to uncover what is deemed as desirable or appropriate.

A **descriptive study** is characterized by its aim to abstain from making normative judgments regarding the goodness, badness, rightness, or wrongness of phenomena under investigation. A descriptive study endeavors to provide a depiction or rationale of the world without arriving at any definitive judgments regarding the conformity of the world to normative standards.

Business ethics is the specialist study of right and wrong as it applies to company rules, institutions, and actions. This study holds significant importance as businesses are considered to be among the most influential institutions in contemporary society. In contemporary societies, business organizations serve as the principal economic institutions for facilitating the production and dissemination of goods and services. The fundamental structures that facilitate the combination of scarce resources such as land, labor, capital, and technology into usable goods and the subsequent distribution of these goods in the form of consumer products, employee salaries, investors' return, and government taxes are provided by economic institutions. In contemporary times, the economies are predominantly controlled by sizable corporate entities.

Whilst business ethics encompasses a diverse range of subject matter, it can be broadly categorized into three fundamental types of concerns:

1) Systemic issues refer to inquiries that are raised concerning the economic, political, legal, or other social systems that businesses operate within. Inquiry into the ethical implications of capitalism and the legal frameworks, regulatory policies, industrial arrangements, and societal customs that underpin the operations of American enterprises is a prevalent subject of examination.
2) Corporate issues pertain to inquiries that have been raised regarding a specific organization. Inquiries pertaining to the ethical implications of the actions, regulations, methodologies, or framework of a singular corporation as a cohesive entity are encompassed within this category.
3) Individual issues refer to inquiries regarding a specific person within an institution, their

conduct, and choices. These encompass inquiries pertaining to the ethical implications of the choices, conduct, or persona of a person.

Certain theorists argue that ethical concepts are exclusively applicable to individuals and not to corporations as entities. According to some perspectives, attributing responsibility to businesses may be deemed illogical as businesses are often regarded as machines rather than human entities. Some argue that corporations exhibit individual-like behavior, possessing goals and conduct that can be deemed ethical or unethical, similar to the actions of an individual.

It is possible that neither of the two opposing perspectives is accurate. The execution of corporate actions is contingent upon the actions of human individuals, who must be held responsible for their conduct. Nonetheless, corporations possess both policies and cultural norms that guide individuals, and as such, they ought to be responsible for the consequences of these organizational elements.

However, it is reasonable to assert that a corporate entity possesses ethical obligations and bears moral accountability for its actions. The conduct of corporate personnel is significantly impacted by corporate policies, corporate culture, and corporate norms. It can be argued that individuals comprising a corporation are subject to influence from both their peers and the overall corporate culture.

Organizations bear moral obligations and possess moral accountability in a derivative capacity. Specifically, a corporation is deemed to have a moral obligation to undertake a certain action solely if some of its constituents are under a moral obligation to ensure its execution. Similarly, a corporation is held morally responsible for a particular occurrence only if some of its constituents are morally responsible for the event in question.

There exist individuals who raise objections to the implementation of ethical principles in the corporate world, and these objections can be categorized into three distinct arguments, as presented below in italicized form, along with a corresponding critique of each argument.

1. *In a free market system, the maximization of social benefit is ensured through the pursuit of profit.*

    a) Firstly, it is important to note that the majority of markets do not exhibit perfect competition.

    b) Secondly, the argument presupposes that any measures implemented to enhance profits will inevitably result in social benefits. Enterprises that prioritize financial gain and engage in unethical conduct can scarcely be deemed as competitive. Engaging in environmental pollution cannot be considered ethical. Similarly, price fixing, tax evasion, deceptive advertising, fraud, bribery, and concealing product hazards are all considered unethical business practices. The presence of these practices results in a lack of free competition in the market.

2. *The primary responsibility of a manager acting as an agent is to exhibit loyalty towards the organization, irrespective of any ethical dilemmas that may arise.*
    a) The argument put forth by the loyal agent presupposes an absence of limitations on the manager's obligation to fulfill the employer's interests. However, this assumption is flawed as the law of agency explicitly states that the agent is not obligated to undertake any actions that are deemed illegal or unethical.
    b) Agreements do not alter the ethical nature of illicit actions, and the assertionof "I was obeying orders" does not serve as a valid justification for such actions.
3. *As long as corporations adhere to legal regulations, they will have fulfilled their ethical obligations.*
    a) The slavery laws that existed prior to the Civil War were in opposition to any recognized moral principles.
    b) The legal system of Nazi Germany mandated discriminatory conduct towards individuals of Jewish descent.
    c) Goldman Sachs assisted Greece in concealing loans that exceeded the limits set by the European Union regulations by presenting them as currency exchanges, which were not subject to disclosure. The managers at Goldman Sachs were implying that the legality of an action was indicative of its ethicality.

There exist arguments that provide support for the incorporation of ethical considerations in the realm of business.

1. The first point to consider is that ethics is a universal concept that pertains to all human endeavors.
2. The presence of ethics is essential for the survival of any business.
3. The pursuit of profit is not necessarily at odds with ethical considerations.
4. Ethical behavior is a matter of concern for customers, employees, and individuals in general.
5. According to research, the incorporation of ethical principles into business practices does not have a negative impact on financial gains and may even have a positive effect.

Corporate social responsibility (CSR) is occasionally mistaken for ethics. The concept of corporate social responsibility pertains to the duties or commitments of a corporation to the broader society. Divergent viewpoints exist within both the corporate and scholarly spheres regarding the constituents of said obligations. The conflict pertains to the two opposing factions that are inquiring:

- Is it required upon companies to contribute to charitable causes, provide their employees with better compensation, and ensure that their products are safe for consumers?
- Is the corporation legally bound to optimize profits for its shareholders?
- Central to this inquiry lies the fundamental query: What constitutes the objective of commerce?

Milton Friedman, a prominent figure in economics, contended that within a system of private property and free enterprise, corporate executives are accountable to the shareholders and are obligated to manage the company in alignment with their interests, typically involving the pursuit of lawful and ethical profit maximization. The individual expressed that corporations are solely accountable to their shareholders and that proprietors possess the authority to determine the corporation's operational procedures as they are the owners. Consequently, managers are required to comply with the desires of the stockholders.

Moreover, it is not within a manager's purview to allocate company funds towards social causes if such actions would result in a decrease in shareholder profits. In order to generate profits for shareholders, managers may opt to increase employee wages, enhance product quality, allocate funds towards local community groups or other charitable causes.

Friedman has been subject to criticism from various sources. According to their assertion, the manager is a staff member of the corporation rather than being accountable to the shareholders. According to this perspective, the executive is obligated to prioritize the interests of their actual employer rather than those of the shareholders. In addition, the shareholders possess restricted entitlements, including the ability to select the board of directors, participate in voting procedures concerning significant corporate matters, and receive residual assets following the corporation's liquidation and fulfillment of its financial obligations to creditors. According to Friedman's argument, the primary obligation of executives is to manage corporations in accordance with the desires of the stockholders. In actuality, it is plausible that the executive lacks knowledge regarding the preferences of stockholders with respect to the management of the company. The individual in question is obligated to manage the organization in a manner that caters to various stakeholders' interests, such as employees and consumers, in addition to those of the shareholders. Friedman's assertion that the maximization of shareholders' returns by companies leads to the optimal benefit of society is not necessarily socially advantageous. At times, competitive pressures may lead companies to engage in actions that have negative social implications.

An alternative perspective is presented by the "stakeholder's theory". This perspective was initially introduced by two notable academics, namely Edward Freeman and David Reed. A stakeholder is defined as any discernible group or individual that possesses the ability to influence the attainment of an organization's goals or is impacted by the attainment of an organization's goals. Stated differently, a stakeholder possesses a vested interest in the organization. It is imperative that a corporation operates with the objective of promoting the interests of all its stakeholders. The premise of this assertion is founded upon two corroborating arguments, namely the instrumental and normative arguments. From an instrumental perspective, when a company considers the interests of all stakeholders, they are more likely to receive support from these stakeholders and further their own interests. From a normative perspective, and based on principles of justice, the organization has a moral duty to be accountable to all parties with a vested interest. The ethical concepts of rights, obligations, and fairness are integral to a company's responsibilities, indicating that ethics is not solely a component of said responsibilities. Ethics serves as the fundamental normative justification for the implementation of corporate social responsibility.

Which approach is more appropriate, the shareholder approach or the stakeholder approach? The stakeholder theory has been widely adopted by numerous businesses, and a majority of the fifty states in the United States have enacted legislation acknowledging the responsibility of businesses towards their various stakeholders, even if it conflicts with the interests of shareholders.

1.2 Ethical Issues in Business

Technology encompasses the various techniques, procedures, and instruments devised by humans to manage and regulate their surroundings. The rapid evolution of new technologies has posed a challenge to modern businesses and has resulted in the transformation of societies. This phenomenon introduces novel ethical considerations for enterprises.

Across the annals of time, humanity has witnessed a series of technological transformations, commencing with the agricultural revolution during the dawn of civilization, followed by the industrial revolution in the 18th century, and culminating in the emergence of novel technologies towards the conclusion of the 20th century. The advent of contemporary technologies such as information, nano, and genetic technologies has brought about a significant transformation in society and business, thereby presenting the possibility of novel ethical dilemmas. The introduction of new elements raises concerns regarding potentialhazards that could be uncertain or permanent in nature. The determination of whether the potential advantages of a given technology outweigh the associated hazards should be made by whom? What measures will be implemented to provide restitution to individuals who havesuffered damages as a result of faulty technology? What is the distribution of risk anticipated to be? What measures will be implemented to ensure the preservation of privacy? What measures will be implemented to safeguard property rights?

Furthermore, how does the issue of property rights intersect with the realm of information technologies? What are the specific entitlements afforded to the originator of information and how do they contrast with the proprietary rights of an individual whoacquires a duplicate? Is it considered unethical to utilize the computer system of one'semployer for personal purposes or to access websites that are not relevant to one's job responsibilities?

Currently, the vast majority of the top 500 industrial corporations in the United States are multinational entities. Conducting business operations across multiple nations simultaneously presents a distinct array of ethical quandaries. Multinational corporations have the ability to evade compliance with environmental regulations and labor laws by relocating to a different country. It is possible for individuals and businesses to transfer raw materials, goods, and capital in a manner that allows them to evade taxation. Moreover, multinational corporations are faced with the decision of determining the appropriate time forless developed countries to adopt their advanced technologies and products. They are confronted with varying moral codes and legal systems across different nations. Organizations are often faced with the challenge of selecting between multiple standards in their various operations, even if a given norm is not deemed unethical.

Numerous business-related concerns stem from the phenomenon of globalization. Globalization pertains to the phenomenon wherein countries are increasingly interconnected, resulting in the accelerated flow of commodities, amenities, finances, information, and cultural items across international boundaries. The global movement of goods, services, and people has significantly altered the landscape of our planet in terms of both quantity and velocity of cross-border transactions.

Multinational corporations are central to this phenomenon. Multinational corporations refer to business entities that maintain diverse manufacturing, marketing, service, and administrative operations across multiple nations. The company strategically promotes their merchandise in countries that provide favorable manufacturing conditions and lucrative market opportunities. Multinational corporations source capital, raw materials, and human labor from global locations where they are cost-effective and accessible. It can be observed that all of the top 500 industrial corporations in the United States are multinational entities.

The phenomenon of globalization has yielded numerous advantages, as evidenced by the proliferation of prominent brand names such as Nike, Motorola, General Electric, and Ford, which have established manufacturing facilities and assembly operations in nations characterized by comparatively inexpensive labor. Multinational corporations contribute tothe economic development of underdeveloped regions by creating employment opportunities, imparting valuable skills, generating income, and introducing advanced technology. This leads to an improvement in the living standards of the host countries and facilitates the availability of affordable goods.

However, globalization has been attributed to causing substantial negative impacts on the global community. According to critics, the benefits of international trade have been skewed towards developed nations, while many poorer nations that rely on low-cost agricultural products for trade have been left behind. In addition, multinational corporations have disseminated Western culture globally through various mediums such as movies, literature, music, gaming, toys, television programming, electronic devices, dance, fast food, branding, art, periodicals, and fashion, potentially leading to the erosion or extinction of unique local cultures and traditions.

According to critics, multinational corporations have the ability to relocate their operations from one country to another that provides more cost-effective labor, less strict regulations, and reduced taxes. The act of pitting one nation against another has resulted in a phenomenon commonly referred to as a "race to the bottom."

Furthermore, the phenomenon of globalization has presented significant challenges for managers operating in multinational contexts. Multinational corporations may encounter challenges when their managers are required to navigate host countries with varying legal systems, government practices, levels of development, and cultural norms that differ from those with which they are familiar. The multinational manager is confronted with the challenge of navigating varying legal systems in foreign countries, which may necessitate a decision regarding which set of standards to prioritize: those of their home country or those of the host country. However, implementing a universal regulation that aligns with customary procedures and strives to conform to the superior benchmarks of industrialized countries is insufficient. Managers seeking to conduct ethical operations in foreign nations must evaluate each case on a case-by-case basis. In certain scenarios, individuals may face a decision between remaining within a nation and acquiescing to a local custom that is evidently and gravely immoral, or adhering to ethical principles and departing from the country.

Ethical relativism posits that the existence of varying ethical beliefs across different societies precludes the possibility of a rational means of ascertaining the moral rightness or wrongness of an action, except by inquiring into the beliefs of the society in question. In other words, the determination of moral correctness is contingent upon the prevailing beliefs of a given society. The existence of numerous moral codes serves to illustrate the absence ofa singular, definitive solution to ethical inquiries. The optimal course of action for a companyis to adhere to the traditional saying, "When in Rome, do as the Romans do." Stated differently, the absence of universal moral principles is evident.

Detractors of ethical relativism argue that the notion that multiple answers to an ethical query exist does not necessarily imply that both responses are equally valid or that either response is valid at all. Additionally, they contend that there exist greater similarities than differences even amidst societies that appear to be highly disparate.

1.3 Moral Reasoning

This section explores the process of introspection and the application of personal ethical principles to specific circumstances and ethical dilemmas. The initial focus is directed towards the process of moral development.

It is a common assumption that an individual's values are established during their formative years and remain static throughout their lifetime. Empirical evidence from psychological research and personal experiences indicate that individuals undergo significant and profound changes in their values as they progress through the stages of development. As individuals progress through the course of their lives, their aptitude for addressing ethical dilemmas undergoes a developmental process that is commensurate with the maturation of their physical, emotional, and cognitive faculties.

Six stages of moral development were identified by Lawrence Kohlberg. The concept of moral rights.

Level One: Pre-conventional Stages

1. During the Punishment and Obedience Orientation stage, the moral evaluation of an act is solely based on its physical consequences, whether they are positive or negative. The child's motivation for exhibiting appropriate behavior stems from a desire to evade reprimand or acquiesce to the dominant physical prowess of those in positions of authority. There exists a limited level of consciousness regarding the similarity of needs between oneself and others.
2. During the Instrument and Relativity Orientation stage, appropriate actions are those that can function as tools to fulfill the child's personal needs or the needs of individuals for whom the child is responsible.

Throughout the initial two developmental phases, the child possesses the capability to react to regulations and societal norms, and is capable of utilizing the designations of positive, negative, correct, and incorrect. The regulations, nevertheless, are perceived as an externally enforced construct upon the individual. The interpretation of right and wrong is often based on the perceived pleasant or painful consequences of actions, or on the physical power wielded by those who establish the rules.

Level Two: Conventional Stages

The act of upholding the standards set by one's family, social circle, or country is currently perceived as intrinsically beneficial, irrespective of the outcomes that may ensue.

1. The Interpersonal Concordance Orientation is characterized by adherence to conventional norms and values. At this stage, individuals strive to meet the expectations of individuals to whom they feel a sense of loyalty, affection, and trust, such as family and friends, in order to exhibit good behavior. The appropriate course of action involves adhering to the societal norms and expectations associated with one's familial and social roles, such as being a dutiful son or daughter, a supportive sibling, and a reliable friend.
2. At this stage of conventional development, known as the Law and Order Orientation, individuals determine right and wrong based on their loyalty to their larger nation or surrounding society. The maintenance of laws is deemed imperative, save for instances where they clash with other established societal obligations.

Level Three: Post-conventional, Autonomous, or Principled Stages

1. The Social Contract Orientation is the initial stage of post-conventional moral development, wherein individuals recognize the existence of diverse and conflicting personal beliefs and values. They prioritize equitable methods of achieving consensus through mutual agreement, contractual obligations, and just procedures.
2. The Universal Ethical Principles Orientation is the ultimate stage where the definition of right action is based on moral principles that are chosen for their logical comprehensiveness, universality, and consistency.

During these developmental phases, the individual ceases to passively adopt thevalues and norms of their respective social groups. The individual has adopted a perspective that strives to consider situations from a neutral standpoint that incorporates the interests of all parties involved. The individual inquires into the legal and ethical standards that have been embraced by society and proceeds to redefine them based on personally selected moral tenets that can be logically substantiated.

The concept of moral reasoning comprises two fundamental constituents, namely, comprehension of rational moral principles and substantiation or data pertaining to whether a specific policy, individual, establishment, or conduct embodies the characteristics of these moral principles. Individuals frequently neglect to articulate their ethical criteria when rendering a moral evaluation, primarily due to the presumption of their self-evident nature. This assertion may not hold universally valid. Frequently, it becomes necessary to retrospectively analyze an individual's ethical thought process to infer their moral principles. Distinguishing between objective data and ethical principles can pose a challenge in certain circumstances.

Moral reasoning pertains to the cognitive process through which individuals evaluate human actions, institutions, or policies as either conforming to or transgressing moral principles. The process of moral reasoning invariably encompasses three fundamental constituents:

a) A comprehension of the ethical norms that dictate what actions are deemed acceptable, impermissible, desirable, or disprovable.
b) The provision of evidence or information that demonstrates that a specific individual, policy, institution, or conduct possesses the characteristics that align with the prescribed moral standards of requirement, prohibition, value, or condemnation.
c) The conclusion or moral evaluation of an individual, policy, institution, or behavior may determine its permissibility or obligation, morality or immorality, justice or

injustice, worthiness or reprehensibility, and other related factors.

Moral reasoning constitutes a singular facet of the multifaceted processes that culminate in ethical or unethical conduct. Upon encountering a given scenario, individuals tend to contemplate the appropriate course of action that is conventionally anticipated of them. In addition to business, legal, and personal frameworks, moral frameworks are also commonly utilized in various situations.

Six criteria have been identified by researchers to determine whether a situation should be framed as an ethical situation that necessitates ethical reasoning. There are six criteria that have been identified.

1. Does the scenario entail the imposition of grave injury upon one or multiple individuals?
2. Does the harm exhibit a concentrated effect on its recipients, such that each individual has experienced or will experience a substantial degree of harm?
3. Is there a high probability of harm occurring or has harm already been inflicted?
4. Are the victims in close proximity to us?
5. Is the harm anticipated to happen in the near future or has it already transpired?
6. Is there a potentiality that the act of causing harm may contravene the ethical principles that are widely acknowledged by us or the majority of individuals?

1.4 Moral Responsibility and Blame

Moral responsibility pertains not solely to evaluations of ethical correctness. Occasionally, they are aimed at ascertaining the moral culpability of an individual or entity for engaging in an erroneous action. The attribution of moral responsibility to individuals is contingent upon their deliberate and voluntary engagement in immoral conduct or their omission to engage in moral conduct, thereby absolving them of culpability for wrongful or injurious acts that may have been committed unintentionally or involuntarily.

The conditions of ignorance and inability to act otherwise, commonly referred to as excusing conditions, serve to fully absolve an individual of moral responsibility for any harm caused. Notwithstanding, it is not always justifiable to absolve an individual based on their lack of knowledge or competence. The intentional act of remaining uninformed in order to evade accountability does not serve as a justification for any harm caused by such ignorance. The attribution of moral responsibility to an individual for an injury or wrongdoing iscontingent upon three factors:

1. Firstly, the individual must have either caused or contributed to the occurrence, or alternatively, failed to intervene in a situation where intervention was both possible and necessary.
2. Secondly, the individual must have possessed knowledge of their actions and their consequences.
3. Finally, the individual must have acted of their own volition.

Ignorance can pertain to either pertinent factual information or pertinent moral principles. In general, the absence of knowledge regarding the facts results in the absence of moral accountability. The reason for this is that moral responsibility necessitates the presence of liberty, which is unattainable when confronted with a lack of knowledge regarding pertinent information. The concept of inability absolves an individual of responsibility asthey cannot be morally obligated to perform an action that is beyond their control. If an injuryor a wrong has occurred, **an individual may not** be deemed morally responsible under certain circumstances.

1. The individual in question was not the instigator nor had the capacity to avert the harm or transgression.
2. The individual was unaware of their role in causing the injury or transgression.
3. The individual did not intentionally cause the injury or transgression, nor did they act of their own volition.

Apart from the exculpatory circumstances, there exist four mitigating factors that reduce moral culpability. The aforementioned entities are:

1. Situations that mitigate an individual's participation in an action, albeit not entirely eliminating it.
2. The conditions that result in an individual experiencing a state of ambiguity, where they possess some level of knowledge or understanding but are not completely confident in their actions or decisions.
3. The conditions that pose a challenge (albeit not insurmountable) for the individual to refrain from engaging in the activity.
4. The circumstances indicate that the issue at hand was of negligible significance.

The degree to which an agent's responsibility can be reduced by mitigating circumstances is contingent upon the severity of the harm. In general, the degree of responsibility is less likely to be reduced by mitigating circumstances as the severity of the injury increases.

Is it possible for a business scenario to exist wherein ethical considerations may be deemed as cooperating with malevolent forces? In contemporary corporate settings, the accountability for a given corporate action is frequently dispersed among multiple collaborating entities. In the event that a manager issues unlawful directives and the employees execute said directives, one party provides the resources while the other performs the action, and a separate group may engage in efforts to conceal the wrongdoing. The potential permutations of collaboration in a malevolent deed are infinite. The attribution of responsibility remains consistent in cases where an individual deliberately and voluntarily causes harm, despite any external factors or individuals involved. In such instances, the individual bears complete moral responsibility for their actions, even if others may also share in the responsibility.

In this instance, the possibility of utilizing the loyal agent argument as a defense is precluded. In the event that I intentionally and voluntarily inflict harm, the circumstance of being under instruction does not alter the veracity that I have satisfied the three criteria that establish my moral accountability for my conduct.

CHAPTER 2: ETHICAL PRINCIPLES IN BUSINESS

2.1 Utilitarianism: Weighing Social Costs and Benefits

The moral framework employed by the management of Caltex is characterized by utilitarianism, also known as consequentialism. An illustration of the delicate balance between cost and benefit analysis can be observed in the case of Ford and its notorious Pinto.

It was within Ford's knowledge that the Pinto model had the potential to combust upon rear impact at a mere velocity of 20 mph. However, the financial cost of remedying this issue was estimated to be $137 million. Given the relatively low amount of $49 million in damages that would be owed to the victims and their families, the decision was made not to allocate funds towards repairing the vehicles. This decision was based on the belief that society places a disproportionately low value on the lives and well-being of those affected by the incident. The analytical approach employed by Ford managers in their cost-benefit analysis can be identified as a variant of the conventional concept of utilitarianism. Utilitarianism is a broad concept that encompasses any perspective that posits the assessment of actions and policies based on the advantages and drawbacks they will confer upon society. In any given scenario, the optimal course of action or policy is the one that yields the highest net benefits or the lowest net costs, in cases where all alternatives result in net costs.

Numerous enterprises depend on utilitarian cost-benefit analyses and argue that the socially responsible approach is to opt for the utilitarian option with the least net expenses.

The philosophical doctrine of traditional utilitarianism was established by Jeremy Bentham, who lived from 1748 to 1832. The theory proposed by the individual in question posits that it is possible to quantify and aggregate the benefits generated by a given action, while also subtracting the quantified harms it may cause. This process enables us to ascertain which action yields the greatest benefits or lowest overall costs, and is thus deemed morally justifiable. Bentham's concept of utility prioritized the maximization of benefits for all parties involved, rather than solely for the individual undertaking the action. According to Bentham's ethical framework, an action can be deemed morally right only if the overall amount of utility generated by that action surpasses the total amount of utility generated by any alternative action that the agent could have executed in its stead.

It is noteworthy that singularly, a solitary action can possess the least net costs and the most substantial net benefits.

In order to ascertain the ethical course of action in a given situation, it is necessary to adhere to four guiding principles:

1. It is imperative to identify the feasible alternative courses of action.

2. It is imperative to assess the foreseeable direct and indirect costs and benefits that the action would generate for all parties involved.
3. To ascertain the net utility of each action, it is necessary to deduct the costs from the benefits.
4. The ethical course of action is determined by selecting the alternative that generates the highest sum total of utility, which is the action that produces the greatest overall benefit.

The appeal of utilitarianism lies in its alignment with prevalent perspectives on matters of public goods and governmental policies. It is widely accepted that in situations where the government is tasked with allocating tax funds towards public projects, the most appropriate approach would be to prioritize projects that have been objectively studied and proven to offer the highest benefits to society at the lowest cost. It is also consistent with the intuitive standards that many individuals use when deliberating about ethical behavior. Utilitarianism posits that certain activities, such as lying, are deemed immoral due to their consequential effects in the long term. Nevertheless, adherents of the conventional utilitarian perspective would refute the notion that an action of a particular nature is inherently and unequivocally ethical or unethical. Rather than applying a blanket approach, each action would need to be evaluated based on its unique circumstances. The utilitarian perspective has exerted significant influence in the field of economics. Throughout the 19th century and beyond, a succession of economists posited that economic conduct could be elucidated by postulating that individuals invariably strive to optimize their utility, and that the utilities of goods and services can be quantified by the prices that individuals are willing to expend on them.

The principles of utilitarianism serve as the foundation for the methods employed in economic **cost-benefit analysis**. Cost-benefit analysis is a method employed to evaluate the feasibility of investing in a venture, such as a public park, factory, or dam. It involves the computation of the present and future economic gains and losses to determine if the benefits outweigh the costs. In order to assess the costs and benefits of the project, discountedmonetary valuations are computed for all the impacts it will generate on both the current and future environment, as well as on present and future populations. Utilitarianism aligns well with the highly valued principle of efficiency. **The concept of efficiency** can be subject to varying interpretations, as individuals may attribute different meanings to it. However, for a significant number of individuals, efficiency entails optimizing productivity by utilizing available resources to their fullest potential.

Utilitarianism, despite its apparent straightforwardness in determining the ethicality of actions, entails three significant errors that one must be mindful of when employing this ethical framework.

Due to the prevalence of these errors among individuals who initially contemplate utilitarianism:

1. According to the utilitarian principle, the appropriate course of action for a given situation is the one that generates a greater amount of utility compared to any other feasible action. However, it is important to note that this does not imply that the optimal action is the one that yields the highest utility solely for the individual executing the action. According to the utilitarian perspective, an action is deemed morally right if it generates the highest level of utility for all individuals impacted by the action, which naturally encompasses the agent who executed the action.
2. It is a common misconception that the utilitarian principle solely necessitates the contemplation of the direct and immediate outcomes of our actions. It is imperative to consider the immediate and long-term costs and benefits of each alternative for every individual, along with any consequential indirect impacts.
3. The cardinal error lies in asserting that the utilitarian doctrine deems an action morally correct if its benefits surpass its drawbacks. According to utilitarianism, the appropriate course of action is determined by weighing the collective benefits and drawbacks of a given action against those of all other potential actions that the agent may undertake. Utilitarianism posits that in order to ascertain the morally correct course of action in a given scenario, it is necessary to evaluate the utility of all potential actions that could be undertaken in that situation.

Utilitarianism presents a seemingly straightforward approach to determining the ethicality of actions. However, its effectiveness is contingent upon precise quantification, which can pose challenges. Utilitarianism's dependence on measurement is associated with five significant issues:

1. It is not possible to make comparative assessments of the subjective value of things for different individuals, as it is not feasible to fully comprehend the unique experiences and perceptions of others in order to gauge the degree of pleasure or pain they may experience.
2. Certain advantages and drawbacks are incalculable. What is the monetary value assigned to a human life, as an illustration?
3. The precise estimation of potential advantages and drawbacks of a particular course of action may not always be feasible, thereby rendering them insufficiently quantifiable.

4. The criteria for determining what constitutes a benefit or a cost remains ambiguous.

Perceptions of these phenomena vary among individuals.

5. The concept of utilitarian measurement posits that it is possible to exchange all types of goods for their equivalent values. Nevertheless, it is important to note that not all things can be quantified in terms of monetary value.

Detractors of utilitarianism argue that the aforementioned issues related to measurement undermine any assertions made by utilitarian theory regarding its ability to offeran impartial foundation for resolving normative matters. These issues have particularly come to light in discussions regarding the viability of conducting corporate social audits.

Proponents of utilitarianism justify their methodology by addressing the criticisms posed by these issues, asserting that while they would prefer precise quantification of all factors, they recognize the impracticality of achieving this goal. Hence, in situations where obtaining measurements is arduous or unfeasible, assessments based on shared or intuitive perceptions of relative worth are satisfactory.

There exist two commonly employed criteria based on common sense. The differentiation between **intrinsic goods** and **instrumental goods** is a crucial aspect that one depends on. Intrinsic goods refer to entities that are sought after for their inherent value, without any external motivation, examples of which include well-being and survival. Intrinsicgoods are deemed superior to instrumental goods, as the latter are merely considered good dueto their ability to facilitate the attainment of an intrinsic good. The additional criterion that is often employed is predicated on the differentiation between necessities and desires. Commodities that satisfy necessities hold greater significance than those that fulfill desires. Nevertheless, these techniques are designed to be utilized solely in situations where quantitative methodologies prove inadequate.

The most adaptable approach involves quantifying actions and commodities in monetary units. Assuming that an individual is willing to pay twice the amount for one commodity compared to another, it can be inferred that the former holds twice the value for that particular individual. The concept of assigning a monetary value to health and life is unsettling for a significant number of individuals. Utilitarians argue that individuals engage ina form of cost-benefit analysis on a daily basis, as they choose to invest in certain safety measures while forgoing others that are deemed too costly. Furthermore, there might be situations where market prices are inadequate in furnishing quantitative information for evaluating the costs and benefits of different choices. For sociological matters, one may employ a survey or a political poll to gauge the magnitude and scope of individuals' attitudes.

According to certain critics, utilitarianism faces a significant challenge in addressing moral issues pertaining to both **rights** and **justice**. If individuals possess entitlements to fundamental necessities such as life and health, and if a concept of justice exists that is not contingent on mere usefulness, then utilitarianism fails to furnish a comprehensive portrayalof ethics. Critics assert that the application of utilitarianism to scenarios involving justice can result in erroneous outcomes. The utilitarian perspective prioritizes the overall amount of utility generated within a society, while neglecting to consider the equitable distribution of said utility among its constituents.

In light of these apprehensions, proponents of utilitarianism have developed an alternative iteration known as **rule utilitarianism**. This iteration involves a shift in focus from evaluating individual actions based on their capacity to generate greater pleasure than other options, to examining moral principles and actions that fall within a specific category. If a certain category of actions has a tendency to generate greater pleasure or incur lesser costs, then such actions can be deemed as morally sound. The mere fact that a particular action yields greater utility in a given instance does not necessarily establish its ethical correctness.

The adequacy of rule utilitarianism in addressing the criticisms leveled against utilitarianism remains a subject of contention. A rule that generates greater utility may still be deemed unjust, particularly when it permits a significant majority to exploit an unfairly disadvantaged minority.

2.2 Rights and Duties

Broadly speaking, a right refers to an individual's legitimate claim to a particular thing or action. An individual possesses a right when they are authorized to behave or expect others to behave in a specific manner towards them. The term "entitlement" is commonly referred to as a **legal right**. Entitlements may originate from either legal provisions or ethical principles, with the latter being referred to as **moral** or **human rights**. In broad terms, it is specified that all individuals possess the right to engage in certain actions or receive certain services.

The term "right" is commonly employed in everyday language to encompass a rangeof circumstances in which individuals are afforded the capacity to exercise their agency in disparate manners. The term "right" is occasionally employed to denote the mere lack of restrictions on the pursuit of a particular interest or activity. The term "right" is occasionally employed to denote an individual's authorization or empowerment to undertake an action, either for the purpose of safeguarding the interests of others or for the purpose of safeguardingone's own interests. Thirdly, the term "right" is occasionally employed to denote the presence of restrictions or obligations imposed on others, which facilitate an individual's pursuit of specific interests or endeavors.

Rights that impose obligations or restrictions on others, thereby granting individuals the freedom to make choices, are deemed to be of utmost significance. Moral rights possess three defining features of significance:

5. The concept of moral rights is intricately linked with corresponding duties. If an individual possesses a legitimate entitlement to engage in a particular action, then it follows that other individuals are ethically obligated to refrain from obstructing said action.
6. Moral rights afford individuals the capacity for self-governance and parity in the unrestricted pursuit of their objectives, whether they choose to do so or not.
7. Moral rights serve as a foundation for rationalizing one's conduct and seeking the support or assistance of others.

Moral evaluations predicated on the concept of rights diverge significantly from those grounded in utility. The aforementioned ethical theories are centered on the individual, while utilitarianism is predicated on the collective welfare of society. Secondly, the existence of rights imposes a constraint on the justification of prioritizing numerical figures and societal advantages over the interests of the individual. Conversely, while rights typically take precedence over utilitarian principles, there are instances where this is not the case. During periods of conflict, civil liberties are frequently curtailed in the interest of the greater good.

In addition to **negative rights**, which are exclusively defined in relation to the obligations of others to refrain from impeding an individual, there exist **positive rights**. The concept of positive rights entails that individual bear an obligation not only to abstain from obstructing others, but also to furnish them with the necessary resources to pursue their objectives. The concept of privacy can be categorized as a negative right, while the entitlements to sustenance, survival, and medical attention are considered positive rights. Broadly speaking, liberal theorists tend to advocate for the provision of both positive and negative rights by society, while conservatives tend to advocate for a more limited role of government that focuses on enforcing negative rights. The prioritization of positive rights did not receive significant attention until the advent of the 20th century. During the 17th and 18th centuries, authors of manifestos, including the Declaration of Independence and the Bill of Rights, frequently utilized negative rights as a means of safeguarding individuals from the overreach of monarchical governments. The significance of positive rights emerged during the20th century, as society progressively assumed responsibility for furnishing its constituents with essential life requisites that were beyond their individual means.

2.3 Justice and Fairness

The controversy surrounding the affliction of "brown lung" disease attributed to cotton dust serves as an example of how notions of equity and impartiality are deeply ingrained in such issues. The concepts of justice and fairness are fundamentally comparative in nature. The individuals express apprehension regarding the equitable allocation of benefits and burdens, administration of rules and laws, cooperation and competition among group members, and dispensation of punishment or compensation for wrongdoings and injuries suffered within a group. **The concept of justice** typically pertains to issues that are of greater gravity than those of fairness, although certain scholars argue that fairness holds a more foundational position. Broadly speaking, it is commonly held that the prioritization of justice outweighs utilitarian considerations, as the attainment of greater benefits for a select few does not serve as a valid justification for the perpetration of injustices upon others. Nevertheless, it is typically the case that moral rights of individuals are not superseded by standards of justice. This phenomenon can be attributed to the fact that justice is, to a certain degree, founded on the ethicalentitlements of each individual. There exist three distinct categories of justice-related issues.

1. **Distributive justice** pertains to the equitable allocation of advantages and disadvantages within a given society.
2. **Retributive justice** pertains to the equitable application of sanctions and penalties to individuals who have committed wrongful acts.
3. **Compensatory justice** pertains to the act of providing recompense to individuals who have suffered losses as a result of harm inflicted upon them by others.

In situations where benefits are scarce or burdens are abundant, issues pertaining to distributive justice come to the fore. This may manifest in scenarios such as insufficient access to food or healthcare, or an excess of undesirable work. In situations where resources are limited, it becomes necessary to establish equitable principles for their distribution. The core tenet of distributive justice is the notion that individuals who are equal should receive equal treatment, while those who are unequal should receive treatment that is commensurate with their differences. The core tenet of distributive justice can be articulated as follows:

“The principle of distributive justice suggests that individuals who share relevant characteristics should receive comparable benefits and burdens, regardless of any irrelevant differences. Conversely, individuals who differ in relevant aspects should be treated differently, in proportion to the extent of their dissimilarity.”

Egalitarians maintain that any distinctions between individuals that could potentially rationalize differential treatment are nonexistent. As per the egalitarian perspective, the ideal distribution of benefits and burdens should adhere to the principle of equal distribution, wherein

“Every individual is entitled to an equivalent share of the benefits and burdens of a society or group."

Despite the widespread appeal of the concept of equality in society, the philosophy of egalitarianism has faced significant criticism. Certain scholars argue that distinctions based on need, ability, and exertion are pertinent factors among individuals, and disregarding these factors would constitute an act of injustice.

Certain proponents of egalitarianism have sought to bolster their stance by delineating two distinct forms of equality: political equality and economic equality. **Political** equality pertains to an equitable engagement in and treatment by the mechanisms of governing and guiding the political structure. This encompasses equitable entitlements to engage in the lawmaking procedure, commensurate civil liberties, and impartial entitlements to due process. **Economic equality** pertains to parity in both income and wealth distribution, as well as equitable access to opportunities. As per certain egalitarian perspectives, the critiques directed towards equality are limited to its economic aspect and do not extend to its political dimension.

Retributive and compensatory justice are two distinct forms of justice that pertain to the appropriate measures to be taken against offenders. The concept of **retributive justice** pertains to the attribution of blame or punishment to individuals who have committed wrongful acts. Nonetheless, there exist significant circumstances that preclude individuals from being held accountable for their actions on moral grounds:

1. If individuals lack knowledge or autonomy in their actions.
2. In the event that an individual who is being subjected to disciplinary action is in fact innocent of any wrongdoing.
3. It is imperative that the penalty administered is uniform and commensurate with the offense committed.

Compensatory justice pertains to the act of reinstating to an individual who has been wronged by another, that which was taken away from them. Historically, scholars have maintained that an individual bears a moral responsibility to provide restitution to a harmed party solely if three criteria are met:

1. The conduct that caused the harm was either wrongful or careless.
2. The injury was primarily caused by the action.
3. The individual performed the action of their own volition.

Undoubtedly, the preferential treatment programs aimed at redressing historical injustices against certain groups are among the most contentious forms of compensation.

2.4 The Ethics of Care

The case of the Malden Mills fire and subsequent reconstruction provides evidence for the existence of ethical perspectives that cannot be fully elucidated through the lenses of utilitarianism, rights-based approaches, or Kantian philosophy. From various perspectives, the owner was not obligated to reconstruct or compensate his workers during periods of inactivity. Nevertheless, he asserted that he bore a sense of obligation to both his employees and the local populace. Contrary to the fundamental requirement of impartiality espoused by these theories, the proprietor in question exhibited partiality towards his community and employees.

The aforementioned statement pertains to the fundamental tenets of the **ethics of care** perspective, which has been advocated by numerous feminist ethicists in contemporary times. Per this approach, it is incumbent upon us to exercise particular caution towards individuals with whom we share significant, intimate connections. The dimension of morality that is typically associated with the expression of compassion, concern, love, friendship, and kindness is characterized by these sentiments or virtues. Therefore, an ethical framework centered on care highlights a pair of ethical imperatives:

- Each individual is embedded in a complex network of social connections and it is imperative to maintain and cultivate those tangible and significant relationships that are established with particular individuals.
- It is imperative that individuals exercise a heightened level of attentiveness towards those with whom they share a concrete relationship. This entails catering to their specific needs, values, desires, and overall well-being from their own personal perspective. Furthermore, it is crucial to respond positively to these aforementioned aspects, especially in the case of individuals who are vulnerable and reliant on our care.

Consequently, an ethical framework centered on the concept of care can be perceived as comprising the types of responsibilities advocated by a **communitarian ethical** perspective. The communitarian ethic is a moral framework that recognizes the intrinsic worth of tangible communities and their communal bonds, emphasizing their preservation and sustenance.

It is noteworthy to consider two supplementary matters. It is important to note that not all relationships hold inherent value, and therefore not all relationships would necessitate the provision of care. For instance, if one party exhibits abusive behavior towards the prospective care provider, such demands of care may not be warranted. Furthermore, the obligations associated with providing care may occasionally clash with the obligations associated with upholding justice, and there is no established protocol for reconciling such conflicts. Critics have highlighted that the ethics of care has the potential to deteriorate into inequitable partiality. The requisites of partiality and compassion may potentially clash with the requisites of efficacy, equity, and entitlements.

CHAPTER 3: GOVERNMENT, MARKETS, AND INTERNATIONAL TRADE (THE BUSINESS SYSTEM)

3.1 Free Markets and Rights: John Locke

The concept of natural rights, specifically the entitlement to liberty and private property, is commonly attributed to John Locke, a renowned political philosopher hailing from England, who lived from 1632 to 1704. According to Locke's argument, in the absenceof governmental structures, individuals would be situated in a state of nature. In the hypothetical scenario of a state of nature, every individual would possess equal political statusand would be devoid of any limitations except for the law of nature. This law of nature refers to the ethical principles bestowed upon humankind by God, which can be comprehended by each individual through their innate faculty of reasoning. According to his perspective, in a hypothetical scenario of a state of nature, all individuals would find themselves in:

"A state of complete liberty to order their actions and dispose of their possessions and persons as they see fit, within the bounds of natural law, without asking permission or relying on the will of any other man." A state of equality in which all power and jurisdiction are mutual, with no one having more than another... without subordination or submission [to another]....But... the state of nature has a natural law to regulate it, which binds everyone: and reason, which is that law, teaches all humanity, who will but consult it, that because we are all equal and independent, no one ought to hurt another in his life, health, liberty, or assets."

As per Locke's perspective, the law of nature instructs us that we possess an inherent entitlement to freedom. According to Locke, due to the perilous nature of the state of nature, individuals establish a political entity to safeguard their lives and possessions. The authorityof the government is constrained, albeit adequate to safeguard fundamental rights.

The perspectives of Locke concerning property rights have exerted a significant impact on the United States. Locke's ideas are explicitly referenced in the Fifth Amendment of the United States Constitution. According to this perspective, property rights are notbestowed or established by the government. In contrast, it is nature that endows individuals with inherent rights, and it is incumbent upon the government to acknowledge and safeguard these rights. Locke's perspective on the relationship between labor and property rights has hada significant impact on the United States.

Despite the absence of explicit utilization of his natural rights theory to advocate for free markets, Locke's theoretical framework has been employed by various authors in the 20th century to support this economic system.[19] Numerous scholars, including Friedrich A.

Hayek, Murray Rothbard, Gottfried Dietze, and Eric Mack, have posited that the entitlement to liberty and property, which Locke attributed to all individuals, is a fundamental right. As a result, these scholars contend that it is imperative for governments to refrain from interfering with individuals' voluntary exchange of labor and property. The facilitation of voluntary exchanges is only possible in a free private enterprise exchange economy, where the government refrains from intervening in the market and ensures the protection of private individuals' property rights. The Lockean rights to liberty and property suggest that societies ought to integrate private property institutions and free markets.

It is noteworthy that Locke's perspective regarding the entitlement to personal property has exerted a substantial impact on the property systems of the United States, even in the contemporary era of computerization. Throughout a significant portion of its initial development, American jurisprudence has adhered to the notion that individuals possess an almost unrestricted entitlement to exercise control over their property, and that the government lacks the authority to intervene with or seize an individual's private property,even if it is for the betterment of society. The American legal system incorporates Locke's perspective that an individual who invests their labor and effort in the creation or enhancement of an object is entitled to property rights over that object, which is reflected in numerous laws concerning property and ownership.

In the United States, the Lockean perspective on private property rights dominateduntil the late 19th and 20th centuries. However, a shift towards a more socialist viewpoint emerged during this time, which allowed for government intervention in limiting individual property rights in the interest of societal welfare. In contemporary United States, there exists arobust assumption that the government is not the originator of property rights, but rather is responsible for upholding and enforcing the property rights that are established by individuals through their own endeavors, particularly in relation to the enforcement of copyrights and patents.

Locke's perspective that a person who invests labor and effort in the creation or enhancement of an object inherently acquires property rights over it is a fundamental principle that underlies numerous property and ownership laws in the United States. The aforementioned perspectives regarding property presuppose that the concept of "private property" encompasses a collection of entitlements. The assertion that X is classified as my personal property denotes that I possess the entitlement to utilize, deplete, vend, donate, lease,retain any valuable yield it generates, modify, obliterate, and, notably, prevent others from engaging in any of these activities without my explicit authorization.

The topic of inquiry pertains to the tension that exists between Lockean rights and justice. Unjust inequalities are generated by free markets, resulting in the inability of individuals without property or the capacity to work to sustain themselves. In the absence of governmental intervention, it is likely that the socioeconomic divide will expand, leading to significant wealth disparities. In the absence of government intervention to regulate thedistribution of property in free markets, certain segments of the population may be relegated to a subsistence level while others experience a continuous accumulation of wealth.

The conflicts between individualistic assumptions and the ethics of caring. Locke posits the assumption that individuals are inherently autonomous entities, existing independently of their respective communities. Humans are brought into existence through the process of birth.

Human survival is contingent upon interpersonal relationships, as individuals arereliant on others for support and sustenance. The extent of an individual's freedom is contingent upon their capabilities and actions. The greater the limitations on an individual's abilities, the more restricted their freedom of action becomes. An individual's competencies are contingent upon the knowledge imparted by their caregivers and the support extended by others to facilitate or authorize their actions.

3.2 Free Markets and Utility: Adam Smith

Adam Smith's perspective on free markets builds upon Locke's ideas, as he contends that unregulated markets and private property can generate more advantages than any level of government intervention. Smith's arguments are grounded in utilitarian principles. As perSmith's assertion, in a free market scenario, private individuals pursuing their self-interest will ultimately contribute to the betterment of the public good through a "invisible hand."

The individual, while aiming to maximize the worth of their output, is solely focused on their own benefit. However, in several instances, they are unconsciously driven by an intangible force to serve a purpose that was not initially intended. Through the pursuit of personal interests, individuals often inadvertently advance the interests of society more effectively than when they consciously aim to do so.

The concept of the invisible hand refers to the role of market competition in regulating economic activity. Each producer endeavors to generate income by utilizing personal resources to manufacture and vend commodities that the producer believes will be in demand by consumers. In the private sector, businesses are required to engage in competition with one another to attract the same pool of customers. In order to decrease the prices of their product, the producer will implement cost-cutting measures to streamline the process of bringing the product to the market. In order to enhance profitability, individual producers will endeavor to minimize resource utilization in a proficient manner. The presence of numerous self-interested private sellers in a market creates a competitive environment that results in reduced prices, efficient utilization of resources, and increased responsiveness of producers to consumer preferences. Private businesses serve society by pursuing their self-interest in this manner.

Efficient allocation of resources can be achieved through the interplay of supply and demand, as per this perspective. In situations where the quantity of a particular commodity is insufficient to satisfy the demand, purchasers engage in a bidding process that results in an increase in the commodity's price, surpassing what Smith referred to as the **natural price**. This natural price denotes the cost of producing the commodity, including the prevailing rate of profit that can be obtained in other markets. Producers of said commodity subsequently attain profits that surpass those attainable by producers of alternative commodities. Increased profitability incentivizes producers to reallocate their resources towards the production of the more lucrative commodity, at the expense of other products. Consequently, the scarcity of said commodity becomes alleviated and its market value returns to its inherent equilibrium. In contrast, in situations where the quantity of a commodity supplied exceeds the quantity demanded, the price of the commodity decreases, prompting producers to allocate their resources towards the production of other commodities that offer greater profitability. In a competitive market system, the variable prices of commodities necessitate that producersallocate their resources to industries with higher demand and withdraw resources from industries with a surplus of commodities. In brief, the market efficiently distributes resourcesto satisfy consumer demand, thereby promoting social welfare. Thus, the utilization of all accessible resources is maximized and the demand for commodities derived from them perpetually increases, a phenomenon commonly referred to as Say's law. The laissez-faire approach suggests that government intervention is unnecessary as the market mechanism is capable of promoting public welfare by providing goods and services that are in demand at the most competitive prices.

During the early twentieth century, Ludwig von Mises and Friedrich A. Hayek, both economists, provided a supplementary argument to Smith's market theories that was deemed ingenious. The argument put forth posits that a system of free markets and private ownership not only facilitates efficient resource allocation, but also asserts the inherent impossibility of any human entity, including the government, to achieve the same level of efficiency in resource allocation. The efficient allocation of resources by human beings is hindered by their limited access to information and their inability to perform rapid calculations necessary for the coordination of numerous daily exchanges that are integral to a complex industrial economy.

It is noteworthy that Adam Smith's perspective is underpinned by the fundamental assumption of private property, despite the fact that he did not extensively expound on this concept. Prior to engaging in market transactions, it is necessary for individuals to establish a mutual understanding regarding the ownership of goods and the corresponding rights to engage in sales. A free market system cannot exist in a society unless it has a private property system that distributes its resources to individuals.

Smith's utilitarian argument has been subject to criticism for positing what some consider to be impractical assertions. Smith postulates that the price of a commodity cannot be controlled by a single seller. While it may have held true in the past, presently numerous industries exhibit some degree of monopolization. Smith's assumption that the manufacturer bears the cost of all resources utilized in the production process is challenged by the reality thatexternalities exist. For instance, if a manufacturer utilizes water in its production process and subsequently pollutes it without undertaking remedial measures, the cost of cleaning up the polluted water is shifted to a third party. Thirdly, Smith postulates that human beings are primarily driven by an innate, egoistic inclination towards financial gain. According to his detractors, this assertion is evidently untrue. Numerous individuals exhibit a sense of altruism by prioritizing the welfare of others over their own self-interest. According to Smith's detractors, market systems foster self-centeredness and promote the notion that the pursuit of profit is an inherent human trait. Regarding the argument put forth by von Mises and Hayek that human planners are incapable of efficiently allocating resources, the French, Dutch, and Swedes have provided examples that suggest otherwise, at least within certain sectors of the economy. Nonetheless, the feasibility of such a scenario is contingent upon its status as a solitary constituent within an economic system that predominantly operates on the basis of market mechanisms.

John Maynard Keynes emerged as a prominent critic of Smith's ideas, exerting a significant influence in this regard. According to Keynesian theory, government intervention is deemed necessary due to the inherent discrepancy between aggregate supply and demand, which ultimately results in a reduction in supply. As per the Keynesian perspective, thegovernment has the ability to impact the inclination towards saving, thereby reducing the overall demand and leading to the occurrence of unemployment. The government has the ability to regulate interest rates by controlling the money supply, which in turn can prevent excessive savings. There exists an inverse relationship between the supply of money and the lending rate, whereby an increase in the former leads to a decrease in the latter. Furthermore, the government has the ability to impact the disposable income of households through the implementation of tax increases or decreases. Thirdly, it is possible for the government to address any disparity between the total demand and supply of goods and services by compensating for the deficiency in demand from households and enterprises via government disbursements. The persuasiveness of Keynes' arguments experienced a decline subsequent to the occurrence of stagflation, which is characterized by the simultaneous presence of inflation and unemployment, during the 1970s. The prevailing viewpoint has been supplanted by the post-Keynesian paradigm, which advocates for heightened state involvement in the market.

During the period of the "Great Recession" spanning from 2008-2009, governments worldwide resorted to Keynesian policies with a renewed vigor. As a measure to revive the economy from the recession, the United States government infused an amount exceeding $700 billion into the domestic economy. Several other nations in Europe and Asia have also implemented significant monetary injections into their respective economies.

Social Darwinists held a distinct perspective regarding the utilitarian rationale for the implementation of free markets. The authors posited that the advancement of humanity was a direct result of economic competition. In the event that governmental entities were to intervene in this particular course of action, it is plausible that they would inadvertently hinder the advancement of humanity. Advocates argue that competition serves as a mechanism for eliminating underperforming firms. The underlying issue that forms the basis of social Darwinist perspectives is the normative assumption that the survival of the fittest equates to thesurvival of the most superior. Namely, any outcome that arises from the natural processes is inherently deemed as positive. Herbert Spencer and other scholars posited that evolutionary mechanisms were at play in the realm of economics, whereby competition facilitated the survival and ascent of the most capitalistic entities. **The naturalistic fallacy**, as identified by contemporary scholars, posits that the mere fact that something occurs naturally necessarily entails its optimality.

3.3 Free Trade and Utility: David Ricardo

The primary objective of Adam Smith's seminal work, the Wealth of Nations, was to demonstrate the advantages of unrestricted commerce. In his writing, the author espoused the belief that a wise head of household should refrain from producing goods domestically if the cost of production exceeds the cost of purchase. The tailor procures his footwear from the shoemaker rather than engaging in the production process himself. The notion that prudence, which is exercised in the management of a household, is unlikely to be deemed imprudent when applied to the governance of a large nation. In the event that a foreign nation can provide us with a commodity at a lower cost than we can produce it ourselves, it is advisable to procure it from them utilizing a portion of the yield of our own industry, which is utilized in a manner that is advantageous to us.

The assertion made by Adam Smith is straightforward. Similar to human beings, nations exhibit variations in their capacity to manufacture commodities. When a country is able to produce a certain good at a lower cost compared to another country, it is referred to as having a "absolute advantage" in the production of that particular good. The variations incosts can be attributed to factors such as dissimilarities in labor expenses and expertise, climatic conditions, technological advancements, machinery, land, or innate resources.

Assuming the presence of such dissimilarities, it is plausible that our country possesses a **comparative advantage** in the production of a certain commodity relative to a foreign nation, while the foreign nation may have a comparative advantage in the production of a different commodity in comparison to our country. It is evident that the optimal strategy for both nations would be to concentrate on manufacturing the product in which they possess a "**absolute advantage**," and to engage in trade for the product that the other country has a "absolute advantage" in producing. Ricardo, a prominent figure in the late 18th and early 19thcentury (1772-1823), demonstrated a profound understanding of the mutual advantages of specialization and trade between nations, despite the potential for one country to produce goods at a lower cost than the other. The process of specialization leads to an increase in the aggregate production of goods by countries, and through the mechanism of trade, all nations can partake in the resulting surplus.

Ricardo proposed an alternative perspective on the benefits of trade between countries, even in cases where one country possesses a comparative advantage in producing all goods at a lower cost than the other. The term "comparative advantage" was defined by the author as a scenario in which the costs incurred by a country in terms of other goods foregone, in the production of a particular commodity, are comparatively lower than those incurred by another country.

Ricardo's argument has been widely recognized as a highly significant economic discovery, with many experts considering it to be the most important and meaningful one to date. According to some scholars, the most remarkable and paradoxical notion in the field of economics has been identified. Undoubtedly, the most crucial notion in contemporary international trade theory is central to the primary economic debates advocating for globalization.

Ricardo's model incorporates several simplifying assumptions that are not reflective of real-world complexities. For instance, the model assumes the existence of only two countries producing two products, with a predetermined number of workers. However, Ricardo's simplifying assumptions were made for the purpose of facilitating comprehension, and it is possible to demonstrate Ricardo's conclusion without relying on these assumptions.

There exist certain assumptions that are relatively challenging to circumvent. Initially, Ricardo postulates that the factors of production, such as labor, equipment, factories, among others, remain stationary and do not relocate across nations during the production of goods. Currently, multinational corporations possess the ability to transfer their productive capital between nations with great ease. Secondly, Ricardo postulates the constancy of production costs for each country, disregarding the possibility of cost reduction as countries increase their production or adopt new technological advancements.

Thirdly, Ricardo postulates the assumption that laborers possess the ability to transition seamlessly and without hesitation from one sector to another. However, in cases where a company is unable to compete with imports from a foreign country that possesses a comparative advantage in the production of said goods, the employees of the company are subsequently laid off, incurring significant costs and requiring retraining, which may not necessarily lead to the acquisition of comparable employment opportunities.

Ultimately, it is noteworthy that Ricardo disregards the regulations established by global governing bodies, including but not limited to the World Trade Organization, the WorldBank, and the International Monetary Fund, which may be considered a crucial aspect. The process of international trade is often accompanied by disputes and discord, necessitating the establishment of a framework of regulations and governing bodies to which nations must adhere.

3.4 Marx and Justice: Criticizing Markets and Free Trade

Karl Marx, a prominent figure from the 19th century, presents a highly critical perspective on contemporary private property and free market establishments. According to Marx's assertion, the economic system of free-market capitalism inevitably generates significant disparities in wealth distribution. In capitalist systems, individuals are limited to two primary sources of income: ownership of the means of production or selling their labor. Consequently, workers are reliant on the owners of the productive forces to produce any goods or services. Employers do not compensate their workers with the entire worth of their labor; instead, they remunerate them with the amount necessary for their subsistence, retaining the surplus for themselves, which leads to an increase in their wealth over timewhile the workers experience a relative decline in their financial status. The individual asserted that capitalism fosters inequitable disparities.

According to Marx's perspective, the private property system of capitalism generates a sense of estrangement and detachment among laborers. Instead of acknowledging their inherent human nature and fulfilling their genuine human requirements, individuals are alienated from their rightful possessions in four distinct manners:

- In capitalist societies, the products generated through the labor of workers are expropriated by the capitalist employer and utilized for objectives that are in conflict with the worker's personal interests.
- Capitalism compels individuals to engage in labor that may not align with theirpersonal preferences, lacks a sense of fulfillment, and is subject to external control. They lack agency over the goods that they manually produce. The final output is retained by the employer, thereby contributing to the employer's revenue.
- Capitalism engenders worker alienation by restricting their agency in determining their interpersonal interactions and compelling them to adopt adversarial stances towards one another.
- Additionally, capitalism fosters self-alienation among workers by inculcating erroneous conceptions of their authentic human necessities. The ideology of capitalismpropagates the notion that the attainment of financial gain is the key to personal satisfaction. However, this belief system fails to acknowledge that such an approach primarily serves the interests of capitalism, rather than addressing individual needs.

According to Marx's rebuttal, utilitarians' assertion that private property is necessary to motivate people to work is flawed. Marx argues that if this were true, the bourgeois owners, who do not work, would have already become unproductive. However, those who work are unable to attain any significant property ownership.

Marx posits that the primary function of government is to safeguard the interests of the dominant proprietors. Throughout history, the substructure of a society, which comprises its forces of production, has consistently been responsible for shaping the class and superstructure (i.e., government and popular ideologies) of that society. Individuals in positions of authority propagate the belief systems that rationalize their advantageous status. The theoretical framework that encompasses this perspective on history is commonly referred to as **historical materialism**.

Unfettered free markets and private ownership are likely to yield a sequence of calamities for the labor force, resulting in their impoverishment. The confluence of three overarching inclinations will culminate in the realization of this phenomenon:

Initially, it can be observed that contemporary capitalist systems tend to display a growing consolidation of industrial authority within a small number of entities. The pursuit of personal gain by proprietors may lead to the gradual acquisition of small enterprises by larger corporations, resulting in their continued expansion. As enterprises undergo growth, they must eventually transcend their domestic boundaries and venture into global markets, thereby supplanting national isolation and self-reliance with a universal interdependence of nations, commonly referred to as "Globalization." The concentration of power and wealth will be limited to a select few.

Furthermore, it is posited that capitalist societies are subject to recurrent episodes of economic contractions or crises. Due to the organization of workers into mass assembly lines, firms owned by individuals are capable of generating significant surpluses that can potentially flood the markets, leading to economic downturns such as depressions or recessions.

According to Marx, the condition of the laborer in capitalist societies willprogressively deteriorate. The gradual decline is anticipated to stem from the self-interested motivation of capitalist proprietors to augment their assets at the cost of their labor force.

Despite the accuracy of several of Marx's prognostications, the impoverishment of laborers has not materialized. Despite varying perspectives, it is widely contended that modern capitalist society is marked by prevalent issues such as unemployment, inflation, alienation, and misguided aspirations.

Advocates of free markets argue that Marx's assertion of equality or distribution based on need is an unverifiable presumption. The assertion posits that justice is synonymous with allocation based on input, necessitating the presence of unregulated markets. Despite the potential for private ownership to result in disparities, proponents of free markets assert that the advantages of the system outweigh any unintended inequalities. In light of Marx's critique that unfettered capitalist markets lead to the disintegration of communities, some detractors contend that it is not the role of the government to dictate the interpersonal connections among citizens. The liberty that serves as the foundation of unrestricted markets affords individuals the chance to create diverse communities without constraint. The efficacy of the contention that unregulated markets ought to be endorsed due to their efficiency and safeguarding of the rights to liberty and property is ultimately contingent upon the significance assigned to various ethical considerations:

- To what extent do the rights to liberty and property hold significance in comparison to the equitable allocation of income and wealth?
- To what extent do negative rights pertaining to liberty and property hold greater significance in comparison to positive rights concerning individuals who lack property ownership and those in need of employment?

- To what extent does efficiency outweigh the principles of justice?

- To what extent do the values of communal goods and caring outweigh the individual rights?

In essence, the degree of persuasiveness of the free-market argument is contingent upon the level of significance attributed to the entitlements of liberty and property in contrast to an equitable allocation of income and wealth.

CHAPTER 4: ETHICS IN THE MARKETPLACE

4.1 Perfect Competition

In a state of perfect competition, neither the buyer nor the seller possesses the ability to exert substantial influence on the price of a commodity. There are seven distinct features that are characteristic of such markets:

1. The market is characterized by a large number of buyers and sellers, none of whom holds a significant market share.
2. The market allows for unrestricted and prompt participation of both purchasers and vendors.
3. In this hypothetical scenario, it is assumed that all buyers and sellers possess complete and accurate information regarding the actions of every other buyer and seller. This includes knowledge pertaining to the prices, quantities, and quality of allgoods that are being exchanged in the market.
4. The homogeneity of the merchandise available in the market is such that the identity of the vendor or purchaser is of little consequence.
5. The economic agents engaging in the exchange of goods bear the full costs and benefits associated with the production or consumption of said goods, without any external parties being affected.
6. All market participants are rational actors who strive to optimize their utility, seeking to obtain the highest possible benefit while incurring the lowest possible cost.
7. The market operates without external regulation of price, quantity, or quality of goods traded, without any involvement from entities such as the government.

Furthermore, the establishment of a functional private property system and a comprehensive framework for contracts and production is imperative for the operation of free competitive markets.

In markets of this nature, an increase in prices is observed as a result of a decrease in supply, which in turn stimulates an increase in production. Consequently, the market reaches a state of equilibrium as prices and quantities adjust to the point where the quantity supplied equals the quantity demanded. According to the author, markets that are completely unrestricted meet three ethical standards, namely fairness, usefulness, and entitlements. Perfectly competitive free markets are capable of attaining a particular form of justice,fulfilling a specific interpretation of utilitarianism, and upholding certain categories of moral rights.

The process of reaching the **equilibrium point** can be elucidated through the application of two fundamental principles, namely the principle of diminishing marginalutility and the principle of increasing marginal costs. The law of **diminishing marginal utility** states that the satisfaction a buyer derives from each additional unit of a particular good decreases as the quantity consumed increases. Hence, as the quantity of goods acquired by a consumer increases, the marginal utility derived from each additional unit decreases, resulting in a reduction in the consumer's willingness to pay for them. From a supply perspective, it can be observed that as the quantity of goods produced by a manufacturer increases, the average cost incurred in producing each unit also increases. This is due to the fact that a producer will allocate the most efficient resources towards the production of their initial goods. Beyond this juncture, the producer is obliged to pivot.

Allocating resources to less productive means would result in an increase in costs for the individual. The convergence of supply and demand curves occurs at the point of equilibrium or equilibrium price, where buyers and sellers interact within the same market.

While certain agricultural markets may resemble the theoretical model of a perfectly competitive free market, in reality, there exists no concrete instance of such a market. Markets lacking any of the seven characteristics of a perfectly free market are considered to berelatively less ethical.

From a capitalist perspective, justice is achieved when the allocation of benefits and burdens within society is such that an individual is remunerated in accordance with the value of their contribution to an enterprise. The concept of capitalistic justice is embodied inperfectly competitive free markets, where the just price for a product is achieved at the equilibrium point, ensuring fairness for both the buyer and seller. These markets are designed to optimize the utility of both buyers and sellers by encouraging them to utilize and allocate goods in the most efficient manner possible. This is executed in a manner that upholds the principle of voluntary agreement between the purchasers and vendors.

There are three primary manners in which efficiency is achieved within free markets that are perfectly competitive.

1. Firms are incentivized to allocate their resources towards industries that exhibit a strong consumer demand while simultaneously divesting from industries that display aweak demand.
2. The promotion of resource minimization and utilization of efficient technologies is advocated by proponents for firms.

3. The distributors allocate assortments of goods to consumers in a manner that

maximizes their utility, taking into account the available options and their budgetary constraints.

Perfectly competitive markets are known to establish capitalist justice and optimize utility while upholding the negative rights of both buyers and sellers.

In a state of perfect competition, market participants have the liberty to enter or exit the market at their discretion, as per the definition of the term. Individuals are able to engage in a particular business without coercion or hindrance, assuming they possess the necessary expertise and financial means.

In the context of a perfectly competitive free market, it can be observed that all transactions are characterized by complete voluntariness. The participants are not coerced into purchasing or vending anything beyond their voluntary and informed agreement to do so. Thirdly, it is unlikely for any individual seller or buyer to possess such a significant market share that they can impose their conditions on others, leaving them with no alternative but to comply. In this particular market, the distribution of industrial power is dispersed among multiple firms, thereby ensuring that prices and quantities are not subject to the discretion of a single or a limited number of enterprises. In brief, free markets that are perfectly competitive exemplify the negative liberty of being free from coercion. The aforementioned entitiesexhibit moral behavior in three significant ways: (a) They consistently establish a system of justice based on capitalism; (b) They collaboratively optimize utility by means of market efficiency; and (c) They uphold specific negative rights of both purchasers and vendors. It is not feasible for any individual seller or buyer to exert market dominance and impose their conditions on others. Therefore, this system upholds the principles of liberty in terms of providing equal opportunities, obtaining consent, and avoiding coercion.

It is imperative to exercise prudence while interpreting the moral characteristics of free markets that operate under perfect competition. Initially, it should be noted that free markets that are perfectly competitive do not establish alternative forms of justice. Due to theirinability to cater to the requirements of individuals who are not part of the market or possess limited resources, market-based systems are inadequate in establishing a needs-based justice system. Competitive markets are known to optimize the utility of individuals who are able to engage in the market, taking into account the budgetary limitations of each participant.Nevertheless, it is important to note that the maximization of society's total utility cannot be guaranteed. Thirdly, while free competitive markets do establish specific negative rights for individuals within the market, they have the potential to reduce the positive rights of individuals outside the market, particularly those whose involvement is minimal. The prioritization of caring may be disregarded or even contradicted by unrestricted competitive markets. As observed, the concept of an ethic of care posits that individuals are situated within a network of mutually dependent connections and ought to exhibit concern towards those with whom they share close ties. The free market system functions under the assumption that individuals are entirely autonomous and disregards any potential interpersonal connections that may exist among them. Furthermore, it is possible that unrestricted competitive markets could have a negative impact on individuals' ethical values. The existence of competitive pressures in markets that are perfectly competitive may prompt individuals to consistently prioritize economic efficiency. Producers face a persistent pressureto curtail their expenses and augment their profit margins. It is crucial to acknowledge that thethree principles of capitalist justice, namely utility, negative rights, and perfect competition, are interdependent. Specifically, the three values can only be realized through free markets if the latter adhere to the seven conditions that characterize perfect competition. In the event thatany of these conditions are absent within an actual market, it would be inaccurate to assert theexistence of the aforementioned three values. The primary constraint of free market ethics is its reliance on perfect competition, which is not always attainable in actual markets, thereby impeding the realization of the three ethical principles that define perfect competition.

4.2 Monopoly Competition

Within a monopoly market structure, it is observed that two of the seven conditions are not present, namely the existence of a sole seller and the inability of other sellers to enter the market. Two instances are represented by the operating system and office suite software developed by Microsoft. The instance of Microsoft serves as an illustration that markets of this nature deviate significantly from the model of perfect competition. In 2010, Microsoft's Windows held a significant majority of the global market share in the operating system industry, accounting for 92 percent of the market. Microsoft holds a dominant position in the global market for integrated office suite software, with its MS Office suite accounting for 94%of the market share in 2010. From a technical standpoint, in order for a company to be considered a monopoly, it is required to possess 100 percent of the market. However, in practical terms, a company can achieve the same outcome with a lower amount of resources. The pivotal determinant of a company's monopoly status is its ability to exercise control overa particular product, specifically in terms of regulating the allocation of the product and its corresponding pricing. Although Microsoft does not possess a complete monopoly in either ofthese markets, many analysts describe its dominance in these sectors as monopolistic.

There exist multiple obstacles to entry that any enterprise seeking to penetrate these markets must surmount. An obstacle that hinders the development of a new operating system is the substantial cost and associated risk. Presently, the cost of creating a new operating system, such as Windows, exceeds $10 billion. Investing such a significant amount of capital in the hope of surpassing Microsoft's market dominance would pose a considerable risk for any company. Another obstacle pertains to economies of scale, which arise when a company's production volume reaches a level where the cost per unit of its products decreases, making it more cost-effective than smaller firms.

Another obstacle pertains to the "network effect," whereby the worth of a commodity escalates in proportion to the quantity of its users. The preference of consumers for Windows over Unix operating systems is attributed to the availability of a larger number of software programs for Windows. The prevalence of software programs for Windows can be attributed to the fact that software developers tend to prioritize the development of programs for the larger user base of Windows, as opposed to the comparatively smaller user base of Unix.

Monopoly markets that lack regulation fail to uphold the three fundamental principles of capitalist justice, economic efficiency, and the protection of negative rights that are achieved in a state of perfect competition. Monopolistic markets facilitate the ability of the seller to impose prices that exceed the intrinsic value of the goods. The buyer's payment obligations are deemed inequitable, as per the principles of capitalist justice, which stipulate that an individual's compensation should be commensurate with their respective contribution. The presence of a monopoly market can lead to a reduction in the overall efficiency of the system. The monopolistic firm may lack motivation to decrease its expenses. Monopoly markets impose limitations on the negative right that are upheld in completely free markets. Monopoly markets are characterized by the absence of other sellers who are free to participate, and they grant the monopoly firm the power to impose goods on buyers that they may not necessarily desire, in quantities that may not be desirable.

A market characterized by a monopoly is capable of and often deviates from the principles of capitalist justice, economic utility, and negative rights. In a monopoly market, the monopoly firm holds the power to establish terms and conditions, thereby supplanting the consumer's role as the market's "sovereign."

4.3 Oligopolistic Competition

The majority of industries exhibit oligopolistic characteristics, whereby a small number of large firms hold a dominant market position, rather than being purely monopolistic.

Imperfectly competitive markets, such as **oligopolies**, are situated between monopolies and perfectly competitive free markets.

The oligopoly is the most significant form of such markets. In the context of market structure, it can be observed that in an oligopoly, there are two specific conditions that are absent among the seven conditions. In contrast to a multitude of vendors, a limited number of prominent entities dominate the market share, with the number of controlling firms ranging from 2 to 50 depending on the specific industry. Similarly to a monopoly, the presence of other sellers in the market is restricted. The roster of companies operating in oligopolistic markets within the most heavily concentrated industries in the United States is reminiscent of a compendium of the most influential entities in American corporate hegemony.

Oligopoly markets, characterized by a **high degree of market concentration**, are primarily controlled by a small number of dominant firms, typically ranging from three to eight in number. The aforementioned comprise a significant portion of the most sizable manufacturing sectors.

The prevalent factor leading to the oligopolistic market structure is the **horizontal merger** or consolidation of two firms that previously engaged in competitive practices within the same industry. Owing to the limited number of firms in such markets, it is convenient for their managers to collaborate in order to establish pricing strategies and limit their production, thereby functioning as a single monopolistic entity. Similar to monopolies, they may fail to establish equitable profits, uphold fundamental economic liberties, and safeguard social welfare.

An oligopoly characterized by high concentration entails a limited number of firms, thereby facilitating the possibility of collusion among their managers to operate as a unified entity. Similar to a monopoly, they have the ability to function in a manner that lacks equitable pricing, diminishes societal benefit, and disregards economic liberty.

Oligopolistic market structures have the ability to establish elevated pricing levels via either overt or implicit arrangements aimed at limiting competitive forces. The degree of concentration within an oligopoly is directly proportional to the potential for collusion against the welfare of society, economic liberty, and equity. The subsequent enumeration delineates certain practices that are evidently unethical:

1. **Price fixing** refers to the practice of companies reaching an agreement to establish artificially inflated prices.
2. The **manipulation of supply** occurs when a business entity enters into an agreement to curtail its production.
3. **Market allocation**, also known as market division, is a practice observed in

oligopolistic markets where companies divide the market among themselves, assigning specific regions or territories to each company. This practice involves companies agreeing to allocate specific markets to each other, such as "you get India and I get China."

4. **Bid rigging** is a phenomenon that takes place in oligopolistic markets, wherein the managers involved pre-determine which among them will be submitting the successful bid.
5. **Exclusive dealing arrangements** refer to a business practice in which a company offers its products or services to a retailer under the condition that the retailer refrains from procuring goods from other companies and/or selling products beyond a specific geographic region.
6. **Tying arrangements** refer to a business practice in which a company offers to sell specific goods to a buyer, subject to the condition that the buyer must also procure additional goods from the same firm.
7. **Retail Price Maintenance** Agreements refer to the contractual arrangements between a manufacturer or supplier and a retailer, whereby the former sells its products to thelatter on the condition that the retailer agrees to maintain a uniform retail price for the products.
8. **Predatory price discrimination** refers to the practice of charging varying prices to different buyers for identical goods or services by a company. Predatory price discrimination can be observed when a company employs pricing strategies with the intention of driving its competitors out of the market.
9. **Bribery** is a covert practice that some companies engage in to influence government officials to procure their products over those of their rivals. The occurrence of a bribe results in the establishment of a monopoly by the company that engages in the act of bribery.

Various industrial and organizational factors prompt companies to participate in these practices:

A. Incentives and Pressures

1. **A Crowded and Mature Market -** Industries that have reached maturity may experience an oversupply of goods and services due to a decline in demand, simultaneous production increases by existing companies, or the entry of numerous new firms into the market. In situations where prices decrease and revenues diminish, middle managers may experience a sense of urgency to take action in order to mitigate their losses. Consequently, they may authorize,

incentivize, or even mandate their sales teams to engage in the practice of price-fixing.

2. **Undifferentiated Products** - A scenario in which the products offered by various companies in a particular industry are virtually identical, leaving the companies with no alternative but to engage in price-based competition. This phenomenon may result in intermittent instances of price competition, prompting sales personnel to perceive price stabilization as achievable only through collusion and price fixing.
3. **Personnel Practices** - Evaluate and incentivize managers based solely or predominantly on revenue and sales volumes, linking bonuses, commissions, promotions, and other rewards to the attainment of these objectives, may lead managers to perceive that the organization prioritizes the achievement of these objectives through any means possible, including price fixing.

B. Opportunities

1. **The Job-Order Nature of Business** – A pricing strategy where individual orders are priced and pricing decisions are made frequently without close monitoring. This pricing approach may increase the likelihood of collusion among low-level salespeople.
2. **Decentralized Pricing Decisions** - Decentralization of pricing decisions within an organization increases the likelihood of price fixing, especially when such decisions are not subject to monitoring and the lower division is under pressure to perform in a declining market.
3. **Industry or Trade Associations** – Industry or trade associations are commonly established for the purpose of facilitating communication and collaboration among managers of companies within a particular industry. This allows for the discussion of shared challenges and potential solutions. Permitting sales representatives to convene with their rivals during trade association gatherings may incentivize them to discuss pricing and initiate negotiations regarding price establishment agreements with their counterparts in competing organizations.

C. Rationalizations

1. **Inactive Corporate Legal or H.R. Staff** - The lack of guidance from corporatelegal or human resource departments can result in sales staff being unaware of the

gravity of price-fixing as an illegitimate sales activity. The sales personnel may hold the perception that engaging in meetings with competitors and establishing agreements on fixing prices is a permissible practice.

2. **Organizational Culture of the Business** – The organizational culture of a business can vary, with some companies adopting a more permissive approach towards misconduct, where such behavior is overlooked and not penalized as long as it does not impede the achievement of financial goals. If salespeople within an organization perceive price fixing as a prevalent and acceptable practice that is not only condoned but also rationalized and encouraged by the organization, the likelihood of price fixing increases.

The enactment of legislation to curb numerous oligopolistic price-setting practices poses a challenge due to their implicit nature, which makes them difficult to regulate. It is possible for firms to come to the tacit understanding that engaging in competition may not be mutually beneficial for them, even without explicitly discussing this notion. Hence, consumers may identify a particular company as the "**dominant price setter**," and subsequently adjust their purchasing behavior in response to any price changes initiated by thesaid firm. Irrespective of the mechanism employed to establish prices, it is evident that the imposition of artificial price hikes leads to a reduction in social welfare.

4.4 Oligopolies and Public Policy

The existence of oligopolies is not a recent occurrence in economic history. In thelatter part of the 19th century, a significant number of entrepreneurs resorted toanticompetitive tactics to coerce their rivals into relinquishing their businesses, resulting inthe formation of massive "trusts" that subsequently dominated the markets. Subsequently, the trusts would employ their monopolistic dominance to increase prices for consumers, decrease prices for their suppliers, and persistently intimidate their remaining rivals through the utilization of predatory pricing.

The enactment of the Interstate Commerce Act by the U.S. Congress in 1887 was a direct consequence of the aforementioned development, aimed at regulating the activities of major railroad corporations. In 1890, the Sherman Antitrust Act was enacted by the United States Congress. Subsequently, in 1914, the Clayton Act was passed with the aim of prohibiting any actions that could potentially impede the principles of free and open competition within the market.

What measures should be taken by society to address the issue of significant market concentration in industries characterized by oligopoly? There exist three primary perspectives. Initially, the **Do-Nothing** perspective posits that the perceived dominance of oligopolies is overstated. While acknowledging the decrease in intra-industry competition, it is argued that inter-industry competition among products that are capable of being substituted has taken its place. Furthermore, the presence of "countervailing powers" such as other major corporate entities, governmental bodies, and labor unions serve to constrain the actions of corporations. Ultimately, the authors contend that larger size is advantageous, particularly in the contemporary era of worldwide rivalry. The phenomenon of economies of scale, which is generated by a high degree of concentration, results in a reduction of prices for consumers. Through expansion, corporations can lower their prices and enhance their competitiveness vis-à-vis comparably sized international enterprises.

The Antitrust perspective posits that industries with high levels of concentration exhibit elevated prices and profits, which are deemed to be unjustifiably inflated. Additionally, monopolistic and oligopolistic entities are purported to engage in unfair practices against their rivals and suppliers. According to their assertion, the fragmentation of large corporations into smaller entities would result in increased levels of competition within the respective industries. The outcome is anticipated to entail a reduction in collusive practices, heightened levels of innovation, and decreased pricing.

The Regulation view represents a moderate stance that reconciles the divergent perspectives of the preceding two views. Advocates of regulation aim to strike a balance between preserving the economies of scale that large corporations offer and safeguarding consumers against potential harm caused by these firms. Hence, it is recommended to establish regulatory bodies and enact laws to govern the operations of major corporations. There are suggestions that the government should assume control of companies that require public ownership to ensure that they function in the best interest of the public.

Regardless of the perspective adopted, it is evident that the societal advantages of unrestricted markets cannot be ensured, and the ethical validity of markets cannot be established, unless enterprises sustain competitiveness.

CHAPTER 5: ETHICS AND THE ENVIRONMENT

5.1 The Ethics of Pollution Control

For centuries, businesses have neglected to consider their impact on the natural environment, primarily due to the lack of clarity surrounding the economic costs and detrimental consequences of such impact. Historically, businesses have regarded air and water as freely available resources that are not subject to ownership. Due to the substantial carrying capacity of both entities, each firm perceives its own role in polluting as insignificant. Collectively, the impacts are substantial. The detrimental effects are not solely attributable to the direct operations of commercial enterprises. Pollution can also be attributed to the utilization of manufactured goods by consumers. The escalation of pollution issues can be attributed to the exponential growth of human population, as every individual contributes to environmental contamination. The global populace experienced a notable increase from 1 billion in 1850 to 2 billion in 1930, followed by a substantial surge to 6.3 billion in 2003. It is anticipated that the world's population will continue to expand and reach 9 billion by the year 2050. The issue of pollution is multifaceted, and necessitates a diverse range of remedies. Thesubsequent section of this chapter focuses exclusively on a specific set of challenges, namely the ethical dilemmas that arise from the contamination resulting from commercial and industrial activities.

Due to the intricate nature of our environment and the interconnectedness of its components, several scholars posit that our responsibility to safeguard the environment transcends the interests of humans (**anthropocentric**) and encompasses the well-being of other non-human elements within the system. The concept of **ecological ethics**, also known as**deep ecology**, posits that the preservation of the environment is a moral imperative in and of itself, independent of any potential benefits to human beings. The interdependence of the components within an ecological system implies that the actions of any given component will have a consequential impact on all other components within the system. The interdependence of the various components necessitates that the viability of each component is contingentupon the viability of the other components. Business enterprises, along with other societal establishments, are constituent elements of a broader ecological framework, commonly referred to as "spaceship earth."

Therefore, it is imperative that we uphold a moral obligation to demonstrate respect towards nonhuman entities and abstain from causing them any harm, irrespective of their potential benefits to human well-being. A number of proponents of this methodology have articulated their perspectives through a framework comprising the subsequent declarations:

1. The intrinsic value of both human and nonhuman life on Earth lies in their well-being and flourishing. The aforementioned values are not contingent upon the utilitarian benefits that the nonhuman world may offer to humanity.
2. The presence of a wide range of life forms, both in terms of their abundance and variety, plays a significant role in the attainment of these values and is also considered valuable in its own right.
3. It is argued that humans do not possess the entitlement to diminish the abundance and variety of the natural world, unless it is necessary to fulfill essential necessities.
4. It is plausible that a significant reduction in the human population can coexist with the thriving of human life and cultures. A reduction in human activity is necessary for the proliferation of non-human organisms.
5. The current level of human intervention in the nonhuman environment is deemed to be exceedingly high, and the condition is progressively deteriorating.
6. Hence, alterations to policies are imperative. Alterations in policies have an impact on fundamental economic, technological, and ideological frameworks. The outcome of the situation will exhibit significant disparities from the current state.
7. The primary ideological shift pertains to valuing the quality of life over striving for an ever-increasing standard of living.
8. Individuals who adhere to the aforementioned principles bear a responsibility, whether directly or indirectly, to engage in the endeavor of executing the requisite modifications.

According to an ecological ethic, the well-being of certain non-human entities holds inherent value and warrants safeguarding solely for their own sake. Both utilitarian and rights-based arguments provide justification for this perspective. In either paradigm, it would be deemed unethical to rear animals for sustenance in conditions that cause them distress and discomfort.

While certain perspectives within deep ecology may be deemed unconventional and contentious, there exist two conventional ethical frameworks, namely utilitarianism and consideration for human rights, which can aid in the establishment of an environmental ethical code.

5.2 Environmental Rights and Absolute Bans

Peter Singer posits a utilitarian viewpoint wherein he asserts that pain is a malevolent force, regardless of whether it is inflicted upon humans or other animal species. He further contends that the pain endured by an animal is tantamount to the pain experienced by a human being. Certain ecological ethicists argue that limiting our moral obligations solely to sentient beings capable of experiencing pain is arbitrary and self-indulgent. The proponents suggest that it is imperative to recognize the inherent value of all living organisms, including plants, and their desire to sustain their existence.

At what juncture can the environment be deemed sufficiently secure? The implementation of laws that mandate zero pollution has posed a challenge for governments. Intermediary risks are managed on an individual basis. It is commonly argued that in the event of an annual mortality rate of one individual per million due to pollution exposure, the pollution levels remain excessively high. This is based on the premise that every person has a fundamental entitlement to a healthy environment, and the violation of this right is evident even in the loss of a single life. Is this assertion substantiated? The demand for the complete eradication of all risks to life and health appears impractical as it would result in an intolerable imposition of costs and burdens on society.

5.3 Markets and Partial Controls

Utilitarianism has the potential to address certain challenges associated with Blackstone's theory. According to the utilitarian perspective, environmental issues are viewed as market imperfections. The rationale behind this argument is that pollution ought to be prevented due to its negative impact on the overall welfare of society.

In order to elucidate this stance, it is advantageous to differentiate between individual costs and communal costs. The term "**private costs**" refers to the expenses that a company directly bears in the process of manufacturing a particular product. **Social costs** encompass both the internal expenses incurred by a firm as well as the external costs that are not borne bythe firm, such as the expenses related to healthcare and pollution that arise from the production of goods. The phenomenon of private and social costs diverging poses a challenge as it implies that the price mechanism fails to fully capture the total costs associated with a given commodity. Inefficient allocation of resources leads to a decline in societal welfare.

In cases where markets fail to internalize all costs, the quantity of a particular commodity produced exceeds the level that would be socially optimal if the true cost of the commodity were accurately measured. Furthermore, the producers tend to disregard these expenses and do not make an effort to mitigate them. The inefficiency in the distribution of goods to consumers has resulted in a violation of utilitarian principles that form the foundation of the market system, as pollution levels continue to rise. Thirdly, in cases where the production of a commodity results in external costs being imposed on third parties, the efficient distribution of goods to consumers is no longer ensured. External costs create price discrepancies in markets, resulting in unequal pricing for identical commodities.

In a proficiently operating competitive market, the mean value of the market exchanges between buyers and sellers is equivalent to the value of their respective contributions.

The presence of pollution is incongruous with the principles of equity and impartiality that are emblematic of an open and competitive marketplace. In instances where a market produces pollution, there exist externalities that impose additional costs on certain individuals beyond the price they pay for the commodities they acquire. It is acknowledged that pollution infringes upon the fundamental rights that are associated with an unrestricted and fair marketplace.

Utilitarianism suggests that the solution to external costs involves the internalization of such costs, whereby the producer bears the full cost of production and utilizes this information to ascertain the commodity's price. In order to internalize the negative externalities of pollution, a business entity may be mandated to bear the financial burden of compensating all individuals adversely affected by the pollution. One issue associated with the approach of internalizing pollution costs is the lack of clarity regarding the identification of the polluters responsible for causing harm to affected parties in cases where multiple polluters are involved. Alternatively, the organization could opt to implement pollution mitigation technologies and prevent the adverse effects from occurring in the first place.

The approach towards addressing pollution aligns with the principles of distributive justice. The external costs of pollution are disproportionately borne by individuals with lower socioeconomic status, resulting in a net transfer of benefits from the poor to the wealthy. The reversal of this flow can be achieved by internalizing these costs. In the event that a company produces essential commodities, such as sustenance, the act of internalizing costs could potentially impose a disproportionate burden on individuals with lower socioeconomic status.

The concept of internalizing external costs aligns with principles of retributive and compensatory justice, as it holds accountable those who are accountable for pollution to address and make amends for the damages caused to affected parties. Collectively, these stipulations suggest that (a) the expenses associated with pollution management ought to be assumed by the individuals or entities responsible for generating pollution and who have reaped the rewards of such activities, while (b) the advantages of pollution management should accrue to those who have had to endure the indirect costs of pollution. The concept of internalizing external costs satisfies two criteria: firstly, the expenses associated with pollutioncontrol are absorbed by shareholders and consumers who reap the benefits of the firm's polluting practices; secondly, the advantages of pollution control are directed towards the local residents who were previously subjected to the firm's pollution.

A. Costs and Benefits

Given the detrimental impacts of pollution, it may appear that implementing extreme measures to address this issue would be justifiable. In cases where the cost of implementing a pollution control mechanism exceeds the potential damage caused by the pollution, it is not advisable for a firm to proceed with the installation of the mechanism. This is because such an action would result in a negative impact on the economic utility of society. The determination of the appropriate investment level for pollution control by a firm necessitates a cost-benefit analysis, which involves a meticulous assessment of the expenses associated with the implementation of a particular device or practice and the anticipated benefits that would ensue. According to Thomas Klein, the methods for conducting cost-benefit analysis can be succinctly outlined as follows:

1. The proposed program should be evaluated in terms of its costs and benefits, as well as the parties involved in incurring or receiving them. Examine the process of transferring funds from one account to another.
2. Assess the expenses and advantages with regards to their worth to recipients and contributors. In the realm of economics, the benchmark for evaluating the worth of individual units to both buyers and sellers is established through the concept of competitive prices, which ideally reflects the value of each marginal unit. Valuable enhancements encompass:
    a. The incorporation of time values can be achieved by utilizing a discount rate.
    b. The identification of potential risks involves the consideration of various outcomes based on their respective probabilities. In cases where outcomes are interdependent, the use of probability trees may be necessary.
3. To ascertain the net social benefit of a project or program, it is necessary to calculate the total costs and benefits and then compare them.

The challenges associated with obtaining precise assessments of the advantages and drawbacks of pollution mitigation are further exemplified by the obstacles that commercial enterprises have faced in their attempts to develop a social audit, which is a document that outlines the societal costs and benefits of the company's operations. Advocates of corporate social impact measurement and reporting have come to recognize that due to the constraints of current technical capabilities, compromises must be made when dealing with the multitude of variables involved in such measurements. Due to the challenge of quantifying benefits, social audits are frequently limited to providing qualitative accounts of a company's activities. In the absence of precise quantitative metrics to gauge the advantages resulting from its endeavors to mitigate pollution, a company lacks the means to ascertain the cost-effectiveness of its initiatives from a societal perspective. The challenges associated with measuring pollution present noteworthy technical obstacles for utilitarian perspectives on the matter. Furthermore, the application of utilitarian cost-benefit analysis may at times rely on presuppositions that are incongruous with individuals' ethical entitlements. Some proponents of utilitarian cost-benefit analysis hold the view that if the advantages of a particular technology or manufacturing procedure significantly exceed its drawbacks, then it is ethically acceptable to enforce the procedure on individuals who do not consent to it.

Numerous scholars have posited that the ecological predicaments we encounter are fundamentally linked to the societal structures of stratification and control that typify our civilization. The perspective commonly known as social ecology posits that the resolution of environmental crises is contingent upon the transformation of prevailing structures of hierarchy and domination. Within a hierarchical system, a particular group possesses authority over another group, resulting in the ability of the dominant group's members to exert control over those in the subordinate group and compel them to act in accordance with their objectives.

Unless there is a transformation of these societal structures, namely racism, sexism, and social stratification, our capacity to effectively address environmental issues will remain limited. Ecofeminist theorists posit that the primary manifestation of hierarchy that is linked to environmental degradation is the subjugation of women by men. It is posited that there exist significant linkages between the subjugation of women and the subjugation of the natural world, as evidenced by cognitive frameworks that rationalize and sustain the hierarchical order.The aforementioned logic of domination establishes dichotomies (such as those between artificial and natural, male and female) in which one element of the pair is regarded as superior and of greater significance. In order to address the ecological issues at hand, it is imperative to alter the current patterns of thought that are causing harm.

The ethics of caring posits that the destruction of nature that has been historically associated with male domination ought to be supplanted by a paradigm of nurturing and caring for our relationships with nature and other living entities. The natural world ought to be regarded as an entity distinct from humanity, necessitating responsible stewardship rather than subjugation or control. Although these approaches are stimulating, they remain nascent and require further development to provide us with precise guidance.

5.4 The Ethics of Conserving Depletable Resources

Conservation pertains to the preservation or controlled consumption of natural resources for future utilization. Pollution control can be regarded as a type of conservation, given that pollution depletes the quality of air and water resources. In academic discourse, the term conservation typically pertains to the preservation of finite resources that are subject to depletion. The exclusive origin of said resources is derived from the remnants of past generations.

As the depletion of global resources continues, there is an inevitable reduction in the quantity of these resources available for future generations. If we assume that future generations possess an equivalent entitlement to the resources of the planet, then our current depletion of these resources could be interpreted as a form of theft, as we are effectively appropriating what rightfully belongs to them.

Several authors have argued that the notion of future generations possessing rights is erroneous. They present three primary justifications to demonstrate this assertion.

Initially, it can be argued that attributing rights to future generations is not a cognitively sound proposition, as these individuals are currently non-existent and may potentially never come into existence. It is within the realm of my cognitive capacity to contemplate individuals who have yet to come into existence. However, it is imperative to note that I am precluded from inflicting physical harm, administering punishment, causing injury, or engaging in any form of mistreatment towards these hypothetical individuals. The notion of future individuals is purely hypothetical, and hypothetical entities lack any tangible existence and are therefore incapable of being influenced by any external factors except within the realm of imagination. Analogously, it is not tenable to assert that entities that areyet to come into existence already have or possess certain things. Due to the potentialnon-existence of future generations, the concept of possessing rights cannot be applicable to them.

Secondly, in the event that subsequent generations were granted rights, it could potentially result in the illogical deduction that we must relinquish our entire societal structure for their benefit. Assuming that every subsequent generation possesses an equivalent entitlement to the global reserve of petroleum, which is infinite in nature. Subsequently, an equitable distribution of the oil would need to be carried out among all the individuals, resulting in our portion being limited to a few quarts, at maximum. The scenario would entail the paradoxical circumstance of having to cease the operation of our complete Westernsociety, in order to enable every subsequent individual to acquire a limited quantity of oil.

Thirdly, it can be posited that attribution of a particular right to an individual is contingent upon the knowledge of the existence of a specific interest that is safeguarded by that right. The fundamental objective of a right is to safeguard the concerns of the individual who possesses it. However, our comprehension of the concerns that will be held by future generations remains largely inadequate. What desires or needs will they possess?

In contrast, John Rawls posits that while it is inequitable to subject current generations to significant hardships solely for the benefit of future ones, it is similarly unjust for present generations to fail to provide for the needs of future generations. It is imperative to consider what the other party may plausibly desire and empathize with their perspective. Consequently, we should refrain from imposing our preferences onto them and instead act in accordance with what we would hope for in a similar situation. In essence, the concept of justicenecessitates that we bequeath to future generations a world that is not in a deteriorated state compared to the one we inherited.

The ethical framework of care aligns with the conservation policies that Rawls espouses. Rawls' conclusions are also supported by utilitarian reasoning. Certain utilitarian theorists argue that it is morally justifiable to devalue future outcomes in proportion to their level of uncertainty and temporal remoteness. Consequently, it is evident that we have a moralduty to refrain from engaging in activities that are highly likely to cause detriment to future generations. Nonetheless, given the uncertainty surrounding the potential consequences of ouractions for future generations, our level of accountability towards them may be somewhat reduced.

Rawls asserted that the intergenerational obligations of justice entail the imperative of transmitting to future generations a state of affairs that is not inferior to the one inherited from past generations.

It is not feasible to depend solely on market mechanisms to guarantee sufficient preservation for the well-being of future generations. The discounting of future generations' needs by markets is so significant that it has minimal impact on prices. It seems that the sole approach to preserving resources for future generations is through the implementation of voluntary or government-mandated conservation policies.

Wilcox and Shepherd present four rationales as to why businesses operating in markets may fail to take into account resource scarcity:

1. Businesses strive to rapidly consume resources in order to gain a competitive advantage over their rivals.
2. Businesses tend to have limited time horizons.
3. Predicting the future is a challenging task for businesses.
4. Externalities are often disregarded by businesses.

Numerous analysts contend that the current conservation efforts are inadequate in meeting the required standards. There are those who argue that the quality of life for future generations may be significantly inferior to that of the present generation. It is imperative for developed countries to transition from technology that prioritizes growth to those that require a greater amount of labor. It is plausible that the entirety of our economic system may need to relinquish the objective of consistent augmentation of production. The perpetual expansion of the economy poses a potential threat to the well-being of forthcoming generations. The reason for this phenomenon is that the demand for exhaustible resources will persistently increase until the resources are ultimately depleted. Subsequently, there will be a significant decrease in the quality of life.

Rawls and Attfield, among other scholars, assert that it is our moral duty to take action towards guaranteeing that the world we pass on to future generations is not inferior to the one we inherited from our predecessors. Regrettably, there exist numerous interpretations of the concept of **sustainability**. The notion of sustainability, however, presently entails a broader scope beyond ecological considerations. The concept of sustainability is commonly associated with three fundamental pillars, namely: (1) economic activities, (2) social arrangements, and (3) environmental activities. The interdependence of various domains is widely acknowledged, wherein the sustainability of one domain is contingent upon the sustainability of others. While there may be varying perspectives on the methods for achieving sustainability, it is evident that the concept of sustainability aligns with the ethical principles espoused by Rawls and Attfield. Specifically, these principles dictate that it is our moral obligation to ensure that future generations inherit a world that is at least as favorable as the one we inherited from our predecessors.

It is widely held among experts that the current conservation efforts are insufficient in achieving sustainability goals. A number of environmentalists contend that in order to conserve a sufficient amount of our finite nonrenewable and non-substitutable resources for the welfare of forthcoming generations, it will be necessary to curtail our endeavor foreconomic expansion. E.F. Schumacher posits that this entails a transition from capital-intensive technologies to significantly more labor-intensive technologies, wherein human labor replaces the functions currently performed by machines. There are those who contend that economic systems must relinquish their objective of continuously augmenting production and instead adopt the objective of reducing production until it reaches a state of equilibrium, referred to as a "steady state." This state is characterized by a constant maintenance rate that sustains the total population and physical wealth at desired levels.

As the availability of energy resources declines, additional ethical considerations are brought to the forefront. Despite the fact that the United States accounts for merely 6% of the global population, it utilizes 25% of the world's energy resources. In contrast, half of the world's population manages with a mere 8% of the total energy consumption. There is a significant debate surrounding the ethical justification for affluent nations, such as ours, to utilize nonrenewable resources solely for their own benefit, particularly when other nations may lack the means or inclination to do so.

According to the Club of Rome, a particular group, there is a forecast of a disastrous breakdown in the production and provision of commodities and amenities, which is likely to occur during the mid-century. Furthermore, it is anticipated that the global populace may even decline below the levels of 1900 by the year 2100. In recent times, certain analysts have arrived at the conclusion that despite any inaccuracies in the Club of Rome's schedules, their findings were essentially accurate.

The energy consumption patterns of individuals residing in the United States, Europe, and Japan exhibit elevated levels, which are not matched by commensurate levels of energy generation. Simultaneously, their energy usage is financially supported by the regions of the Caribbean, Middle East, and Africa. In developed nations, a significant portion of available energy resources is allocated towards non-essential purposes, while in more economically conservative countries, these resources are primarily utilized to fulfill fundamental necessities. The aforementioned comparisons inevitably prompt an inquiry into the ethical validity of the economic expansion strategies pursued by high-consumption countries, which result in the acquisition of nonrenewable resources from other nations that practice greater frugality due to economic weakness or inadequate military capabilities to safeguard their resources.

CHAPTER 6: THE ETHICS OF CONSUMER PRODUCTION AND MARKETING

6.1 Markets and Consumer Protection

Every day, consumers face significant risks. There is a prevalent belief that the free market inherently safeguards consumers from harm, and as such, there is no need for governmental or business intervention to enforce product safety standards. The market approach to consumer protection posits that consumer safety is optimally provided through the free market mechanism, wherein sellers are compelled to cater to consumer demands. Consumers' inclination towards safer products can be reflected in market dynamics through their willingness to pay a premium for such products and their preference for manufacturers that prioritize safety. Conversely, manufacturers that do not prioritize safety may experience a decline in demand for their products. In order to retain their customer base and avoid losing market share to rival firms that prioritize consumer preferences, manufacturers must address this demand by incorporating greater safety measures into their products. Additionally, in cases where consumers do not assign significant importance to safety measures (or exhibit reluctance to pay for them), it would be inappropriate to mandate the adoption of strictersafety standards through regulatory means. Mandating manufacturers to offer safety measuresbeyond the demand of consumers results in escalated production expenses, thereby causing anupsurge in consumer prices. Consequently, consumers are compelled to bear the cost of an attribute they did not initially intend to purchase.

Detractors of the market approach contend that the advantages of unfettered markets are solely realized when all seven defining characteristics are present, namely: (a) the existence of a multitude of buyers and sellers, (b) the ability of all parties to freely enter and exit the market, (c) the possession of complete and accurate information by all participants,
(d) the uniformity of all goods within the market, (e) the absence of any external costs, (f) the rationality of all buyers and sellers in maximizing their utility, and (g) the lack of regulation within the market. Detractors of the market-oriented approach to consumer concerns contend that the aforementioned attributes are not present within consumer markets.

The efficiency of markets is contingent upon the complete and flawless dissemination of information among its participants regarding the commodities being transacted. It is evident that this assertion may not hold true universally, as certain products may possess a level of intricacy that renders comprehension exclusive to those with specialized knowledge. Acquiring information can be a resource-intensive and costly process, which may render it unfeasible for a significant number of consumers to obtain the requisite information independently.

Theoretically, the existence of a market for consumer information would be contingent upon the demand for such information by consumers. It can be challenging for such entities to provide coverage.

The expenses associated with the subject matter. Once confidential information is disclosed, it is susceptible to unauthorized dissemination to non-paying parties. Due to the awareness of the possibility of becoming free riders, the quantity of individuals who opt to remunerate for the acquisition of information is insufficient to offset the expenses incurred in its collection. Secondly, consumers exhibit reluctance to remunerate for information due to their inability to ascertain its worth prior to acquisition. Consequently, once they obtain the information, they no longer perceive the need to compensate for it. The pre-purchase knowledge of the information being procured remains uncertain until the point of acquisition. The provision of necessary information to consumers cannot be solely facilitated by markets.

An additional critique of the free market paradigm in relation to consumer matters pertains to the sixth attribute of ideally competitive free markets, which posits that "all purchasers and vendors **are utility maximizers**." According to the theoretical framework, individuals who fall under the category of "consumers" exhibit a forward-thinking approach, carefully evaluating and monitoring their expenditures, with a keen awareness of how their decisions impact their personal preferences. However, this statement does not accurately depict the decision-making process of consumers. The majority of consumer decisions are predicated upon probability assessments that individuals make regarding the likelihood that the products they purchase will not pose significant hazards or the probability that they will fulfill their intended functions. Regrettably, empirical evidence indicates that our decision-making abilities may become deficient and illogical when we engage in such selections.

The majority of individuals exhibit a lack of proficiency in accurately assessing probabilities. It is a common tendency for individuals to undervalue potential risks while overvaluing the likelihood of rare yet memorable events. Common life-threatening activities, such as driving, smoking, consuming fried foods, and sustaining injuries from the products we use, are often underestimated in terms of their associated risks. Similarly, the probabilities of rare yet memorable events, such as tornadoes or grizzly bear attacks in national parks, are frequently underestimated. There are various factors that can lead to inaccuracies in our probability assessments:

1. The tendency to overlook or undervalue significant product information is observed.

2. Drawing sweeping conclusions from limited samples is a common practice.
3. The notion of a self-correcting "law of averages" is a commonly held belief, despite its nonexistence.
4. It is believed that humans have the ability to control events that are purely based on chance.

Furthermore, individuals tend to exhibit irrationality and inconsistency whenevaluating options that are contingent on estimations of future costs and benefits. According to research findings, individuals exhibit an inconsistent tendency to rank one payoff assuperior and inferior to another. Markets frequently encounter a lack of pluralistic participation from both buyers and sellers, resulting in market failure. Given that a significant proportion of consumer markets are characterized by monopolistic or oligopolistic structures, vendors are able to generate supernormal profits by manipulating the supply-demand dynamics in their favor.

It can be observed that a considerable number of consumer markets lack competitiveness and instead exhibit monopolistic or oligopolistic characteristics, thereby enabling suppliers to exert control over pricing and supply. In its entirety, market forces in isolation are insufficient in addressing consumer apprehensions pertaining to safety, risk mitigation, and value. Rather than relying solely on voluntary initiatives of responsible business people, it is imperative for governmental action to be taken to ensure the protectionof consumers. Undoubtedly, a fraction of the accountability for consumer injuries lies with the consumers themselves. Individuals frequently utilize objects for which they lack the requisite proficiency or expertise.

Injuries may also arise due to deficiencies in design, materials, or production processes. In such instances, it is incumbent upon the manufacturer to mitigate harm. Due to their expertise, they possess the highest level of knowledge regarding the safest materials and techniques for manufacturing their products. At what point does the responsibility of consumers terminate and the obligation of manufacturers to safeguard consumers commence? This inquiry is addressed by three distinct theories, namely the contract, "due care," and social costs perspectives.

6.2 The Contract View of Business Firm’s Duties to Consumers

From a contractual perspective, the obligations of a business towards its consumers entail a relationship that is fundamentally based on a contract. Upon purchasing a product, individuals willingly engage in a contractual agreement with the respective firm, which subsequently assumes the responsibility of providing a product that aligns with the agreed-upon specifications. Hence, consumers possess a corresponding entitlement to obtain the product that has been guaranteed to them and remunerate a specific amount to thecompany for the said product.

The central tenet of this theory posits that contracts are voluntary arrangements that entail a reciprocal obligation on both parties to adhere to the stipulations outlined in the agreement. The viewpoints of Kant and Rawls provide a rationale for this perspective. According to Kantian philosophy, the failure of an individual to comply with the conditions of a contract renders the practice unsuitable for universalization and implies the use of the other party as a mere instrument rather than an ultimate goal. According to Rawls, the expansion of freedom is contingent upon the guarantee that contractual obligations are upheld, which in turn relies on the trustworthiness of individuals' promises. This ensures the advantages of the contractual system.

The conventional moralists assert that contracts are bound by various moral limitations, as discussed in Chapter Two. These include the requirement that both parties possess complete awareness of the agreement, neither party should distort the facts, and neither party should be compelled to enter the contract under coercion or inappropriate influence. The contractual theory posits that business firms have a set of moral obligations towards consumers, which can be classified into four primary categories:

1. Fulfilling obligations outlined in the sales agreement is imperative for maintaining a positive business relationship between parties involved in the transaction.
2. Revealing the characteristics of the item,
3. It is imperative to prevent any form of misrepresentation.
4. It is crucial to refrain from utilizing duress and undue influences.

A business that adheres to these obligations demonstrates its commitment to upholding the entitlement of consumers to be regarded as autonomous and equitable individuals, in line with their prerogative to receive treatment that aligns solely with their voluntary agreement.

6.3 The Due Care Theory

The manufacturer's duties to consumers, as per the **due care theory**, are founded on the premise that the consumer and seller do not possess equal bargaining power, and that the consumer's interests are especially susceptible to harm by the manufacturer, who possesses knowledge and expertise that the consumer does not. Given their advantageous position, manufacturers bear a responsibility to exercise particular caution in ensuring that their products do not compromise the welfare of consumers. The conventional principle of **caveat emptor** has been substituted with a less stringent interpretation of the **caveat vendor** doctrine. It is recommended that the responsibility of taking care of the matter be assigned to the seller. Consumers are reliant on the manufacturer's expertise and therefore, it is incumbentupon the manufacturer to fulfill their obligation of delivering a product that meets both the explicit and implicit expectations communicated to the consumer. Manufacturers are obligatedto exercise due care in order to prevent harm to consumers caused by their products, regardless of whether they explicitly disclaim such responsibility.

The product's design, choice of materials and construction methods, quality control, and warnings attached to it must be executed with due care. Non-adherence to the requisite level of caution in these domains constitutes a violation of the ethical responsibilities of the producer. This theoretical framework is predicated on the fundamental tenet that individuals possess an ethical obligation to refrain from causing harm or injury to others. The ethics of care can serve as a viable defense for the principle in question. However, it is noteworthy that rule utilitarianism, Kantian ethics, and Rawlsian philosophy can also provide a robust foundation for this theory. The obligation of manufacturers to exercise due care encompasses three distinct domains:

1. **Design** - the design of a product must not obscure any potential hazards and should involve thorough research and testing to identify any potential risks. Furthermore, it should integrate all practical safety mechanisms and utilize appropriate materials. It is imperative to take into account the abilities and limitations of the individuals who will utilize the product. It is imperative that the design undergoes thorough testing to ascertain that end-user will utilize the product appropriately.
2. **Production** - the production phase necessitates stringent control over the manufacturing process to eliminate any defective items, identify weaknesses, and prevent the implementation of unsafe economizing measures. It is imperative to implement appropriate quality control measures during the manufacturing process.
3. **Marketing** - in the realm of marketing, it is advisable for the firm to affix labels, notices, and instructions to the product, cautioning consumers of any and all potential hazards that may arise from either proper or improper use of said item. Manufacturers are required to consider the abilities of the individuals who are anticipated to utilizethe product. In cases where the potential adverse consequences of product usage are significant or require specialized knowledge for comprehension, it is imperative to exercise cautious regulation over the distribution of said product.

The due care theory is associated with three challenges. The fundamental issue with this matter is the absence of a definitive means to ascertain the point at which an individual has exercised sufficient care. Each product entails a certain degree of risk, and if all potential risks were completely eradicated, the majority of products would become prohibitively expensive. Secondly, the theoretical framework presupposes the manufacturer's capacity to identify all potential hazards associated with product usage prior to its actual implementation, which may not always be feasible. The theory has been criticized by some for being paternalistic, as it assumes that the manufacturer should be solely responsible for determining the acceptable level of risk that the consumer should assume. It could be argued that the responsibility of determining the necessity of supplementary safety measures should be delegated to consumers, thereby allowing them to exercise their discretion in choosing whether or not to incur additional costs.

6.4 The Social Costs View of the Manufacturer’s Duties

The third theoretical framework pertaining to the obligations of the manufacturer transcends the scope of the preceding two theories. The principle asserts that a producer is liable for compensating any harm caused by product defects, irrespective of the manufacturer's diligent efforts in the product's design, production, and promotion, and regardless of whether all foreseeable hazards were adequately communicated to users.

The previously mentioned theory, which serves as the foundation for the legal principle of **strict liability**, is rooted in utilitarianism. According to the statement, the societal expenses associated with injuries that arise from defects that are beyond control are considered as external costs that are incurred in the production and utilization of a product. The optimal allocation of societal resources is achieved by transferring the aforementioned costs to the manufacturer, which ensures that the price of the commodity accurately reflects itstrue cost and prevents excessive production. Furthermore, it is imperative for manufacturersto exercise heightened caution as they are held accountable. It is imperative that the design undergoes thorough testing to ascertain that end-user will utilize the product appropriately.

1. **Production -** it is imperative to exercise control over the manufacturing process in order to eliminate any defective items, identify potential weaknesses, and ensure that hazardous cost-cutting measures are not implemented. It is imperative to employ sufficient quality control measures throughout the manufacturing process.
2. **Marketing -** it is recommended that the company attach labels, notices, and instructions to the product in order to caution consumers of any potential hazards that may arise from the proper or improper use of said item. Manufacturers are required to consider the

abilities of the individuals who are anticipated to utilize the product. If a product's potential adverse impacts are significant or require specialized knowledge to comprehend, then its distribution should be subject to meticulous regulation.

6.5 Advertising Ethics

The advertising sector is a substantial industry that incurs significant costs for producers and service providers. The term "**commercial advertising**" is occasionally characterized as a type of "information," with a "advertiser" being described as an individual who provides such information. The suggestion is that the primary function of advertising is to furnish consumers with information. Ultimately, it is the consumers who bear the financial burden of advertising expenses. However, it remains unclear what benefits they receive in exchange for this additional expenditure. A significant proportion of consumers report receiving minimal benefits. The question at hand pertains to whether advertising is a detriment or an advantage. Does the product or service have a positive or negative impact on consumers?

While advertising is occasionally categorized as "information," this characterization neglects to differentiate it from the variety of information present in Consumer Reports. The majority of advertisements tend to lack substantial information, as exemplified by the phrase "Got Milk?" The statements made by "America's Dairy Farmers and Milk Processors" and "Have it Your Way" by Burger King are deemed to be lacking in substance. The principal objective of advertising is to promote the sale of goods or services to potential consumers. Given its public nature and broad audience, this communication carries a significant social impact. The aim of this approach is to generate a sense of aspiration and conviction among consumers regarding the product's ability to fulfill their desires.

Critics of advertising contend that it exerts various detrimental impacts on society. Initially, the psychological ramifications of this phenomenon are detrimental as it lowers the standards of individuals by instilling a materialistic mindset regarding the attainment of contentment. The impact of advertising remains uncertain. The efficacy of advertising could potentially hinge on the pre-existing values held by consumers, which are the focal point of the advertisements.

A significant critique of advertising pertains to its propensity for wastefulness. Individuals who raise this form of objection draw attention to the differentiation between expenses incurred in the production process and those incurred in the selling process. Production

Costs refer to the expenses incurred in utilizing resources for the purpose of manufacturing a particular product. Selling costs refer to the supplementary expenses of resources that are not directly incorporated into the product, but are instead accrued as a consequence of inducing consumers to make a purchase. As per this theory, the utilization of resources in advertising does not contribute to the utility of the product.

Advertisers argue that advertisements represent a form of communication between a vendor and prospective consumers, and provide supplementary information about the product. According to some sources, advertising not only satisfies the pre-existing desires of consumers but also creates a desire for the seller's product.

The discourse surrounding the ethical dimensions of advertising centers on its professed societal impacts, its cultivation of consumer wants, and its influence on consumer convictions.

6.6 Consumer Privacy

The proliferation of technological innovations has engendered the possibility of significant infringement upon the privacy of consumers. Financial institutions and credit bureaus are responsible for maintaining comprehensive records on consumers, which encompass their financial transactions and personal details, such as marital status,employment history, residential addresses, and other pertinent information. The three primary credit unions possess records of approximately 150 million individuals, and receive millionsof updates to these records on a daily basis. Credit reports are utilized as a crucial determinantin the approval of loans, credit cards, and employment opportunities. However, a recent study has revealed that a significant proportion of credit reports, specifically 43%, contain inaccuracies.

The fundamental entitlement of an individual to maintain their privacy, encompassing both their psychological and physical privacy, is of significant importance. **Psychological privacy** pertains to an individual's personal inner life and the associated privacy thereof. This encompasses an individual's cognitive processes and intentions, subjective convictions and principles, affective experiences, and desires. The internal facets of an individual are intricately linked to their being, such that encroaching upon them can be perceived as a violation of the individual's essence. **Physical privacy** pertains to an individual's privacy in relation to their bodily movements and actions.

However, it is imperative to maintain a balance between one's own rights and needs and those of others. Financial institutions are required to possess knowledge pertaining to the credit history of their borrowers prior to disbursing funds. The banking system provides benefits to consumers, and therefore, it is imperative to strike a balance between consumers' right to privacy and banks' right to access their personal information. In order to achieve equilibrium between these two variables, the following factors are of utmost importance:

1. **Purpose** - The legitimacy of the purpose for which information is collected is essential, as it should lead to benefits that are typically experienced by individuals who are the source of the information.
2. **Relevance** - it is imperative that databases are limited to containing solely information that is directly pertinent to the intended purpose for which it was gathered.
3. **Informing -** it is imperative that consumers are duly notified of the collection of their personal information and are provided with a clear understanding of the intendedpurpose behind such collection.
4. **Consent** - it is recommended that businesses should only gather information from consumers if they have obtained their consent to do so.
5. **Accuracy -** it is imperative for agencies to guarantee the currency and precision of information, promptly rectifying any inaccuracies.
6. **Security Recipients and Uses -** it is imperative for agencies to guarantee the security of information and prevent its disclosure to unauthorized parties, unless the individual has provided explicit or implicit consent for such disclosure, or the information is being utilized in a manner that has been consented to by the consumer.

CHAPTER 7: THE ETHICS OF JOB DESCRIPTION

7.1 Job Discrimination: Its Nature

Despite the increasing representation of women and minorities in historically male-dominated professions, discrimination against them persists. The findings of the ABC experiment indicate that women and minorities were subject to systemic bias in the hiring process, resulting in a lower number of job offers and less favorable job positions compared to their white male counterparts. According to additional research, individuals who identify as black or Hispanic were presented with employment opportunities 50% less frequently than their white male counterparts.

The concept of discrimination, in its fundamental sense, does not inherently connote wrongdoing. The term denotes the action of discerning and differentiating between twodistinct entities. In contemporary parlance, the term pertains to "unjustifiable bias," wherein individuals are differentiated based on preconceived notions rather than their personal qualifications. Employment discrimination comprises three fundamental components:

1. The decision should not be based on individual merit.
2. The determination should stem from either racial or sexual bias, unfounded generalizations, or any other form of ethically unwarranted disposition towards individuals belonging to the employee's group.
3. The decision in question must result in a detrimental effect on the interests of the employees who are subject to it, specifically with regard to their hiring, compensation, promotion, job assignments, or termination.

Acts of discrimination can be classified based on their level of intentionality and institutionalization.

1. An act can constitute a component of an individual's isolated conduct, whereby the individual intentionally engages in discriminatory behavior based on their personal biases.
2. An action can be considered as a component of the customary, established conductof a collective that practices discrimination due to the collective biases of its constituents.
3. An individual's behavior may be considered isolated if it unintentionally discriminates due to the uncritical adoption of societal practices and stereotypes.
4. The inadvertent discrimination against women or minorities may arise from the institutionalized routines of a corporate organization, wherein its procedures and

practices are responsible for such discriminatory acts.

During the early 1960s, employment discrimination was commonly perceived as a deliberate action carried out by one individual against another. By the 1970s, the term discrimination was being used regularly to include disparities of minority representationwithin the ranks of a firm regardless of whether the disparity had been intentionally created. The organization exhibited discriminatory practices as the representation of minority groups within its membership was notably disproportionate in comparison to the local availability of said groups. Discrimination can be attributed to a group if the representation of a minority group is not proportional to the availability of that group within the local area.

The federal government was granted enhanced authority to address discrimination and mandate affirmative action initiatives to rectify any inadequacies through the implementation of the Equal Employment Opportunity Act of 1972.

Subsequently, people came to criticize this view. The argument put forth was that discrimination is perpetrated by individuals, and that the victims of such discrimination are individual members of minority groups and women. The challenge with this critique lies in the complexity of determining whether a particular person has been subjected todiscrimination. The only way of telling whether a process is fair or discriminatory is to see what happens to minorities as a group. The matter at hand has been a subject of fluctuating opinions within American society throughout history. There is a prevalent belief that businesses in the United States were discriminatory in the past, but this is no longer the case according to some individuals.

7.2 Discrimination: Its Extent

Discrimination can be inferred when a particular group's members areunderrepresented in more desirable positions, despite possessing the requisite qualifications and expressing a preference for such positions. Three categories of comparisons can be utilized to furnish evidence of this nature:

1. **Average Income Comparisons** - this study aims to analyze the disparities in the average benefits provided to minorities and women in comparison to otherdemographic groups.
2. **Lowest Income Comparisons** - the study involves analyzing the relative proportions of minorities and women in the lower echelons of the organization in comparison to other demographic groups occupying similar positions.
3. **Desirable Occupation Comparisons** - the study involves a comparison between the

representation of minorities and women in the institution's most advantageous positions and the representation of other groups in those same positions. Upon conducting these three comparisons, it becomes evident that a certain degree of discrimination persists within the United States. However, it is noteworthy that for certain demographics, the severity of discrimination has decreased in comparison to historical levels.

Comparisons of income are highly indicative of discrimination. Contrary to popular belief, the income disparity between white and black households has not diminished. In 2008, the average family income of black households remained at approximately 64% of that of white households. Gender-based inequalities have also been observed to be similar. Thegender pay gap has narrowed in recent years, however, this trend is primarily attributed to a decline in male earnings rather than an increase in female earnings. In 2008, a decadefollowing graduation, the mean earnings of women indicated that they earned a mere 70% of the mean earnings of men for every dollar earned by men.

Gender-based wage gaps emerge soon after college graduation, with female graduates earning salaries that are comparable to those of male high school graduates. Women earn lower wages than men across all occupational categories. African Americans exhibit slightly superior outcomes compared to females, albeit the difference is not substantial.

Nonetheless, the situation remains bleak for the majority of black individuals. Comparisons between the lowest income group and desirable occupations yield comparable outcomes. Empirical evidence suggests that a greater percentage of individuals from minority groups and women experience poverty, while a larger proportion of white males occupy highly coveted professional positions. Empirical evidence suggests that there exists an inverse relationship between the proportion of women employed in a given occupation and theaverage remuneration for that particular job. While it may be possible to attribute certain discrepancies between white males and women or minorities to the preferences of the latter group, who may opt to work in lower-paying occupations, the magnitude of these disparitiesis so significant that this explanation alone cannot fully account for them.

The challenges faced by minority groups appear to be exacerbating. According to research, despite the fact that they will constitute a majority of the labor force in the near future, a significant proportion of the forthcoming job opportunities will necessitate post-secondary education. Unfortunately, a considerable number of minorities are lagging behind in their educational achievements.

The identification of discrimination within our economic institutions, as demonstrated in this section, does not necessarily substantiate the claim that a specific business is discriminatory. The significant increase in the representation of women and minorities in the job market has been met with significant challenges.

1. A significant number of women are directed towards occupations that are traditionally associated with femininity and offer lower remuneration compared to those that are traditionally associated with masculinity, due to cultural stenotypes, prejudice, and conscious and unconscious biases.
2. As women progress in their professional pursuits, they are often confronted with obstacles such as the **glass ceiling**.
3. Currently, married women who desire to have children face significant obstacles in their career progression, in contrast to married men who share the same desire.

The analysis of mean earnings, presence in upper echelons of the economy, and representation in the lower strata of the economy reveals that women and minorities are still lacking commensurate opportunities in comparison to their white male counterparts.

7.3 Discrimination: Utility, Rights, and Justice

The issue of inequalities prevalent in businesses in the United States warrants attention to determine their ethical implications and the appropriate course of action to rectify them. There exist three distinct categories of arguments that oppose discrimination, namely utilitarian arguments, rights arguments, and justice arguments. The utilitarian perspective posits that discrimination is detrimental to society's productivity, as it advocates for theallocation of jobs based on competence or merit. Discrimination on any basis other than merit is deemed inefficient and thus runs counter to the principle of utility.

Critiques have been levied against utilitarian arguments from two distinct angles. If job assignments are to be made solely on the basis of job-related qualifications, it is imperative that such assignments promote the public welfare. However, if assigning jobs based on a non-job performance factor would result in greater advancement of public welfare, then utilitarianism dictates that job assignments should be based on that factor rather than job-related qualifications in such situations. Secondly, it could be argued that there may be societal advantages to discriminating against certain groups.

Non-utilitarian arguments against discrimination posit that it is morally unjustifiable as it infringes upon individuals' fundamental human rights. As per Kant's philosophy, it is imperative to treat human beings as ends in themselves and not as a mere means to an end. Hence, discrimination is deemed unethical as it infringes upon the fundamental entitlements of individuals to receive equal treatment. Furthermore, proponents of Kantian philosophy contend that discrimination is morally impermissible since the individual who engages in discriminatory conduct would not desire to witness the generalization of their actions (and would be disinclined to switch positions with the target of their discrimination).

A third category of arguments opposing discrimination posits that it is an unjustpractice. Rawls posits that providing certain individuals with greater opportunities than others in an arbitrary manner is an act of injustice. An additional argument that is interconnected views this as a manifestation of injustice, as it is deemed inappropriate to treat individuals unequally solely based on non-relevant characteristics, even if they are equal in all other pertinent aspects. The issue with this particular argument lies in the challenge of accurately delineating the parameters of relevance and providing a rationale for the exclusion of sex and race while including intelligence.

Although there may be challenges associated with these contentions opposing discrimination, it is widely acknowledged that there exist five distinct classifications of discriminatory behaviors:

1. Recruitment strategies that heavily rely on employee referrals through word-of-mouth tend to result in the recruitment of individuals from the same demographic groups that are already present within the organization.
2. Screening procedures that entail prerequisites that are not pertinent to a job, such as mandating a specific educational attainment for positions that are of a low-levelnature.
3. Promotional strategies that segregate groups or exclusively prioritize seniority, particularly in cases where prior discrimination has prevented women or minorities from attaining higher positions.
4. The issue of unequal compensation for individuals performing comparable job duties within the same employment setting.
5. Terminating an employee on the basis of their race or gender, or implementing layoff strategies that exclusively consider seniority.

Females are subjected to a distinct and problematic form of prejudice, namely **sexual harassment**. The ethical basis for the guidelines prohibiting sexual harassment is generally evident. The Equal Employment Opportunity Commission (EEOC) has issued a set of guidelines that delineate the concept of harassment and the legal prohibitions associated with it. Instances of unwanted sexual advances occur when:

1. The act of submitting to such behavior is established as a requirement or expectation of an individual's employment, either through explicit or implicit means.
2. Employment decisions that affect an individual are based on whether they submit to or reject such conduct.
3. The previously mentioned behavior is intended to cause disruption to an individual's

job performance or to establish an environment that is intimidating, hostile, or offensive.

Nevertheless, certain facets of the guidelines necessitate scrutiny. The regulations not only forbid specific instances of harassment, but also encompass the creation of a work environment that is intimidating, hostile, or offensive.

This poses a number of challenging inquiries. Is the display of pin-up calendars by mechanics considered a form of sexual harassment? While the majority of individuals may agree, there exist a group of dissenters who argue that such environments were not designed to marginalize women and furthermore, women possess the capability to ensure their own well-being.

According to the guidelines, any form of verbal or physical contact can be classified as harassment if it results in an unreasonable disruption of the victim's work performance. According to certain critics, sexual harassment is contingent upon the entirely subjective evaluations of the victim, whereby conduct that is deemed unreasonable by one individual may be perceived as entirely appropriate by another.

One potential criticism of these guidelines is that they may infringe upon individuals' freedom of expression. Notwithstanding the potential validity of these objections in academic settings, they lack relevance in the context of business operations, where the primary emphasis is not on unfettered discourse and critical analysis of concepts.

One of the guidelines' third features stipulates that a company may be held accountable for sexual harassment, even if it lacked knowledge or could not have reasonably known about the occurrence of such harassment. This is true even if the company had explicitly prohibited the offensive behavior. Advocates of the guidelines argue that the negative effects resulting from sexual harassment should be regarded as a business expense that must be absorbed internally.

Discrimination can be experienced by groups beyond those of women and racial minorities. Individuals with disabilities, those affected by AIDS, individuals who identify as homosexual, and those who are overweight are all subjected to discriminatory practices. At present, there exists a lack of federal legislation that prohibits discrimination against severalof these aforementioned groups.

7.4 Affirmative Action

The policies that have been discussed in this chapter thus far are predominantlynegative in nature, with a focus on preventing any future instances of discrimination. In contrast to other approaches, affirmative action initiatives aim to implement proactive measures that mitigate the impact of prior discriminatory practices. All companies that hold government contracts are now obligated by law to implement such programs.

The implementation of affirmative action initiatives typically commences with a comprehensive examination, referred to as a "utilization analysis," of the primary job categories within a given institution. The purpose of the analysis is to ascertain if there existsa statistically significant underrepresentation of minorities or women within a given jobclassification, relative to what would be considered a reasonable expectation. In the event that the analysis reveals underutilization of women or minorities, it is incumbent upon the firm to institute corrective measures to address these inadequacies.

There exists a school of thought that posits affirmative action as a means of compensatory redress, contending that white males bear a responsibility to make reparations for the historical injustices inflicted upon marginalized groups through discriminatory practices. The challenge associated with such arguments lies in the fact that the principle of compensatory justice mandates that compensation must solely originate from the individuals who deliberately caused harm and should be remunerated solely to the individuals whoexperienced such harm. The provision of compensation is not contingent upon the contribution of all members within a group that encompasses certain wrongdoers, nor is it mandatory for compensation to be distributed among all members of a group that encompasses certain injured parties. Numerous individuals have endeavored to refute this assertion by contending that all minority groups presently residing in society have been subjected to discriminatory practices, while every white male has reaped the rewards of such injustices. The efficacy of these arguments remains uncertain.

The second rationale for supporting affirmative action is its potential as a tool for enhancing utility. This argument advances the notion that it serves as a tool for effecting social transformation, advocating for the betterment of the general populace. According to the statistical data presented at the outset of this chapter, the aforementioned claims contend that race and gender serve as a determinant of necessity. Affirmative action is deemed justified as it aligns with utilitarian principles by reducing the need for it, thereby increasing the overall utility.

The validity of this argument has been challenged on the basis of whether the advantages of affirmative action outweigh the associated social costs. Nevertheless, more intricate and persuasive justifications for affirmative action are presented. The argumentposits that the objective of affirmative action is to achieve social justice.

The assertion that affirmative action is a morally justifiable approach to attaining this objective.

Currently, statistical evidence suggests that women and minorities are not afforded equal opportunities as required by principles of justice. Initially, the argument posits that the ultimate goal of affirmative action initiatives is to achieve parity in terms of justice. Furthermore, affirmative actions can be considered as ethically valid methods of attaining thisobjective. The ultimate objective is to establish a fairer society, and the utilization of preferential treatment is a morally valid approach to achieve this objective.

Nonetheless, three justifications have been put forth to demonstrate that affirmative action lacks moral legitimacy. Initially, it is asserted that affirmative action policies exhibit discriminatory practices towards Caucasian males. According to the definition of discrimination, it is not possible to equate preferential treatment towards individuals who are not white males with discrimination against minorities or women, as the former is not motivated by a disdain for white males.

Secondly, it has been argued by some that the provision of preferential treatment is in contravention of the principle of equality, as it involves the consideration of race, which is deemed an extraneous characteristic. Advocates of affirmative action argue that sexual and racial distinctions are pertinent attributes. Critics argue that affirmative action has a negative impact on women and minorities, as it suggests that they are inherently inferior to white males and require additional assistance to achieve success. This assertion is challenged by the argument that while affirmative action policies may incur certain expenses, their advantages surpass them. Additionally, it is argued that affirmative action is not founded on the presumption of white male supremacy, but rather on the acknowledgement of partialitytowards white males. Ultimately, it is argued that while affirmative action may lead certain minority groups to experience feelings of inferiority, the prevalence of racism in society results in a greater number of individuals from these groups feeling inferior. Furthermore, it isnoted that providing preferential treatment to these groups through affirmative action does notnecessarily contribute to feelings of inferiority.

The efficacy of an affirmative action initiative is contingent, in part, upon the extent to which a company provides accommodations that cater to the unique requirements of a racially and sexually heterogeneous workforce. Both women and minorities face unique challenges in the workplace. The persuasive contentions presented by each perspective are robust, and the discourse persists.

Guidelines have been proposed to mitigate the potentially adverse consequences of affirmative action in response to objections raised by its detractors. Undoubtedly, the challenges faced by minority groups are distinct from those experienced by women. In contemporary times, there have been suggestions put forth that surpass the scope of affirmative action as a means to address gender-based discrimination. Advocates of comparable worth programs aim to address the issue of low wages and salaries historically associated with jobs predominantly held by women. Rather than advocating for the placementof women in higher paying jobs, these programs seek to enhance the remuneration of the jobs currently occupied by women.

Within a comparable worth framework, every position within an organization is allocated a specific number of points.

Various factors such as difficulty level, skill prerequisites, prior experience, and other relevant considerations may impact the outcome or success of a given endeavor. In the context of employment, it is commonly accepted that comparable jobs should receive commensurate compensation. The underlying rationale supporting the concept of comparative worth isrooted in the principle of justice. Critics argue that wages should be determined by market forces. According to the argument, if a particular occupation is compensated with a relatively low salary, it is due to the presence of a substantial pool of laborers in that particular field.

It is anticipated that in the coming years, a minority of newly employed individuals will be comprised of Caucasian males. As a result of this demographic shift, companies will be motivated by their enlightened self-interest to provide women and minorities with preferential treatment. Failure to adapt to these workers could result in a dearth of skilled labor, thereby impeding one's ability to remain competitive in the global marketplace. Despitethe ongoing debates surrounding affirmative action initiatives, there exist justifications for their preservation. Given the projected increase in the number of women and minorities in the workforce, it is advisable for businesses to adopt measures that cater to this changing demographic. Such measures would be in the best interest of businesses and align with the principles of enlightened self-interest. The repercussions of failing to provide adequate support to the anticipated increase of women and minorities, with their unique requirements, will not be solely shouldered by these groups. In the event that American enterprises fail to provide for these laborers, they may encounter difficulties in procuring the necessary workforce. Numerous companies have initiated programs to equip themselves with the ability to cater to the unique requirements of women in the future. Several corporations have implemented assertive affirmative action initiatives to incorporate significant numbers ofminority groups into their organizations in order to fulfill the requirement for skilled personnel. The concept of morality necessitates the acquisition of skills to assess ethical considerations and effectively manage competing demands in particular circumstances. Whilethe ethics of care may also result in burnout, its merit lies in its ability to serve as a corrective measure to other approaches that are characterized by impartiality and universality.

REFERENCES

Ahmad, M. (2009). Business ethics in Islam. International Institute of Islamic Thought (IIIT).

Ahmad, M. S. (2011). Work ethics: an Islamic prospective. Journal of Human Sciences, 8(1), 850-859.

Baiman, R. (2017). The global free trade error: The infeasibility of Ricardo's comparative advantage theory. Taylor & Francis.

Carroll, A. B. (1990). Principles of business ethics: Their role in decision making and an initial consensus. Management Decision, 28(8).

DesJardins, J. R., & McCall, J. J. (2014). Contemporary issues in business ethics. Cengage Learning.

DesJardins, Joseph R. (2020). An introduction to business ethics. Dubuque, IA: McGraw Hill LLC.

De George, R. T. (2005, February). A history of business ethics. In Paper delivered at the third biennial global business ethics conference. Santa Clara, CA: Markkula Center for Applied Ethics.

Evensky, J. (2005). Adam Smith's Theory of Moral Sentiments: On morals and why they matter to a liberal society of free people and free markets. Journal of Economic Perspectives, 19(3), 109-130.

Ferrell, O. C., & Fraedrich, J. (2021). Business ethics: Ethical decision making and cases. Cengage learning.

Freeman, R. E., Martin, K., Parmar, B., Cording, M., & Werhane, P. H. (2006). Leading through values and ethical principles. In Inspiring leaders (pp. 149-174). Routledge.

Jamieson, D. (2008). Ethics and the environment: An introduction. Cambridge University Press.

Jennings, M. M. (2014). Business ethics: Case studies and selected readings. Cengage Learning.

Kolk, A. (2016). The social responsibility of international business: From ethics and the environment to CSR and sustainable development. Journal of World Business, 51(1), 23-34.

Moriarty, J. (2019). Business ethics. Oxford University Press.

Nolan, P. (2003). Adam Smith and the contradictions of the free market. Challenge, 46(3), 112-123.

Orts, E. W., & Strudler, A. (2002). The ethical and environmental limits of stakeholder theory. Business Ethics Quarterly, 215-233.

Pfeiffer, R. S., & Forsberg, R. P. (2012). Ethics on the job: Cases and strategies. Cengage

Learning.

Prayitno, S., Riyanto, S., & Diarta, L. A. (2021). The Influence of Marketing Ethics and Consumer Ethics on Consumer Behaviour and Decisions Before and During COVID-19 Pandemic: A Literacy Study. The Journal of Management Theory and Practice (JMTP), 74-80.

Ritter, B. A. (2006). Can business ethics be trained? A study of the ethical decision-making process in business students. Journal of Business Ethics, 68, 153-164.

Rossouw, Deon (2017). Business ethics. South Africa: Oxford University Press. Edited by Leon Van Vuuren.

Smith, J. E. (1990). Do the right thing: Ethical principles and managerial decision making. SAM Advanced Management Journal, 55(4), 4.

Smith, J., & Dubbink, W. (2011). Understanding the role of moral principles in business ethics: A Kantian perspective. Business Ethics Quarterly, 21(2), 205-231.

Stark, A. (1993). What's the matter with business ethics?. Harvard business review, 71(3), 38-40.

Stanwick, P., & Stanwick, S. (2013). Understanding business ethics. Sage.

Tomasi, J. (2012). Free market fairness. In Free Market Fairness. Princeton University Press.

Trevino, L. K., & Nelson, K. A. (2021). Managing business ethics: Straight talk about how to do it right. John Wiley & Sons.

Tsalikis, J., & Fritzsche, D. J. (2012). Business ethics: A literature review with a focus on marketing ethics. Journal of Business Ethics: Celebrating the first thirty years of publication, 337-404.

Velasquez, M. G., & Velazquez, M. (2002). Business ethics: Concepts and cases (Vol. 111, p. 420). Upper Saddle River, NJ: Prentice Hall.

Ver Eecke, W., & Eecke, W. V. (2013). Adam Smith and the Free Market. Ethical Reflections on the Financial Crisis 2007/2008: Making Use of Smith, Musgrave and Rajan, 5-21.

Werhane, P. H., & Freeman, R. E. (1999). Business ethics: the state of the art. International Journal of Management Reviews, 1(1), 1-16.

Zinbarg, E. D. (2005). Faith, morals, and money: What the world's religions tell us about ethics in the marketplace. A&C Black.

Ipmi Press
Ipmi International Business School

publisher@ipmi.ac.id

Jl Rawajati Timur I No.1, Rawajati,
Pancoran, Jakarta Selatan, 12750

ISBN 978-623-09-4667-7