Business Ethics Tutorial

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May 2012
Session 2.

Rational Choice
Part I
Rational choice, Part I

- Rational Choice
- Caveats
- **Condition for rational choice:**
  - Have a consistent rationale
- Jennifer’s job
Rational choice

• Ethics is about making the **right decision**.
  – **Not** about judging you, or saying you are good or bad.
  – It says that the **right** choice is a **rational** choice.
Rational choice

• Neglecting the interests of others is **irrational**.
  – Not because it may eventually damage your own interests…
  – But because it is **logically inconsistent**.
Rational choice

• Necessary conditions for rational choice:
  – Have a consistent rationale.
  – Be consistent with your goals.
  – Be consistent with who you are.
Caveats

• These conditions don’t mean much until you start applying them.
  – It’s like physics class.
  – You have to do the exercises.
Caveats

• There are no instant answers.
  – As in any other field.
  – Training and experience are necessary.
    • You don’t learn differential equations in a 20 minute session.

\[
\frac{\partial N}{\partial t} = (b - d)N + \frac{c}{3\sigma} \left[ \frac{\partial^2 N}{\partial x^2} + \frac{\partial^2 N}{\partial y^2} + \frac{\partial^2 N}{\partial z^2} \right] + \sqrt{(b + d)N} \frac{\partial^4 \tilde{W}(t, x, y, z)}{\partial t \partial z \partial y \partial x} \\
- \frac{\partial}{\partial x} \left[ \sqrt{J_x^+} \frac{\partial^3 W(t, y, z; x)}{\partial z \partial y \partial t} \right] + \frac{\partial}{\partial x} \left[ \sqrt{J_x^-} \frac{\partial^3 \tilde{W}(t, y, z; x)}{\partial z \partial y \partial t} \right] \\
- \frac{\partial}{\partial y} \left[ \sqrt{J_y^+} \frac{\partial^3 W^x(t, x, z; y)}{\partial z \partial x \partial t} \right] + \frac{\partial}{\partial y} \left[ \sqrt{J_y^-} \frac{\partial^3 \tilde{W}^x(t, x, z; y)}{\partial z \partial x \partial t} \right] \\
- \frac{\partial}{\partial z} \left[ \sqrt{J_z^+} \frac{\partial^3 W^{xx}(t, x, y; z)}{\partial y \partial x \partial t} \right] + \frac{\partial}{\partial z} \left[ \sqrt{J_z^-} \frac{\partial^3 \tilde{W}^{xx}(t, x, y; z)}{\partial y \partial x \partial t} \right],
\]

(3.32)
Caveats

• There is controversy in every field.
• This doesn’t mean there is no right or wrong.
  – There are good arguments and bad ones.

Global Warming Projections

Temperature Anomaly (°C)

-1 0 1 2 3 4 5

1900 1950 2000 2050 2100

- CCSR/NIES
- CCCma
- CSIRO
- Hadley Centre
- GFDL
- MPI
- NCAR PCM
- NCAR CSM
Caveats

• My advice: set aside what you may have heard about ethical theories.
  – Some of it is wrong.
  – Some of it is a historical snapshot.
  • Kant was historically important, but so was Copernicus.
  • We have moved beyond their work.
Caveats

• This is not a choice of different “frameworks.”
  – Deontological
  – Consequentialist
  – Virtue ethics

• It is a single framework.
  – An ethical choice must meet multiple consistency tests.
Have a consistent rationale
Basic idea

• Basic premise: we always act for a reason.
  – Every action has a rationale.
Basic idea

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  – Every action has a rationale.

• **Corollary**: If a reason justifies an action for *me*, it justifies the same action for *anyone* to whom the reasons apply.
Basic idea

• When I make a decision for myself, I make a decision for anyone to whom my reasons applies.
  – Otherwise they don’t really justify the act.
Basic idea

- I steal a watch because I would like to have it.
Basic idea

- I steal a watch because I would like to have it.
- If this is sufficient reason for me, it is sufficient reason for anyone.
Basic idea

• I steal a watch because I would like to have it.
• If this is sufficient reason for me, it is sufficient reason for anyone.
  – If not, then perhaps it is because some people think they will get caught.
  – Then part of my reason is that I don’t think I will get caught.
  □ Let’s assume the security at this shop is relaxed.
Generalization test

• So my reasons for stealing the watch are:
  – I want the watch.
  – I don’t think I will get caught.

• Then I am deciding that all who want a watch and don’t think they will get caught should steal one.
Generalization test

• But if all these people steal watches, the reasons for stealing no longer apply.
  – The shop will stop selling watches, or perhaps go out of business.
  – Or it will tighten security, and people will get caught.
Generalization test

- I am not saying that all these people will actually steal watches.
  - But I am committed to saying that they should steal a watch.
  - If they do, then the reasons for stealing no longer apply.
  - The reasons for the theft are inconsistent with the assumption that people act on them.
Generalization test

- Generalization test:
  - The reason for your action must be consistent with the assumption that everyone with the same reason acts the same way.
Generalization test

• What is the generalization test is not:
  – It is **not** whether I would **want** others to act the same way.
    • The test is **logical**, not psychological.
Generalization test

• What is the generalization test is not:
  – It is not whether I would want others to act the same way.
    • The test is logical, not psychological.
  – It is not the “Golden Rule.”
    • It is far more comprehensive.
Generalization test

• What is wrong with cheating on an exam?
• Assume:
  – My cheating benefits myself but doesn’t hurt others (instructor doesn’t “curve” grades).
  – I know how to cheat without getting caught.
• What are the reasons for cheating?
  – I will get a better grade.
  – I will benefit from the good grade.
Generalization test

• Almost everyone has these same reasons to cheat.
  – But if everyone acts on these reasons, they will all get A+.
  – Grades will become meaningless.
  – No one will benefit from better grades.
  – The reasons to cheat will no longer apply.
• Cheating fails the generalization test.
Corollary

- Avoid action that, if generally adopted, would **undermine** a practice it **presupposes**.
  - Generalized cheating undermines the grading system it presupposes.
  - Generalized theft undermines the lax security that makes theft possible.
  - Not every unethical act violates this corollary.
Corollary

- Don’t be a **free rider** on the efforts of others.
  - Thief is a free rider on system supported by good behavior of others.
  - Cheater is a free rider on system supported by honesty of others.
Corollary

• Avoid action that, if generally adopted, would defeat the purpose of the action.
  – If everyone who could benefit from better grades cheated, they would not be able to make better grades by cheating.
  – If everyone who wants a new watch stole one, they would not be able to steal one.
What is the real reason?

• Gertrude Grosvenor says:
  – I’m stealing the watch because I want it, I can get away with it, and my name is Gertrude Grosvenor.
  – This is generalizable.

• Two problems with this:
  – It’s not Gertrude’s rationale.
  – It’s not a rationale.
What is the real reason?

- The reasons must be necessary and sufficient.
  - "I am Gertrude Grosvenor" isn’t **necessary**.
  - She would steal the watch if her name were different.
  - "I can get away with stealing a watch" isn’t **sufficient**.
    - I must also want the watch.
- The **scope** of the action must be correctly identified.
Jennifer’s job

• While interviewing for jobs, business student Jennifer learns about an attractive opening.
  – Glamour Finance Inc. in New York City.
  – The job is perfect for her.
  – The firm is enthusiastic about her.
Jennifer’s job

- While interviewing for jobs, business student Jennifer learns about an attractive opening.
  - Glamour Finance Inc. in New York City.
  - The job is perfect for her.
  - The firm is enthusiastic about her.
  - Shortly after her interview, there is a global credit freeze.
Jennifer’s job

• Meanwhile Jennifer receives other, less attractive offers.
  – Her classmates are bragging about their jobs.
  – Her parents are asking questions.
Jennifer’s job

• Meanwhile Jennifer receives other, less attractive offers.
  – Her classmates are bragging about their jobs.
  – Her parents are asking questions.

– She accepts a job with Midwest Consulting in Cleveland, Ohio.
Jennifer’s job

• Several weeks later, Glamour Finance resumes hiring and offers Jennifer the job.
  – Jennifer hesitates.
  – Her friends urge her to get real and take the job.
Jennifer’s job

• Jennifer’s reason for breaking the contract is to get a better job contract.
  – If everyone broke job contracts to get a better one, contracts would be pointless.
  – Jennifer wouldn’t be able to get a job contract, better or otherwise.
  – Breaking the contract is not generalizable.
Jennifer’s job

• Think about it…
  – The whole point of having contracts is that we keep them when it doesn’t benefit us to keep them.
  – If we only keep contracts when it benefits us, then there is no need for contracts.
  – We can just do what benefits us.
Jennifer’s job

• A possible escape:
  – Employment contracts generally allow the employee to resign after giving notice.
  – Isn’t it perfectly legal for Jennifer to give notice now?

• Or maybe the contract doesn’t promise employment.
  – Contains “employment at will” language.
Jennifer’s job

• There is more going on here than just a legal contract.
  – There is a job market.
  – Jobs are offered and accepted.
• This won’t work if we never know when a job is offered or accepted.
  – Like an auction that never ends.
Jennifer’s job

• How long must Jennifer work for Midwest?
  – For the time being.
  – Similarly, Midwest promised to employ Jennifer for the time being.
  – Accepting a job means, “I have decided which job to take.”
  – Hiring someone means, “We have decided whom to hire.”
Jennifer’s job

• Suppose Midwest agrees to release Jennifer from her contract.
  – Perhaps they found someone else they like better.
  – Or they would rather not hire someone who wants to work somewhere else.
  – Nullifying contracts by mutual agreement is generalizable.
Jennifer’s job

• Suppose Midwest agrees to release Jennifer from her contract.
  – Perhaps they found someone else they like better.
  – Or they would rather not hire someone who wants to work somewhere else.
  – Nullifying contracts by mutual agreement is generalizable.
  – But Midwest must voluntarily release Jennifer from the contract.
Jennifer’s job

• But suppose Jennifer can make a much more valuable contribution at Glamour.
  – Can this override the generalization test?
  – We will come back to this.
Next

Rational Choice, Part II.