Introduction

Welcome to this tutorial in business ethics. I’m John Hooker, and I’m on the faculty of the Tepper School of Business at Carnegie Mellon University. I’m here to tell you something about how to analyze an issue in business ethics.

People come to an ethics class with many different expectations. So what can you expect from me? I’m going to present to you a framework for analyzing an ethical issue that’s based on the idea that an ethical choice is a rational choice, a logical choice. Now, by “rational” I don’t necessarily mean “rational self-interest.” Rationality is a broader idea than that. You may ask, how so? Well, stay tuned!

I’m going to provide you a number of real-life case studies to show how to apply this idea – and give you an opportunity to practice, practice, practice, because that’s how you learn. Here’s the outline. I’ll begin by saying something about why we have ethics. What’s it for? I’ll try to get us past some misconceptions we have about the field, which get in our way. Then I’ll present to you 23 centuries of ethical thought in about 45 minutes, in two sessions – so wish me luck. After that, the fun begins! I’m going to show you how to apply these ideas to real life dilemmas. That’s the plan.

To begin with, why do we have ethics? Let me first say that I’m not here to convince you to be ethical. That’s not my job, and it’s not the job of ethics. I’m going to assume that you want to be ethical. It’s no different than finance class, for example. The instructor doesn’t try to convince you to make
money. The instructor assumes you want to make money and tries to tell you how.

**Ethics and Self-Interest**

Now there’s an idea out there that people are motivated only by self-interest, rather than what is ethical. It’s a very popular view, but I have to tell you that it’s false. In fact, there is a great deal of evidence now from the scientific world that human beings are altruistic. It’s in our DNA. It turns out that the human species is stronger if we help each other out.

I also understand that we have in our brains “mirror neurons” that respond to other people’s feelings. If we see someone who’s in pain, or who’s joyous, the same neurons fire in our own brains. This is empathy; it’s part of what makes us human. So what ethics does is to take our natural tendency to care about people and put it on a rational basis, so it can work in the real world.

As for this idea that we human beings are self-interested and only really care about ourselves, we often attribute it to Adam Smith. Isn’t he the guy who said that in a successful market economy, everyone pursues his own selfish interest, and it works out for the betterment of all, as though guided by invisible hand? It’s ironic that we would attribute this view of human nature to Smith, because he staked his career on precisely the opposite view. He wrote a whole book, called the *Theory of Moral Sentiments*, in which he argued that human beings are motivated by empathy as well as self-interest. The very first sentence of the book states this proposition, and he spends the rest of the book trying to defend it. He did write a book called *The Wealth of Nations*, in which he spoke of the invisible hand and said, yes, self-interest is an important engine for an economic system. But he also said self-interest is a danger to an economic system, and his remedy was government regulation. I don’t necessarily agree with him, but that’s what he said. In fact, as soon as he finished writing the book, he quit his job as an academic at the University of Glasgow and became a government regulator. So that’s Adam Smith.

The altruism of human nature wasn’t originally Smith’s idea, either. It goes back at least to Meng Zi, or Mencius as we say in English, who was a disciple of Confucius more than 2000 years ago. He maintained that human beings are altruistic by nature (although this trait must be
cultivated to be fully realized). As argument he used the following example. Suppose you are walking down the street and see a young child about to fall into a deep pit. Do you stop to think about whether you should save the child? Do you reason that if you walk past, someone might see you ignore the child and make trouble for you, or if you try to save the child, you may be late for your next meeting? Of course not, you rush over and save the child. It’s part of who we are as human beings. That was Mencius’s argument.

Why We Have Ethics

So what is the job of ethics? It is to put our natural tendency to care about people on a rational basis. It builds rational consensus as to how we’re going to take care of each other and live together in a harmonious way. We have to agree on the ground rules to get anything done.

Some may say that we can just take a vote on how we’re going to do things. Well, suppose we take a vote. Do we agree that we should abide by the vote? Maybe we should take a vote as to whether we’re going to abide by the result of the vote.

What counts as majority rule? Fifty-one percent? Two-thirds? Are we to take a vote on that? So what counts as a majority rule for that vote? You see the infinite regress. At some point, we have to have a prior understanding as to how we’re going to live together, and this is what that ethics is for – to generate rational consensus as to how we are going to live together.

We often think it’s really law enforcement that makes society work, and ethics is something extra. It’s nice to be ethical, but law enforcement really does the dirty work of keeping us in line. Actually, it’s just the opposite. Think about it. Suppose that tomorrow morning, everyone in town starts running red lights. What can the police do about it? Can they station a cruiser at every intersection in the city? No, there are thousands of intersections and not nearly enough police. OK, they will set up cameras to photograph everyone running red lights. What are they going to do with those images? Are they going to issue citations to 500,000 people and collect fines every day? I don’t think so. If everyone is running red lights, there’s nothing the police can do about it. Or suppose that tonight, everyone starts breaking into apartments and houses. Can the police be everywhere at once? There’s no way. Law enforcement takes care of a few people on the fringes who don’t get the message. It’s not going to work unless most of us voluntarily comply, and we can’t voluntarily comply unless we agree on what we ought to be doing. This is why we have ethics: to bring about that agreement.
Myths about Ethics

Let me take you through some myths about ethics that get in our way. The first one is that we learn ethics when we are little kids, and now it’s too late. So I’m wasting your time.

This is absolutely wrong. There’s a whole field that deals with this, called developmental psychology. It has discovered that we become more ethical as we become more mature in general. As our cognitive ability increases, our ethical maturity increases. I edit a journal, and a member of my editorial board has found, in research, that successful leaders are better at ethical reasoning than the average person, because they’ve reached that level of maturity where they know how to take into account everyone’s point of view and come to a resolution. So we actually grow ethically as we grow in other ways. Lawrence Kohlberg, for example, asserts that we continue to grow ethically even into our sixties. It’s a life-long process, and ethical instruction and training are part of it. So much for that myth.

Myth number two: sitting in class doesn’t change anyone’s behavior. Incentives, out there in the real world, influence our behavior. So we’re wasting our time sitting in class.

Well, if that’s true, let’s shut down the business school. Why are we sitting in class in this building? It is because we believe that learning something will change our behavior, because we’ll learn how to accomplish our goals. It’s the same in ethics.

Myth number three: I hear this one a lot from academics. We already know what’s right. It’s obvious what we should or shouldn’t do. It’s just a matter of doing it. We don’t need to waste our time talking about ethics when we already know what’s right and wrong.

If that’s true, then why do we disagree all the time? Every single issue I present to a group generates
disagreement. Every single one. Ethics can’t be obvious if we all disagree. It’s not obvious in many cases.

Now, the big one: myth number four. This is the hardest one to deal with. Ethics is just a matter of opinion. It’s just a matter of personal values. It’s not like chemistry or physics, because there’s no objectivity in this field. It’s just a matter of my values versus yours.

Try remember this the next time you’re mugged. The mugger has his values, and you have yours. Or to take an example I sometimes use with my students, suppose I return your essay with a C-minus. You ask, “Why did I get a C-minus? I thought it was good.” I explain, “Because I don’t like your looks,” and you respond, “That’s not fair!” My reply? “That’s your opinion. I have my opinion. I think it’s fair.”

I have done ethics workshops in several countries, and I can tell you that the U.S. is the trickiest place in the world to discuss ethics, because we have a dual personality. On the one hand, we are relativists, because we see ethics as a matter of opinion or personal values, while on the other hand, we are the most absolutist people in the world. We think that our way of life – democracy, free markets, human rights, and so forth – should exist everywhere. Our Presidents go around the world saying, “Our values are universal” (a direct quote from the last two Presidents). We have this bifurcated approach to ethics. I don’t think anyone really believes that ethics is just a matter of opinion, but we tell ourselves that, and it gets in our way.

**Ethics and Rational Consensus**

Ethics is not about personal values. It’s about *interpersonal* values. Otherwise, it can’t do its job. Remember that the job of ethics is to bring us together, to put us on the same page so as to generate rational consensus. If ethics is only about personal values, it can’t work. It has to be interpersonal.

This is how Western civilization has approached ethics for about 2300 years. We build rational consensus by convincing each other that we shouldn’t run red lights or break into houses. Perhaps we haven’t convinced each other that we shouldn’t break the speed limit. We break the
speed limit because we don’t agree with it. We don’t think it’s necessary to drive 55 miles an hour on I-79, and so we drive 75 miles an hour. We basically obey the laws we agree with. Ethics has to bring us to agreement somehow.

We have a long legal tradition known as common law – such as contract law, the law of torts, and so forth – in which we come to an agreement about what’s a fair way to resolve disputes. The loser has to agree with the ground rules as well as the winner.

Some say that ethics is ultimately based on religion, and how can we come together on religion? Actually, if you look at the great religious traditions, such as Islam, Christianity or Judaism, they have a long and sophisticated tradition of ethical reasoning. They have been rationality-based for centuries, and this has helped us come together on ethical rules.

What’s happened to us in the meantime? We have forgotten how to do this. We have forgotten how to persuade each other rationally. We mix our ethics with emotion and ideology, and what do we get? Polarization. We don’t know how to come together any more, because we have lost this age-old tradition of ethical reasoning. So let’s bring it back.

**How to Be Objective**

Now, some tips on how to approach ethics in an objective way, without getting our emotions wrapped up in it. First tip: remember that ethics doesn’t judge people. It judges actions. The purpose of ethics is not to decide whether you are a good person or a bad person. It decides whether you about to do a good act or a bad act. It gives you some advice on what is the rational choice. It’s a bit like a golf lesson. If your golf instructor tells you that your wrist is a little too stiff, or you should swing this way, you don’t take it personally. You don’t assume he’s telling you that you’re an inferior person because your wrist position isn’t right. He’s just giving some advice about what do next time.

This is what ethics does. It doesn’t evaluate your worth as a person. I’m not here to judge you, and I’m certainly not capable of it. Perhaps some higher power judges us, but ethics doesn’t. It simply tells us what to do next time.
What I’m aiming for here is a kind of professional distance. If you’re making a financial investment, you don’t want to get your emotions involved in whether it should be stocks or bonds. You want to look at the evidence and arguments objectively. That takes some discipline, some training. It’s the same in ethics. Maintain that professional distance.

Another reason we should do this is so we can be leaders. Leadership is to a great extent building consensus, getting everyone on the same page and moving in the same direction. This is exactly what ethics does – rational consensus, remember? So leadership and ethics are very closely connected, and it’s not going to work unless we maintain distance from the issue so as to see everyone’s point of view and put it all together.

Finally, we have to know how to do it! We have to know how to analyze ethical issues. That’s what we’re going to start doing in the next session. Thank you very much.