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Ethics and the credit insurance industry

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CHAPTER 1.

NORMATIVE BUSINESS ETHICS THEORY.

Standards of business ethics [1] cannot be built on empirical research or business professional thought and experience alone; independent, normative (what ought to be) ethical theory needs to underpin such standards in order to give them legitimacy and objectivity. Actions must be justifiable and such justification cannot be based merely on the self interest of people, their thoughts or experiences, to be morally acceptable. More broadly based standards founded on independent theory will lead to better decisions because they will be fairer. Business ethics is applied ethics which aims to help solve practical problems and which presupposes the existence of valid moral values[2]. The following are very brief descriptions of the main ethical theories that have developed over the past centuries, their shortcomings and their applications to business. Because I believe that Kant's moral philosophy addresses business ethics in the most appropriate way - for reasons that will become clearer later in this chapter - I shall, in the subsequent

[1] In this report I do not differentiate between the word "ethical" and "moral" – they are ascribed the same meaning.

[2] Under moral values in business I understand certain basic values (principles, priorities, or standards) which should be anchored in any business. They have the character of ultimate aims and are the necessary principle elements for harmonious co-operation. They guide the business's thoughts and actions, e.g., freedom, equality, justice, respect for the individual, health, security and wellbeing. They are the business's conceptions of desirability, of the quality of reality. Values can be bad or immoral, e.g., the values of the Mafia, the Apartheid or Nazi regimes or al-Qaeda.

discussions, examine business ethics and ethics in credit insurance based predominantly on his thoughts.

UTILITARIANISM. [3]

The morality of an action according to this theory depends entirely on the outcome of that action.

An action is right if its consequences produce the greatest happiness (modern utilitarians often say "utility" or "satisfaction" or "preference") or minimizes overall pain for affected people. The theory is based on the belief that the purpose of morality is to achieve human welfare by minimizing harm and maximizing benefit. Utilitarianism is interested only in the consequences of an action, not the agent's (actor's) motive or character or the act in itself.

Efficiency, creativity and the right attitude are good tools for optimizing benefits, not merely in the sense of profit maximization but also as far as social welfare is concerned. Many business decisions are therefore influenced by utilitarian theory.

Because utilitarianism is interested only in a satisfactory outcome for most of the affected people, this theory is prepared to sacrifice the rights of the minority in the interest of the majority. Being interested only in the final outcome may result in actions that ignore or overrule personal preferences and feeling, rights such as privacy, freedom, religion etc. because such feelings may be in the way of acting so that the utility for the largest number of affected people is maximized. For instance, it would not be ethical in utilitarian terms to allow Muslim staff members to take off on Islamic holidays in a predominantly Christian firm if the absence of the Muslim employees would seriously affect the productivity of the firm and thus reduce the production bonuses of all employees. The minority of the employees would enjoy time off at the expense of the

[3] Jeremy Bentham 1748-1832 British philosopher said "pleasure is the only good, and pain the only evil: else the words good and evil have no meaning". He was the father of the utilitarian moral theory. John Stuart Mill 1806-73 British philosopher was a strong supporter of Bentham's utilitarianism and revised and refined it.

majority. Business cannot act in this utilitarian manner. It needs to find ways which will allow it to respect every individual's rights and dignity in all its dealings with employees and other stakeholders[4].

Utilitarianism will allow any means to justify a good outcome. Utilitarianism values an act according to the level of utility it achieves. The act which realizes the highest satisfaction is the right act. Utilitarianism therefore obliges an agent to act to achieve the best consequences even if that means killing an innocent.

Negative responsibility means that an agent is just as responsible for things others do as the agent is for his own actions, provided the agent could have prevented the others from doing those thing. For instance: A loves B but knows that B wants to deceive C. If A can prevent B from committing this act, A must stop B from performing this deception, even if that means that as a result of A's interference, B will thereafter loathe A.

Bernard Williams (English philosopher b. 1929) noted that the actions of others may determine how the agent may have to act to achieve the utilitarian aim and could well require the agent to compromise her integrity or abandon her projects.

Another difficulty with utilitarianism is to measure the actual utility (the degree of satisfaction or happiness) that will be obtained. It is usually impossible to know this before the action is completed and it makes it therefore difficult to know beforehand whether an action will be right in term of utilitarian theory. In business, tools such as budgeting, cost/benefit analysis, risk assessment or management by objectives are employed to help arrive at a decision to act in a certain manner which is judged to result in a morally right outcome according to utilitarian theory. But to rely on such probable outcomes of an action introduces subjectivity into the decision.

Feelings such as love, passion, excitement, pleasure and pain are all important parts of life and must therefore feature in any viable ethical theory. It seems therefore intolerable

[4] Stakeholder in this document means anyone who effects or is affected by the business in question.

to ignore an agent's motivation for his action entirely and focus only on the consequences of the action as utilitarianism does. For instance, if an agent had the evil intention of defrauding his employer but as a result of a mistake by the agent his action to defraud the employer actually resulted in a windfall profit and thus in great pleasure to the employer, one could hardly call the action morally good because unintentional pleasure resulted from the evil intent.

As utilitarianism considers only the consequences of an action, it ignores all that which has gone before, the narrative[5], the history of the agent and the circumstances that have influenced the action. To ignore all this may mean that the agent, e.g., a business, might have to break promises or relationships built up over many years, in order to behave so that the consequences of its action produces the highest utility.

Morally unacceptable utilities (e.g., drinking on the job) or utilities that are in conflict with justice can also negate the good of utilitarian inspired action. Are there not things that are sacrosanct which forbid decisions based on utilitarian considerations, e.g., the destructions of an ancient, beautiful building in order to erect a supermarket?

To summarize, utilitarianism does not provide entirely satisfactory measures because it cannot, in many cases, tell us in advance what the right, moral course of action would be, nor are utilitarian based actions practical because they demand of the agent to give up too much of his personal feelings and rights. By ignoring all else bar the consequences of an action, utilitarianism may support unfair, unjust actions ignoring the rights of the individual or the minority. It therefore seems unsuitable as the only basis for (business) ethics.

KANTIANISM.

According to Kantian ethics[6] the morality of an act is not dependent at all on the outcome of the action. One's duty[7] is to act in accordance with the Good Will which Kant sees as

[5] As per Alasdair MacIntyre in his essay *The Virtue, the Unity of a Human Life, and the Concept of Tradition.*

[6] Immanuel Kant, German philosopher 1724-1804.

the unconditional, intrinsic good, independent of what it affects or accomplishes. The Good Will is expressed in acts that are willed[8] rationally by a free agent, employing reason only, and that are done from duty[9], from principle, (not the agent's personal wish, passion or inclination) and can be universalized (nothing can be a moral principle which cannot be a principle for all rational beings). Universalization is other-regarding; it calls for treating all people as equals and for the willingness to reciprocate. An act based on a universalizable maxim[10] is an act justifiable by reason.

Kant's thoughts are formulated in his categorical imperative (what is to be done regardless of wants) as follows:

1. Act only on maxims that you can will to be universal laws of nature (Formula of Universal Law – FUL).
2. Always treat the humanity in a person as an end, and never merely as a means (Formula of the End-in-Itself – FEI).
3. So act as if you were a member of an ideal kingdom of ends in which you were both subject and sovereign at the same time (Formula of the Kingdom of Ends – FKE).

The intention of the universal law (see point 1. above) or universalization is to ascertain whether the maxim, the rationale upon which an action is based, could be a universal law, one that every rational being in similar circumstances can act upon without making our social life irrational. For instance as a maxim allowing lying – except in very special circumstance, where the actor has to choose between saving a life and lying – would be irrational to universalize because if we were to always lie, there would be no trust.

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[7] Duty is what a person is obliged or required to do irrespective of the person's wish or inclination. Duties can be moral, legal, parental, occupational etc. depending on their foundation or grounds. Because a duty can have several different grounds, it can be, say both moral and legal, though it need not be of more than one type. (1. Audi, 1999: 248).

[8] Willing involves committing oneself to doing something, including willing the necessary means insofar as they are available, to bring that situation about. (Onora O'Neill: "Constancy in Action").

[9] Acting from duty means that one's action must be willed – chosen using one's intellect, not one's desires or inclinations – that one acts purely from principle.

[10] Maxims are rules of action, underlying principles that guide our more specific intentions. Maxims are morally acceptable only if they are universalizable.

Coercing and deceiving persons are, according to Kant (point 2. above), very serious moral misconducts. What makes humans different from other living species is our ability to reason and make decisions. This sets us free but also condemns us to choose. If we coerce, deceive or withhold vital information from others, we hamstring their ability to make a reasoned decision based on all the facts. By acting in this fashion we take away from them the ability to decide for themselves, and thus to act autonomously. We deprive them, in Kant's words, of their dignity[11] and their right to autonomy. That is equal to treating them as mere means, not as ends in themselves. Only those who can freely decide, whose dignity and autonomy is fully respected can be held responsible, can be asked about the right or wrong, the good or bad of their actions. Business must tell the truth, be transparent and not withhold information so that stakeholders can take fully informed, rational decisions. The Formula of the End-in-Itself also indicates that businesses have a moral duty to contribute to the development of human rational and ethical capacities through the provision of information and education, training and growth opportunities to their employees and where reasonable, to others.

While the categorical imperative that we should treat persons as an end and never merely as a means seems a very worthwhile and good rule, its implications are very profound and following this rule can be difficult. To treat a person always as an end, i.e., respect the person's dignity means, among other things, that one should allow the person to consent to any proposition freely. In order to consent properly, the person must understand fully what is being proposed, realizing the deeper aspects and consequences. Because of different cultural backgrounds, upbringing, intellect and education, misunderstandings are very easy. The proposal must not be misleading, and it must be clear and complete. Obviously no amount of coercion may form part of the consent. For instance, offering a poor individual a job at a ridiculously low wage may not allow the individual free choice because he will probably be forced to accept the position – he might not have a choice – as without the job he might starve to death. Onora O'Neill draws attention to these difficulties (16. O'Neill, 1985).

[11] Dignity represents the intrinsic human worth that persons are rational beings, free and capable of making their own decisions – it is what sets us apart from animals. Kant's theory gives rise to and secures individual rights. The end does not justify the means and this is then the basis of human rights.

Business is a community of people and must treat the humanity in people with dignity and respect (point 3. above). The rules that govern an organization must be capable of being supported by everyone in the firm. The Kantian view of an organization is a moral community (the Kingdom) created to achieve common goals and shared ends (rules accepted by all and to which all are subject – each member of the organization is sovereign and subject at the same time). The concept of the ideal Kingdom of ends results in changing an "I" (egoism, authoritarianism) to a "we" (democracy, respect for others). If one sees a firm purely as a tool to make profits one is acting contrary to the "respect for persons" principle (see page 12).

Kant's categorical imperative, consisting of these three formulas, is a tool for testing the rightness of maxims. The categorical imperative is a test of fair play – including that one does not make an exception for oneself. According to Onora O'Neill (17. O'Neill, 1989), Kant's categorical imperative is a test which aims to ground an ethical theory on notions of consistency and rationality rather than upon considerations of desire and preference.

The Formula of Universal Law (FUL) (see 1 on page 11) requires us to think about the maxim on which we would be acting to achieve our purpose. Further, we must consider whether or not we "can will" without contradiction the maxim as a universal Law (9. Kant, 2002: 67). FUL is a test of the sufficiency of the reasons for action and choice which are embodied in our maxim (11. Korsgaard, 1985). There are two contradictions that may arise when applying the test:

- a contradiction in conception of the maxim; and
- a contradiction in the will.

It is essential that a maxim includes the following three elements so that it can serve the purpose of the FUL appropriately (9. Kant, 2002: 67):

- the type of act proposed;
- the purpose or end of the proposed act; and
- the motivating reason for doing it.

It is what happens to the purpose that is the key to the contradictions (11. Korsgaard, 1985).

The following is an example of a maxim: "to advise a prospective purchaser of all the qualities and defects of the item(s) he wishes to buy (the type of act proposed) in order to build trust and a good reputation (the purpose of the act) so as to grow the business (the motivating reason)." This maxim could be universalized without contradiction in conception because there is no conceptual contradiction in the maxim (as there would be if the maxim would, for instance, state that the items should be sold for the highest possible profit – disclosing defects would not achieve such a goal). There is also no contradiction in willing such a maxim because the purpose of the maxim, namely to build trust and a good reputation is fully supported by willing the maxim (however, should it, by way of illustration, not be the purpose of the agent to build a flourishing business, then there would obviously be a contradiction in willing this maxim). The reason and purpose of the maxim (to grow the business and to build trust and a good reputation) are fully supported by the action (to give the purchaser all relevant information).

The *contradiction in conception* in the maxim "I will make a false promise in order to obtain a loan so as to enrich myself" is that should such a maxim become standard procedure, if it were universalized, promises would become meaningless. The action of making a false promise would no longer work as a way to achieve the purpose, i.e., to obtain a loan, because no lender would be prepared to rely on a promise. Thus there is a conflict of ideas in the maxim if it were universalized.

The above example also shows that the maxim could only achieve its purpose if it were an exceptional maxim, one to work for us only. Such a maxim cannot be willed as a universal law because it is self-seeking and thus not other-regarding. That is, the maxim would also be unethical in terms of Kant's other dictate of the categorical imperative: "always treat the humanity in a person as an end, and never merely as a means (FEI)" (see 2 of page 11). The maxim would only work for us because most people do not act in accordance with our maxim, they in fact keep their promises. That is why lenders would

accept our promise, not knowing that ours is a false one. Thus other people's honesty makes our deceit effective – we are treating others as mere means.

For Kant, willing is regarding yourself as a cause: that the will is "a causality of living beings insofar as they are rational." Willing is regarding yourself as the cause of the end in question – as the one who will bring it about. This distinguishes willing from mere wanting, wishing or desiring (11. Korsgaard, 1985).

A business that supplies weapons of mass destruction (WMD) to a volatile country at war in order to reap maximum profits would support the proliferation of such weapons and thereby raise the risk of the total annihilation of the world population. A maxim "to sell WMD for profit to such a country" could therefore not be willed to be a universal law because it could result in the destruction of mankind and hence prevent realization of the maxim's end. Also, if universalized, every manufacturer of WMD could deliver such weapons and this would be contrary to the business's purpose of reaping maximum profits. Thus universalizing such a maxim would be a contradiction in will. The act would also be in contradiction of the categorical imperative because it does not comply with the FEI (see pages 11 and 12) as it would support armed hostilities which treat people as mere means, not as Ends-in-Themselves. The FEI would also be violated because the firm would be acting unfairly and irrationally. The firm could not subscribe to the concept of all weapons suppliers providing warring countries with unlimited amounts of WMD because under such a scenario the likelihood of an Armageddon is sharply increased. Thus the business is making an exception for itself and the excuse "if we do not supply someone else will" is not acceptable.

Assuming that the people employed by the firm would not support the supply of WMD under these circumstances, they would lose respect for their employer and would feel uncomfortable working for the firm. Such an action by the firm would therefore also violate the Formula of the Kingdom of Ends (see 3 of page 11).

Kantian theory accepts as the basic motivation for acting morally, a sense of duty. Perfect duty, according to this theory, is to will a maxim, i.e., to develop a guideline on the basis of universalizability (would it be possible for others who find themselves in similar circumstances to act in accordance with my proposed maxim)[12]? Kant's moral law requires us to act only on a maxim that is universalizable. It is important therefore that the fundamental circumstances surrounding a particular case are carefully described (including the three points raised on page 13) when designing a maxim that is to guide one's action in solving the case because only then can the test of universalizability be properly applied. Accordingly it is important to distinguish between the maxim, the rule that is to govern one's action and the question that the action is to solve. The maxim must be rational whereas the question to be solved can obviously involve a very emotional issue.

The need for designing maxims with care is highlighted by the problem of conflicting ethical principles, which applies to all moral theories. For instance, what to do when one has promised to keep a secret and some one else asks about it? One cannot tell the truth and at the same time keep one's promise. Or the case where a competitor asks certain details of the business's marketing strategy – one should never lie but if one does not, one puts one's business in danger. One cannot easily develop universalizable maxims for such situations: If one's maxim is to always tell the truth, one breaks the promise to keep the secret or one may put one's business at a disadvantage. These type of conflict issues have not been resolved and are proving to be a serious problem for those who are confronted with such situations. Guidelines to morality are just that; they do not give an answer that is automatically right for every occasion. The agent has to apply his mind, use judgment and reason. However, by carefully circumscribing the fundamental basis of a maxim the problem of conflicting ethical principles can be greatly reduced.

[12] Perfect duties must always be complied with by a moral person and they require that one executes them without room for choice as to how they should be fulfilled, e.g. the duties to keep a promise or not to lie and to respect others or to will a maxim are perfect duties. Imperfect duties, duties that one should comply with at least some of the time, allow leeway, i.e. they permit one to choose. Thus the duty to help those in need is an imperfect duty since it can be fulfilled by helping the sick or the starving or the oppressed and one can help any one of these groups in different ways.

Kant rejects utilitarian ethics because "the motives of virtue are put in the same class as those of vice and we are instructed only to become better at calculation, the specific difference between virtue and vice (rightness) being completely wiped out" (8. Kant, 1964). By considering an act as ethical only if its consequences are the greatest happiness for the largest number of affected persons an immoral act could be ethical in utilitarian terms. All we are asked to do by utilitarianism is to calculate what will produce the greatest happiness and act accordingly.

One of business's duties is to earn sustainable profits. Thus, business has to ensure that the maxims by which its actions are guided are in line with this duty and are universalizable. This means that business cannot act in violation of the categorical imperative. Employing lying, cheating, withholding vital information, coercing etc. in order to earn profits would not be in line with the categorical imperative and such acts would be unethical in terms of Kantian theory.

Kant's duties in terms of the Formula of the End-in-Itself (refer to page 11) are set out in the following table:

Duties to:	Positive Duties: (mostly imperfect duties)[13]	Negative Duties: (mostly perfect duties)[14]
Self:	Self realization. Be true to one's values.	No self-abuse. No self-contempt. No suicide. Not self-seeking.
Others:	Care for and support others. Treat others according to their desert.	Never treat others merely as means. Never disrespect others dignity and autonomy. Don't kill. Don't lie, deceive, mislead. Don't coerce. Don't break trust or promise. Don't withhold relevant information.

These duties also apply to businesses.

[13] Imperfect duties allow leeway in the interest of inclination, i.e. that permit one to choose among several possibilities of fulfilling them, e.g. help those in need: choose the sick, the starving and how to help the

VIRTUE ETHICS.

According to this theory the rightness of the act is a function of the goodness of a person's character.

Aristotle (1. Aristotle, 1998), the preeminent Greek philosopher (384-322 B.C.) who largely fathered virtue ethics, said that a good, virtuous character is neither natural nor unnatural but is cultivated and made part of the individual, much like a language, tradition or profession (30. Beauchamp, 2001: 34). Moral virtues are acquired through upbringing, early experiences and habitual practice of acting in a virtuous manner as opposed to intellectual virtues which are developed through education. Moral knowledge cannot be acquired merely by attending lectures and it is not characteristically found in people too young to have had much experience of life – stupid people can never have virtues because they are unable to learn from their experiences.

Aristotle (1. Aristotle, 1998) explains what he means by virtue by referring to the flute-player or the craftsman and draws a parallel to human goodness: A flute-player, a craftsman or a businessman have defined functions or social roles and their goodness is dependent on their performance as such. Human goodness depends on the performance of the human's distinctive "craft", which Aristotle sees as the active exercise of the soul's[15] faculties in conformity with rational principles. Only humans are capable of rational decision-making, only humans have the ability to choose – it is what distinguishes man from all other living things. This then is man's specific "craft" the execution of which determines his goodness, his virtuousness.

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chosen group. Imperfect duties may be overridden by perfect duties and must at least sometimes be complied with.

[14] Perfect duties are duties that must be performed what ever the circumstances and do not allow leeway, e.g. to keep one's promise or not to kill or harm others.

[15] The soul is defined as the immaterial "I" that possesses conscious experience, controls passion, desires and action and maintains a perfect identity from birth to death (3. Blackburn, 1996).

The soul of a business is, I believe, represented by its culture[16], values and ethics which have been developed over years by - and are expressed by - its people and which, if strongly inculcated control its passion, decisions and actions. The purpose of a business is to satisfy the market by producing the goods or services wanted by the market and for which it has been set up. It must do so at a profit and in a manner dictated by its culture, moral values and ethics. A business which is successful in achieving this would be a virtuous business.

A virtuous or just person has a fully conscious desire to act in a morally correct, virtuous manner and acts so out of principle, from a fixed disposition and not just out of duty. A morally good person acts from the right feelings (at the right times, on the right occasions, towards the right people, for the right motives and in the right way) in the right measure – somewhere between the extremes. Excess or deficiency in feelings results in bad actions. The mean, the balance between the extremes is what the virtuous agent will live by and this applies to business too. A balanced approach in decision making and acting is what makes a business a long term success.

Aristotle (1. Aristotle, 1993) differentiates between:

- the temperate, moral or virtuous person who is the one who does the right thing, is happy doing it because he does it out of principle, from a fixed disposition, knowing he does the right thing because he acts from virtuous feelings;
- The continent person does the right thing because he knows that this is how he ought to act but he struggles because he wishes to act differently due to contrary desires; he does not act from a fixed disposition;
- The incontinent or morally weak person does the wrong thing knowing that it is wrong because he is not able to fight the overwhelming contrary desire;
- And finally the intemperate person does the wrong thing believing it to be the right way to act according to his personal principles, his fixed disposition. The intemperate man does not repent; the incontinent is always capable of remorse. The intemperate is

[16] Culture: The way of life of a people, including their attitudes, values, believes, art, sciences, modes of perception, and habits of thought and activity (3. Blackburn, 1996).

incurable while the incontinent can be cured. Vice, as displayed by the intemperate, is chronic while incontinence is an intermittent illness. Vice is deliberate and incontinence is not.

The culture, values and ethics of a business is dependent on the degree of temperateness or intemperateness of the group of people who manage and run it. Operations by organized crime are an example of business conducted by intemperate individuals. The raison d'être of Aristotle's virtue ethics is eudaimonia, the ancient Greek term for human flourishing or happiness [17]. Whereas utilitarianism aims at achieving the greatest happiness for the affected people, Aristotle believes in the greatest florishing of the individual.

A just business in Aristotelian terms is a virtuous one because it performs its function and its social role well. It promotes virtue in others and acts as the virtuous person would**.** For the utilitarian a just business is one that produces the greatest utility, regardless of how it achieved that state. According to Kant a business is morally right if it follows the categorical imperative, i.e. if it respects the dignity and autonomy of all persons.

Virtue theorists maintain that it is unreasonable to expect of a moral theory that it must provide clear guidelines about what ought and ought not to be done. As Aristotle said, virtue ethics can provide an outline only without much precision in details. Rosalind Hursthouse (7. Hursthouse, 1991) points out: The application of virtue ethics rules does require the most delicate and sensitive judgment. Those that follow virtue are forced to think out for themselves what is best suited to a particular circumstance just as a doctor, a navigator or a businessman need to consider their actions depending on the circumstances which confront them in a particular situation.

[17] Eudaimonia is the most final end: We pursue wealth, honour, pleasure, knowledge and virtue not only for their own sake but mainly for the sake of eudaimonia.

The doctrine of the mean[18], which says that we should not display excess or deficiency in our feelings and actions but live according to the mean between the two extremes, is the guiding rule to the way we should behave in order to achieve eudaimonia in virtue ethics. For instance generosity is a virtue if the mean is applied, that is one should be neither mean nor prodigal. However, the doctrine is not a very clear guide because the mean varies for different people – there may be as many means as there are differences between people. For instance, some people have sycophantic personalities, others are argumentative and a third kind is naturally amiable. The mean of being pleasant in daily life will be different for each of these groups. The persons being addressed also have different sensitivities and therefore conceive pleasantness in differing ways. Also, not all virtues have a mean. For instance, I either tell the truth or I don't; I keep a promise or I break it, a business supplies its shareholders with all the facts or it does not. In other words there are some absolute virtues that I will have to comply with and there are some relative virtues, which do have a mean and which are relative to various people and situations, like courage, or in business – cost control (too little is inefficient, too much damages the future of the enterprise).

There is also the question as to whether all virtues are under all circumstances worthy ideals. Take courage: is it a virtue if it is employed in a heinous act? This raises the questions as to whether a moral theory based entirely on character is sufficient and whether one needs to have all virtues in order to achieve eudaimonia. If the latter is the case then that would presumably ensure that an ethical person, a person of good character, would not entertain a heinous act and therefore the first question raised in this paragraph would not arise. But if man has to display all the virtues in order to achieve the telos (end or purpose) of virtue ethics then it requires perfection of man and it could be argued that such a demand is against equality and democratic principles. Some people will display great and good character in certain circumstances but may fail in others. As Alasdair

[18] From this definition it can be seen that Aristotle's mean does not infer mediocrity, second-rate or inferiority. He said: "The man who knows his business avoids too much and too little – he seeks the relative mean. An artistic masterpiece is destroyed by too much or too little – just the right amount makes it a masterpiece – the mean preserves it".

MacIntyre[19] pointed out, only in certain kinds of societies or types of jobs can virtue prosper. An example would be on the one hand the medical profession, which is involved in performing a job that is inherently virtuous i.e., looking after the health of people and on the other, the job of an assembly worker who has the manual task of adding a small component to hundreds of large machines that are being built. Clearly, the environment of the medical profession lends itself far more to displaying virtues than the assembling job.

From the few points raised above it would appear that virtue theory on its own does also not provide sufficient practical guidance to help in solving ethical problems in business.

FEMINIST THEORY, ETHICS OF CARE.

This is a theory focused on personal relationships and appropriate character traits such as sympathy, compassion, love, friendship, loyalty etc. The proponents of this theory believe that the Kantian and utilitarian theories overlook the importance of the well-being of others because they demand impartiality which treats individuals as impersonal. People do not necessarily act out of a feeling of responsibility but often because they care or because of their special attachment and love towards another. I do not believe that Kantian theory is impersonal. As earlier stated, the importance of the well being of others or the personal relationship that can and should affect the action, need to be taken care of honestly in the rational design of the maxim. If they were not, the maxim and the resulting action could not be one of a person with good will, with a good character. However, the universalization, the testing of the maxim needs to be done rationally and without emotion.

The "Golden Rule" is considered part of the ethics of care. It is a rule which appears in many religious teachings and received its name from Confucius (551 – 479 BC) who wrote "Here certainly is the golden maxim: Do not do to others which we do not want them to do to us". The Golden Rule controls our actions and forces us to keep others in mind and promote their interest. However, the Golden Rule has its limitations, e.g., when

[19] Alasdair MacIntyre in his essay: *The Virtue, the Unity of a Human Life, and the Concept of Tradition.*

both parties happen to like intuitively immoral things (for instance a reciprocal agreement to bribe); when more than two parties are involved who is the one in who's shoes one should step? Nevertheless, the Golden Rule is frequently and effectively applied in the search for answers to difficult moral problems.

Ethics of care can assist - if thoughtfully applied in softening**,** or rather in paraphrasing the demands of Kant's categorical imperative - in ensuring that a company takes on the characteristics of a moral community (the ideal kingdom of ends, in Kant's language, see pages 11 and 13) and this can result in improved corporate ethics and productivity.

THE COMMON MORALITY THEORY.

W.D. Ross (30. Beauchamp, 2001: 29/30) who is a well known proponent of this theory argues that there are several basic rules of moral obligation that do not derive either from Kantian or utilitarian theories:

- Promises create obligations of fidelity;
- Wrongful actions create obligations of reparation;
- The generous gift of friends creates obligations of gratitude;
- The obligations of self-improvement, non-malfeasance, beneficence, and justice.

According to Ross, one's greatest obligation in any particular circumstance must be based on the greatest difference of right over wrong in that particular context. The strongest obligation in the particular case must be acted upon. For instance where the obligation to keep a promise conflicts with the obligation to protect the life of a person, then the weightier obligation of protecting the life will override the obligation of keeping the promise.

These thoughts have lead to the acceptance by many moral philosophers that rights and obligations are not inflexible standards. The idea of an exception-free hierarchy of rules and principles has been replaced by one that accepts that although they represent strong prima facie moral demands in cases of conflict, there may not be a single right action.

It seems to me that these thoughts are not contradicting Kant's theory. Kant accepted that there can be conflicts between different moral claims and that in such case the more serious obligation must supersede the less compelling one. As has been pointed out earlier (pages 13 to 16), the maxim needs to articulate the circumstances in order for it to be rationally tested through universalization.

SOCIAL JUSTICE – RAWLS'S JUSTICE AS FAIRNESS (23. Rawls, 2001).

Theories of social justice are ideologies about the principles of how political and economic institutions should be designed and what they should try to achieve.

One of the world's most distinguished political philosophers, the American John Rawls (1921 – 2002) a protagonist of Kantian thoughts, made a considerable contribution to the theory of social justice. Although the subject is generally thought to be a political issue, it has considerable ramifications for business ethics (as will be seen more clearly in discussions later during this report).

Rawls's theory of fairness rests on his two principles of justice[20]:

1. The indefeasibility of individual rights[21] (the equal basic liberties principle); and
2. That social and economic inequalities should be tolerated only if:
   - offices and positions are open to all under circumstances of fair equality of opportunity (fair equality principle), and
   - absolute priority is given to the needs of the worst off (the difference principle).

Rawls asked: how can people with conflicting ideas about morality, religion and the good life, agree to principles that will allow them to live together in a stable society? To answer this question Rawls developed his famous "veil of ignorance". The veil of ignorance (a theory for the process of decision making) defines the "original position" –

[20] Justice means equitable distribution of rights and obligations.

[21] Individual rights are the rights to equal political liberties, e.g. the right to vote and to be eligible for public office, freedom of thought, speech and assembly, freedom to own property and freedom from arbitrary arrest.

the situation where the decision makers have to contract into basic social or economic structures without knowing which role or position in society they themselves will hold. Decision makers in the original position are equally situated in that they are ignorant of their talents, wealth, and position in society and about society's opinions. They see themselves as equals.

Rawls believed that decision makers in the original position would support the above mentioned two pillars of his theory, i.e., the equal basic liberties principles and the fair equality principle together with the difference principle.

Rawls thought that people would employ a strategy that maximizes their minimum gain, or equivalently, minimizes their maximum loss because decision makers in the original position would aim to secure for themselves and those they represent the basic rights, liberties and fair opportunities and a fair share of the primary goods[22]. Rawls calls this strategy the "maximin rule" which counsels that at least in some circumstances the right decision is that which makes the worst outcome as good as can be. He also judged that decision makers under such circumstances would accept the difference principle rather than agree to utilitarian principles. Rawls thought the veil of ignorance a fair procedure and believed that fair procedures would result in fair outcomes.

The difference principle would be supported by the maximin rule under the condition of the veil of ignorance because the total output will be higher (the best qualified will have the incentive to produce to their best ability) and the decision makers will be guaranteed not to be worse off than under a system of equal division of wealth. Our free market economy and our progressive tax system are examples: the capable can earn more and become wealthy and are thus incentivised to grow the economy which is to the advantage of all. The higher earners will pay proportionally more in tax whereas the poor need not pay any tax.

[22] Rawls defines primary goods as: basic liberty, freedom of movement and choice in occupation, the powers and prerogative of offices and positions of responsibility, income and wealth, the social basis of self-respect, e.g. that societal practices do not denigrate an individual's self-worth.

Decision makers working under the conditions of the veil of ignorance have to decide which principles it would be rational to adopt under given circumstances. This connects the theories of justice and rational choice in line with Kant's categorical imperative (the maxims they would formulate would be respectful of autonomy and universalizable) because decision making under the circumstances of the veil of ignorance forces other-regarding on and in the interest of all participants.

The following table illustrates preferred benefit distributions under different ethical systems:

Recipient	X	Y	Z	Total	Systems
Distribution I	3	3	3	9	Egalitarian
Distribution II	3	4	12	19	Utilitarian
Distribution III	2	3	11	16	Libertarian
Distribution IV	4	5	9	18	Rawls/Kant/Difference Principle.

NOTES:

1. While an egalitarian distribution seems fair – everyone gets the same benefit – it may in fact be highly unfair because any one X, Y or Z may work particularly hard and diligently and not get recognition for the extra effort. Egalitarianism equals mediocrity – the total output is lower because of the lack of incentive. The most capable are not motivated to achieve their full potential.
2. Utilitarians would choose distribution II because it maximizes utility (total 19) although it produces extreme inequality, particularly for X. X's low benefit receipt is accepted in the interest of the greatest amount of benefit.
3. Libertarians believe in a radical free market. Any of the distributions could be acceptable, provided the benefit holding is transferred justly[23].
4. Rawls would support distribution IV because although there is inequality, X and Y are improving their position (are best off under all 4 distributions) – the difference principle is working. Although not shown in this example, the Ralwsian system is likely to

[23] According to this theory, a holding acquired justly including its fruits, is not subject to the veto of others (substantive self-ownership), e.g. Rawls' difference principle is not accepted under this theory.

produce the highest total because participants will see this as a fair system and will therefore all contribute to their best ability.

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This short synopsis of the more important moral theories tells us that while most have some shortcomings, they all have something important to say about ethics in business. Kant's theory is to my mind the most authoritative philosophy and, while I shall not ignore the others, Kant's categorical imperative will be the ethical basis for my reflection on morality in business.

Business management issues that are closely linked to ethics are corporate governance and sustainable development. Ethics in business, corporate governance and sustainable development are matters that are much higher on the public's agenda to-day because of globalization, the occurrence of disasters (ecological) and the greater interest shown by investors and the media (good corporate citizen issues). The next two chapters deal with corporate governance and sustainable development, after which I will discuss the relevance of ethics to business.