



Teaching Philosophy

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Ethics and Business: An Introduction

Kevin Gibson

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STEPHEN HICKS

Kevin Gibson has written a solid, mainstream textbook for business ethics courses. *Ethics and Business* is organized thematically with chapters on ethical theory, capitalism, feminism, responsibility, rights, autonomy, beneficence, and the environment. Gibson's target audience is undergraduates and those new to the field. His goal is to introduce business ethics to those who have not necessarily had prior exposure to philosophy.

In this I think Gibson succeeds. The writing is clear and accessible. Gibson nicely integrates explanations from ethical theory—the nature of capitalism, relativism, instrumentalism, rule- and principle-based approaches, egoism, virtue—with complicated applied issues such as externalities, theft, tariffs, wages, child labor, globalization, comparative advantage, and fraud. Each chapter includes a discussion of at least one relevant real-life case. Gibson has chosen contemporary cases that students can relate to involving companies they have heard of—Nike, Wal-Mart, Enron, Shell—and issues they are no doubt engaged with—pornography, sweat shops, drug use, discrimination, and so on. Along the way he includes discussion of important theoreticians—Robert Nozick, John Rawls, Adam Smith, and others. And each chapter ends with a well thought out list of questions for student thought and class discussion. As a result, any student who reads and works through Gibson's book will get a solid introduction to many of the issues and concepts central to business ethics. Gibson's book is thoughtful, sensitive to many of the controversies among business-ethics theoreticians, and clearly the product

of many years reading and thinking through the world of business, ethics, and philosophy.

Gibson's own approach is, I think, middle-of-the-road in the content of his beliefs about business and ethics. As such *Ethics and Business* embodies the strengths of the mainstream—and a few of its weaknesses. So from the perspective of someone outside the mainstream, let me indicate what I take those weaknesses to be in the context of reviewing a textbook written for students. Textbooks instruct students in the major concepts and theories of the field and they do so clearly in language accessible to students. On both counts Gibson's book is very good. Textbooks also have the goal of introducing students to the points of controversy and debate within the field, but here I think *Ethics and Business* overlooks several important issues.

(a) On a few key occasions, Gibson writes as though the position he is stating is not controversial. For example, he subscribes to the concession theory of business, which holds that businesses are “chartered by the public and so instituted for the common good” (xiv). To be sure, the concession theory is a major contender. But so is the contractual theory, i.e., the view that business activity is a function of individual choices: individuals have liberty rights and so may associate with each other for any peaceful purpose; accordingly, business is a bottom-up network of relationships established by individuals. Sports teams and churches are relevant analogies here. Sports teams can be seen as a matter of private relationships established by free agents, or they can be argued to be a public good invested with commons claims (e.g., the arguments that are made when a major league team's owners announce they are moving the team to another city). Churches can be argued to exist as a result of public chartering to pursue common goods (the historical “establishment” theory of religion), and they can be argued to exist as a result of free individual choices to pursue worship socially (historically, the “disestablishment” theory). Similarly, there is a historical position that businesses exist only by permission and much be chartered by the monarch or the state for public purposes, and there is more recent historical position that businesses may be formed by individuals spontaneously for their legitimate private purposes. It is important for students to know that there is such a foundational debate.

(b) In a good chapter on autonomy, Gibson makes this statement: “A key assumption in the free market is full information” (152). Again, this is an extraordinarily controversial assumption within the literature. “Full information” was probably the assumption of many neoclassical economists in the middle of the twentieth century. It was an assumption made no doubt to simplify the process of constructing theoretical models in an often messy world of change and agents acting with partial information. But much of the work of neoclassical and Austrian economists of the last two generations, such as that of Nobel Laureates such as Gary Becker and Friedrich Hayek, has been based on challenging and rejecting the full-information hypothesis. If our goal is to understand the real dynamics of business and the economy and it

is obvious that nobody ever acts with full economic information, then both business and ethics analyses must take with a grain of salt such over-idealized assumptions.

(c) Those are two smaller points, but they speak to broader framing issues. One larger point is Gibson's regular description of our economy as a capitalist one. Clearly, we in America have an economy with many features of capitalism, and equally clearly capitalism has had a major role in national and international economic developments in the modern world. But it also seems clear that for over a century now, even if we limit ourselves to the United States, we have had a mixed economic system with some capitalist, paternalist, and socialist elements, along with much old-fashioned graft. So if the stated goal of *Ethics and Business* is to situate business ethics in a realistic context, it is not clear that Gibson has done so. A prior task must be to sort out to what degree the economic sector or sub-sector is or is not capitalist. And it should at the outset be an open question whether the problems and corruptions that arise in the business world are due to the capitalist elements, the paternalist elements, the socialist elements, or the other elements in the system. But by labeling our system simply as "capitalism," Gibson by default throughout the book describes problems of a mixed economy as problems of capitalism. This is not to say there are no capitalism-specific moral challenges that can be raised. It is to say that it is important to target the challenges appropriately. For that, an important prior issue is to establish what degree of mixed economy one is talking about. It is one thing, for example, to diagnose problems that arise in the computer industry, with major centers in Silicon Valley and Redmond where the economic-political environment is perhaps 75 percent free market and 25 percent government regulation. It is another to diagnose problems that arise in the finance industry, with major centers in Washington and New York where the economic-political environment is perhaps 25 percent free market and 75 percent government regulation. To describe both and all such business environments as "capitalist" is not helpful in developing either diagnoses or solutions.

(d) Another larger, framing issue is Gibson's brief account of egoism. The status of self-interest and egoism is foundational to business ethics as it shapes our subsequent analyses of the profit motive, competition, property rights, and trade. Gibson follows a mainstream tradition in describing egoism as "the law of the jungle"; he cites Plato's account of Gyges as a representative and states that "[c]urrent advocates of egoism often appeal to the works of two major historical figures: Niccolò Machiavelli (1469-1527) and Thomas Hobbes (1588-1679)" (16). The problem here is that I know of no current advocates of egoism who appeal to Gyges, Machiavelli, or Hobbes. They all appeal to Aristotle and Ayn Rand, and all of them are *anti-Gyges*, *anti-Machiavelli*, and *anti-Hobbes*. There is a lively literature about egoism: its critics argue that egoism is about irrational, passion-driven, zero-sum conflict, while its advocates argue that egoism is about rational productivity and win-

win trade. All of the *critics* tend to take Gyges and Hobbes as their foil, but none of the *advocates* do. So there is a controversy here over exactly what egoism is, and it is important that students know that controversy, but I did not find coverage of it in *Ethics and Business*.

(e) Gibson's book embodies what I think is a healthy move in the literature to take seriously case studies, in contrast to many past business ethics approaches that applied *a priori* assumptions about ethics to business in a top-down fashion and often made business ethics seem simply to be applied political theory. Gibson's book is part of a welcome corrective empirical and bottom-up trend. Still, Gibson's case-study reporting is sometimes too casually journalistic. An example is his discussion of the Bhopal tragedy, one of the very important business ethics cases of the century. The Bhopal case assumes importance in *Ethics and Business* given that it is discussed at the beginning of chapter one and so serves as a framing example for the whole book. As Gibson tells it, accurately, many tons of hazardous methyl isocyanate gas (MIC) escaped from the Union Carbide plant in Bhopal, India, and spread over the city, killing and damaging thousands of people. The Indian government charged Union Carbide's CEO with manslaughter and eventually UCC paid \$470 million in compensation. Gibson then goes on nicely to lay out several questions about individual business professionals' responsibility, the nature of foreign businesses operating in less developed countries, the relationship between the pursuit of profit and the pursuit of safety, and the capitalist economic system in general.

That is fine as far as it goes. Yet it leaves out several hugely important relevant facts about the case. The most important is that UCC's presence in India was governed heavily by the Indian government and its then aggressive, top-down industrial policy.

The decision to use the hazardous chemical MIC was the Indian government's not UCC's. UCC's initial presence in India was to import already-combined chemicals and to process relatively diluted and safer pesticides. But the Indian government was then pursuing a policy of national self-sufficiency. Everything was to be "Indianized." MIC and the products it was used for could have been imported much less expensively, as was UCC's initial plan. But UCC was then directly required by the Indian government to expand its operations to manufacture pesticides from scratch, which in turn required the storage and handling of large amounts of hazardous MIC. The new government directive also required the building of a much larger plant and facilities. As the parent corporation, UCC was allowed by the government to submit generalized guidelines for the design of the safety systems. But in the name of national self-sufficiency, the Indian government required that the detailed design and installation of the safety systems be done by Indian consulting firms. The Indian government was also pursuing an affirmative action program, which effectively forced out UCC's foreign experts in engineering and agricultural chemistry and had them replaced with locals, many of whom were under-

educated and many of whom just happened to be friends and family members of Indian politicians in charge of regulating the facility. Finally, the decision to situate the plant in the middle of a residential community was the Indian government's, not UCC's. At the time of the plant's development, the local Bhopal government was pursuing a re-zoning policy that included giving many thousands of Indians construction loans to encourage them to build their homes near the chemical plant.

So there's certainly an important set of business ethics issues here. To what extent was Bhopal a corporate failure and to what extent was it a government failure? Does the Bhopal disaster indict business professionals or government bureaucrats—the pursuit of profit or the pursuit of racial quotas—the capitalist system or statist industrial policy? The emphasis in Gibson's book on connecting the theoretical issues in ethics to practical, real-life cases is admirable, but it is equally important that the journalism that goes into presenting such cases be complete and accurate so that students are in a position to make informed, judicious analyses.

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