



Summary Economics and Ethics

Economics and ethics (Katholieke Universiteit Leuven)

Part 1: THE ETHICS OF ECONOMISTS

Introduction: Economists are perceived as people who have been extensively exposed to the **self-interest model**, i.e. **that they act solely based on what is good for them and don't care about others**. -> Does this self-interest model in any way influence an economist's ethical judgments? To answer this, we study 3 articles.

Introductory experiment: There is 10\$ to distribute between 2 people in multiples of 0,5\$. The proposer proposes the division of the amount and the responder then accepts (get the amount agreed upon) or rejects (both parties receive nothing) the proposal.

Are economists different, and if so, why? – Carter and Irons: Economists are **indeed different**. They look at different things and in a different way than other scientists. However, what we want to know is **if economists are measurably different at fundamental levels**, i.e. how they make choices.

Marwell and Ames - Evidence pro: **Free-riding was significantly greater among a group of economic graduate students than among other student groups**. This is due to either selection or learning:

- **Selection:** Students who are particularly concerned with economic incentives might self-select into economics. This means that **people who choose economics, already have different incentives and mindsets before they entered university**. They are already self-centred and want to know more about economics.
- **Learning/Indoctrination:** Economics students might adapt their behaviour over time to the basic axioms of the theories they study. **The learning process changes how you think about fundamental (ethical) things. (Learning = critical acceptance; Indoctrination = uncritical acceptance).**

Carter and Irons: Objectives of the study:

- Check the results of Marwell and Ames.
- Test whether students behave in accordance with the predictions of the rational/self-interest model of economists. -> Where ethics enter: Do economists make other ethical decisions?
- If economist do indeed make different decisions, is it because of selection or learning?

How to determine if economists are different?

Experiment with 4 different groups of respondents: non-economists vs. economists and freshman vs. seniors.

	Freshmen	Seniors
Noneconomists	(1)	(3)
Economists	(2)	(4)

- If there is a difference between the economist (2) and non-economist (1) freshmen, then there is already a difference between them when they entered university, i.e. selection.

- If there is a difference between the freshmen (1) and senior (3) non-economists, then this is because of the maturation effect: By getting older and more mature, people make different ethical decisions.
- If there is a difference between the freshmen (2) and senior (4) economists, then it is because of the learning effect: They study economics and apply the theories they learned. -> To get an idea about the learning effect, you first need to know the maturation effect. If the effect within the category of economists is bigger than the maturation effect, then you can say that there is also a learning effect present.

Experiment: The experiment that will be carried out -based on the already introduced scenario- is a simple ultimatum bargaining experiment. This means that the experiment (game) is only done once, the proposer and responder are interacting (but not discussing), and the responder can either accept or reject the proposal.

- Predictions of the economic theory:

What is economic theory? View of an economic man, Homo Economicus: Humans are considered rational and narrowly self-interested actors who have the ability to make judgments toward their subjectively defined ends. Using these rational assessments, the homo economicus attempts to maximize utility as a consumer and economic profit as a producer. Rational/self-interest model.

Prediction: The responder prefers anything above 0\$ (rational human). The proposer knows this and will only offer the minimum (0,5\$). Therefore, the responder will accept that amount anyway and the proposer leaves with the maximum amount (9,5\$).

- Results:

Proposer's amount kept: We see that economists are closer to the predictions of the economic theory than non-economists and keep more for themselves. Similarly, freshmen keep more for themselves than seniors, both for non-economists and economists. This can be explained by the maturation effect, i.e. when people get older, they're more open towards cooperation and less selfish.

Responder's minimum acceptable amount: You see that on average, economists are willing to accept a lower amount than non-economists, which corresponds with the rational human assumption in the economic theory. We also see that seniors are on average willing to accept a lower amount than freshmen, which again is due to the maturation effect.

- Conclusions: explaining the results:

Result 1: Economists accept less and keep more. -> This shows that economists' behaviour is on average closer to that predicted by the economic theory. It is very noticeable that economists are indeed different (which is confirmed by a regression analysis).

Result 2: The regression analysis is looking for the difference between the freshmen non-economists and freshmen economists to determine selection; and the difference between freshmen and senior non-economists to determine the maturation effect. -> Result: When using a regression analysis, it becomes clear that freshmen economists accept less and keep more than freshmen non-economists; which indicates that selection indeed exists. Economists are already different from the beginning.

Result 3: Does economists' training shape behaviour according to the self-interest model? To know if there is a learning effect, you must compare freshmen with seniors. The initial gap between economists and non-economists should widen: if the gap changes, then there is an additional effect besides the maturation effect.

The gap for the amount kept widens slightly, i.e. in line with hypothesis. However, the gap for the amount acceptable disappears (no difference anymore), i.e. against the hypothesis. -> Conclusion: We cannot conclude that there is support for the learning hypothesis.

Result 4: Is the difference between economists and non-economists due to the economists' deductive skill (i.e. the logic required to recognize and determine opportunities for economic gain) rather than to different (moral) sentiments?

It turns out that all groups in the experiment can determine for themselves what's best for them. -> Conclusion: The difference is not because of the economists' deductive skills (i.e. being better at calculating things and better at determining what's best for them). -> Something more than deductive skill/logic is involved: Economists have deliberately made different moral decisions.

There seems to be something more/else than self-interest that guides economists. -> Is it ethics? Why are students not accepting 0,5\$ or keeping 9,5\$? -> Even economists are not acting like the model predicted: Many go for an equal distribution (50-50). This equality indicates a common interpretation of fairness. -> Problem with the economic theory as behaviour was not accurately predicted.

Why is behaviour not accurately predicted by the economic model? Different reasons why the economic students' behaviour differed from the predictions:

- **Ethical reasons:** e.g. justice, equality, altruism.
- **Paternalist reasons:** e.g. aiming to change the behaviour of others, punishment, learn someone a lesson.
- Simple **stupidity** or total **indifference**.
- **Irrational behaviour:** e.g. satisficing vs. maximizing, overestimating probabilities (overconfidence bias), risk aversion (fear the responder will act 'irrationally').

Behavioural economics: Explores why people sometimes make irrational decisions, and why and how their behaviour does not follow the predictions of economic models, i.e. maximization of utility and/or profit.

Does studying economics inhibit cooperation? – Frank et al. Does exposure to the self-interested model alter the extent to which people behave in self-interested ways?

Do economists behave differently? A literature overview on what has been documented earlier. There is no new empirical research in this part.

Free-rider experiments: There have been a number of free-rider experiments that confirm that economists indeed behave differently.

- **Marwell & Ames:** They gave the participants the choice to allocate money to a 'private' and/or 'public' account. The money they put into the 'private' account is what they receive. The money in the 'public' account is pooled and multiplied with a factor larger than 1 and distributed equally amongst all participants. -> Results: Economists put on average 20% in public fund while non-economists put on average 49% in public fund. The less one puts in the public fund, the more free-rider one is. -> There is indeed more free-riding among economists.

Ultimatum bargaining games: Games that confirm that economists behave differently.

- **Carter & Irons:** See previous article discussed

Survey data on charitable giving: Data that proves that economists are more selfish than others and donate less to charity. If they do give money to charities, then the average gift is lower than others.

Prisoner's dilemma experiments: Experiments that prove that economists do behave differently, i.e. they are significantly more self-interested. In such experiments, there is a pay-off matrix that presents the 'prisoner' and his counterpart with different choices and an ultimate optimal solution.

Why do economists behave differently? Evidence: They provide their own research and results.

Are economists different because of their training, self-selection or both? To find this out, different techniques can be used.

Prisoner's dilemma: Compare freshmen and senior economists and non-economists through a prisoner's dilemma experiment.

Results: Defection rates, i.e. non-cooperation, decrease between freshmen and seniors. This means there is more cooperation as one gets older. However, this holds more strongly for the non-economists. -> Economists stick more to defection. This suggests that there are learning effects.

Honesty surveys: Another way to find out why economists behave differently. 3 groups of students are being questioned: a group taught by a mainstream economist professor; a development economist professor, i.e. someone taking the wellbeing of people more into account; and a control group of non-economists. The students are

presented with 2 ethical dilemmas: Do you report a billing error (even when it's in your advantage)? Do you return a stranger's lost \$100? These 2 questions were asked at the beginning and the end of the course.

Results: You can see that the group taught by the mainstream professor became the most less honest, the group taught by the development professor stayed more honest, and the control group of non-economists remained the most honest. -> **Learning about economics makes you less honest.** The emphasis on self-interest model seems to inhibit cooperation. This is what is called learning effects: By getting taught economics, you become less honest.

Comparison: Carter & Irons' study suggested that selection explains why economists are different whereas this study claims it's because of learning effects.

The moral effects of economic teaching – Etzioni: An article that presents an overview of the existing literature on the moral effects of economic teaching. All studies that are compiled in this article report that **economic students are less social, cooperative and honest than non-economists.** -> Is studying economics the cause of moral degradation (learning effect); or is it because of a selection effect?

Problem: some studies support the selection effect (e.g. Carter & Irons) whereas other studies support the indoctrination effect (Frank et al.).

Conclusion: **There is both a selection and indoctrination effect: Those drawn to economics already have a more 'debased' orientation compared to their peers, and exposure to economics adds a debasing effect.**

Remarks:

- **There are areas of attitudes/behaviour that will not be affected by exposure to economics.**
- Few studies find that the studying economics correlates with pro-social behaviours, i.e. there is almost no evidence that economists show pro-social behaviour.
- All studies use different methodologies, settings, framing, population sizes on which results might depend.

Lesson: Be aware of the underlying assumptions of the theories taught to you (as an economist). Do you think that your ethical decision-making, look on life is influenced by being an economics student?

Does studying ethics influence moral views? **Studying philosophical ethics does not change the students' fairness views.** However, **the absence of an individual effect of an individual effect does not mean that ethics instruction is ineffective in a broader sense.**

Part 2: THE LIMITS TO THE MARKET:

Are there ethical limits to the market or is everything in life for sale?

Introduction: In this part, we ask some fundamental questions about the ethics of the market. -> Key word: fundamental, i.e. philosophical questions. In other words, we take a look at the market from a philosophical point of view. We approach an issue with reason, arguments to accept/reject something from an ethical point of view.

We're not going to study applied ethics, i.e. apply an ethical framework to a specific problem; nor will we study the ethics applied to business; nor business ethics (see part 4).

What are 'fundamental' questions? What is the research question?

- Are there any things of which trade on a free market is not acceptable?
- Are there any things that should not be bought and sold on a free market?
- Can you name goods which are physically/legally not for sale?
- Can you name goods which should not be for sale? -> Personal ethical opinion.

-> Categories of answers:

- **People/body parts:** e.g. children, liver, kidneys, bone marrow, egg cells/semen.
- **Human and personal rights/identity traits:** e.g. voting rights, nationality, criminal records.
- **'Free' goods:** Goods in abundance that cannot be divided amongst people and for which someone's use cannot be restricted. e.g. water, air, sunlight.
- **Intangible goods:** e.g. love, friendship, family, respect, honour.

-> What should (not) be traded? This is about the ethical limits to the free market. More important is to explain why? In ethics, you should explain your opinion with arguments and defend your choices.

Specific issue: A free market for living donor kidneys. -> Actual debate in many countries.

Many people have a disease and need a kidney transplantation. The problem is that there is a shortage of kidneys available for transplantation. **This causes people on the waiting list to have a reduced quality of life and fear of dying.** -> Solution: Since people can live with only one kidney, there is a possibility for a free market for living donor kidneys.

-> Is a free market for living donor kidneys acceptable? We're going to discuss 2 articles that shed a light on this matter, one article pro and the other con.

Important
article.

A regulated market for kidneys? – Kurt Devooght: It's an example of how a philosophical, ethical article is designed, i.e. the structure, arguments used to defend and explain an opinion, conclusions.

Introduction: The article begins with an introduction of the topic and what the current situation is: What is the matter? First of all, there is a shortage of kidneys which causes some patients to die while they are on the waiting list. Another aspect to the story are the immoral practises that take place: theft, corruption, abduction, medical malpractices, etc.

-> **What can the government/society do about these things?** 'Negative' approach: Forbid those immoral practices, if possible. However, this does not solve the shortages which are the core and cause of these malpractices. For that reason, people want to take a 'positive' approach: Create a favourable legislation for donor donation to increase the number of available kidneys.

To create this favourable legislation, there are 4 possibilities to achieve this:

- **Presumed consent:** The law states that the individual is assumed to allow for organs to be taken for transplantation upon death. The government assumes you agree with this, but in reality, the consent from the family is still sought. You do have the possibility to 'opt-out', i.e. specifically state you don't agree so they can't take any organs. The 'opt-out' system is an example of nudging, i.e. the government nudges you to stay within the donation program.
- **Mandated choice:** There is no 'opt-in' or 'opt-out' system, but you have to make a decision. Your choice has to be registered before you die.
- **Exchange frameworks:** In most countries, donation between living people is allowed between close relatives but not anyone else to not force anyone into donation. Suppose if you want to donate to a close relative, but it's physically impossible (because of medical conditions), some propose to still make an exchange possible between compatible, but unrelated people. According to legislation nowadays, this is not possible. The reason why it's proposed is because there is no commercial incentive, no-one is forced into donation, there won't be any medical malpractices, etc.
- **Rewarded gifting:** A system where you receive a reward (e.g. symbolic amount of money) for donating an organ. e.g. Iran, Philippines. However, some argue that this is not correct and close to a market since there is money involved. -> This starts the debate: It is proven that giving rewards decreases the shortage, so why not allow for a free or regulated market?

Scope: What is the scope of this article?

- It's not concerned with **medical details:** We assume that all medical conditions are met. e.g. All surgeons and nurses are well-trained, all material is safe to use.
- It is only concerned with **kidney donation:** It's not about any other body parts that could be donated. -> After studying the article: Do the arguments for kidney donation apply for sale of other body parts as well?

- It's **only concerned with living donators**: It's about living people consciously donating/selling a kidney while they are still alive and undergo surgery for that.
-> After studying the article: Do the arguments for kidney donation apply for cadaveric 'vendors' as well?

Moral standing: People's moral opinion is on different viewpoints:

- **Compensation for donation – Accepted**: A donor will receive money for the incurred costs. Generally, everyone morally accepts this idea since you are willingly doing something good for someone else and therefore society will compensate you. There is no moral discussion.
- **Rewarded gifting – Controversial**: You get an additional, fixed amount of money on top of the compensation for the incurred costs. This is a controversial topic since some people deem it unethical since you receive money for the kidney. e.g. Iran, Philippines.
- **Donation for payment – Highly controversial**: Basically, it's the same as selling your kidney since you receive the market price upon donation. The market price depends on demand-supply and the quality of your kidney. Estimated market price: 30.000€-40.000€. This is a highly controversial topic that most people are against. Those fiercely against a kidney market are people with a medical profession, which is surprising since they see the problems and suffering of patients the most.

A regulated market solution defended: Arguments in favour of a market for kidneys:

Unrestricted free market: Very few are in favour of a completely free and unregulated market. characteristics of such market:

- **Free price negotiations**: Prices are determined by demand-supply and the quality. Taking this concept one step further, people can negotiate the price where the highest bid gets the lot.
- **Different points of sale**: Kidneys are supplied, can be bought in different shops, market places or through internet auctions.
- **Competition**: There exists price competition between the bidders.
- **Many parties involved**: Brokers, middlemen, private companies are involved to connect the sellers with the buyers.

-> Most people are against this idea of an unrestricted free kidney market and do want some regulation.

Regulated/Ethical market: More people are in favour of a (by the government) regulated market and do consider it possible:

There is no such thing as one right proposal, but there exist many different proposals: There are many articles, ideas and approaches as to how such regulated market should be designed. -> In this article, the ideas of different proposals are combined and discussed (p6): How is (in general) a regulated market designed?

- **Government:** The regulator that sets out all the rules regarding kidney donation. e.g. rules regarding the processing and distribution of kidneys to ensure quality, safety and fair access.
- **Single purchaser:** i.e. health insurance trust, mandated by the government to buy and sell kidneys within a specified, confined area. This implies that there are no middlemen, brokers involved and 'kidney tourism' is avoided to keep control over the market. -> Any sale outside the health insurance trust is prohibited.
 - **Role:** The health insurance should: attract and inform potential donors, screen and select them on medical and psychological grounds according to the legal rules, check for free and informed consent, organize the surgery, provide counselling before and after surgery, rate the quality of the kidney, perform correct tissue typing to minimize graft rejection, and match the kidney independently to a recipient.
- **Citizens are sellers:** Only the citizens within the confined area can sell into the system. This is to avoid the exploitation of low-income countries.
- **Fair access:** Everyone has a fair chance of receiving a kidney since they are put on a waiting list and matched with the kidney. The recipient receives the kidney for free.
- **Payment:** The health insurance trust pays for the surgery and reimburses all incurred costs. They transfer the non-negotiated payment, set depending on quality and availability, after the donation.
- **Justification:** Why is a regulated market for kidney donation justified? The chances of receiving an organ in the case of need have increased by the existence of a market. There is an increase in the availability that will reduce the shortage of kidneys.

Advantages: Arguments used to defend a regulated market:

- **Best quality surgery/medical circumstances:** Since there are no 'black markets', the whole procedure is regulated. This implies that the medical circumstances and surgery will be of the best quality.
- **Just allocation:** Since there are rules set out, there is a fair allocation/access to the kidneys.
- **Protection against wrong choices:** The extensive procedure, e.g. counselling, will protect people from making wrong, impulsive, or money-driven choices.
- **Anonymity:** Kidneys are independently assigned to a recipient. Both the donator and recipient's identity won't be revealed.
- **Absence of black market:** There is no shortage, no waiting list, free/paid procedure so black markets can't exist.
- **Cost-effective:** There is a cost advantage for society: When patients receive a new kidney, the costs of the health insurance trust for treating this patient disappear almost completely. Therefore, the health insurance trust is willing to pay for the procedure, surgery, and incurred costs of the donator.

Objections: Even though there are advantages, there are some disadvantages too:

- **Practical considerations:** At first, they seem problems, but they can be (easily) solved.
 - **Determining criteria:** How are criteria determined? e.g. criteria for fair distribution, criteria for allowing people to donate a kidney. -> Not impossible to determine.
 - **Determining price:** How is the price of a kidney decided? -> Not impossible to determine. Schemes can be made to install a system.
 - **Handling logistics:** How will the number of kidneys be handled, transferred, managed? -> Leave it to professionals who can figure this out and draw up a plan.
- **Weaker arguments:** Arguments that are not really relevant to act as an objection.
 - **Criticism of organized religions:** Some religions might oppose to this idea because of their beliefs. For those people, this is a valid argument to oppose to a regulated market. However, in a philosophical article, we only use universal accepted arguments which is why this argument doesn't/shouldn't have an impact.
 - **Fear of abuse of the system:** You could oppose to this regulated market since you think it might be abused, e.g. people coming from outside the confined area to receive a kidney. -> Not impossible to control the possible misuse and avoid it.
- **Stronger arguments:** Argument that are repeated and come back in multiple articles:
 - **Fall of altruistic donations:** If society is willing to pay for a kidney, then no individual will be willing to donate his kidney for free anymore.
 - **Exploitation of the poor:** People in need of money will see it as their last resort in order to get some money and feel the obligation to donate their kidney.
 - **Commodification of the body:** Human bodies are treated as commodities, a warehouse of spare parts, which is not at all respectful.

-> These 3 strong returning arguments against a regulated market are asking fundamental questions about sovereignty/autonomy over one's body and the freedom of contract: Do we really have the choice to decide over what happens to our body? Do we really have the freedom to enter into a contract?

Strong objection 1: Fall of altruistic donations. Most of the articles, including this paper, agree that this objection has some value, but they reject it anyway. There are 3 reasons: First, altruism does not distinguish donors from vendors; Second, if an action is not altruistic, it should be forbidden; Third, the presence of markets does not generally drive out altruistic motives. -> Even if altruistic donations disappear, as long as there are kidneys available (generally: as long as the good things are done), there is no problem.

Strong objection 2: Exploitation of the poor: A strong objection since it's a returning argument in existing literature. This general criticism comes in different forms/variations:

- **Fear of lack of genuine consent:** If they make their decision, they are often not well-informed: e.g. they don't always have a good education, don't have access to objective information, they can't request more than one opinion. -> Because people are poor, they are not capable of making rational decisions.
- **Fear of coercion/duress:** A general problem that not only relates to poor people, but the pressure or coercion is bigger for poor people. You can feel pressure from other people (families), to which poor people are more vulnerable. There are also psychological pressures, e.g. people want to donate because they want to be part of someone else. There can also be racist conditions: When donating, the donator explicitly states the type of person that may (not) receive his organ. -> These happen more with poor people.

-> These objections are not strong enough to disregard the idea of a regulated market, because these elements can be avoided by installing safeguards that are proposed in the article: e.g. large timeframe to make sure people are certain of their choice, several psychological tests that try to find out why people want to donate.

- **Financial pressure or poverty:** Poor people feel the financial pressure to donate or they will fall into poverty. -> Some say that a regulated market would be good to alleviate some people's financial struggles. This would lead to an overrepresentation of the poor in the donor pool. However, this is not a solution: If you want to reduce poverty, you should look at the efficiency of all kinds of instruments to reduce it.

-> Is this overrepresentation a problem? Does it mean that the choices of poor people are involuntary? Is it because they are poor that they are pressured into donating? Dworkin: if poverty is coercive, then every 'free' contract with a poor person involved is illegitimate.

-> We as a society accept this and allow the poor to engage in contracts for their welfare. There is always some financial pressure, but it is accepted.

-> Zutlevicks: Dworkin's argument is problematic: When you allow any contract with the poor as long as it is for their self-promotion, then anything is possible. However, some contracts are unacceptable and cross the line of human exploitation, even if the poor need the money.

-> This objection that there would be an overrepresentation of the poor in the donor pool is not strong enough to disregard the idea of a regulated market.

-> This general objection of the exploitation of the poor has a strong appeal for more regulation to make sure there is no exploitation of anyone, but it is not an appeal for the prohibition of a regulated market. -> The objection is rejected.

Interim conclusion: People have the right to engage freely in contracts when well-informed and within the limits of moral permissibility.

A regulated market solution doubted:

Strong objection 3: Commodification of the body: The strongest objection that doubts a regulated market for kidneys.

It's not about whether kidneys can be sold, because they can; **but about whether they should be sold, which is an ethical question.** Some say that the commodification of the body is a bad thing and we shouldn't have a kidney market.

There are 3 different types of arguments:

- **Sale changes nature of the transaction:** Altruism, i.e. **motivated by doing good for other people, turns into greed, i.e. motivated by a gain.**
- **Sale changes good-vendor relationship:** *'he does not sell what is his, he sells himself'*. You're selling part of yourself. If you sell a part of yourself that is not yourself anymore, then you're selling something that is from you. -> Your kidney is not yours anymore, but object. **You do have a relationship with your kidney, but not with objects since it's replaced by money.**
- **Sale changes nature of the vendor:** The person selling the kidney changes his own nature, himself as a person. **Paid donation affects bodily integrity, diminishes human dignity, devaluates the personhood,** profanes the sacredness of the body, undermines self-respect, depersonalises oneself, creates dehumanization, infringes on the inalienable values of life and liberty, or reduces a person's worth to the sum of its body parts. -> When selling a kidney, you do something to yourself.
-> This argument is only valid if it shows that the trait discussed is valuable (e.g. personality trait: dignity), the trait is corrupted by kidney sale (prove that the personality trait will decrease upon the sale), the corruption is severe enough to ban sales (prove that selling kidneys damages the personality traits too much to be forbidden), the ban shouldn't exclude unpaid donation (selling reduces a personality trait in all cases). -> The last thing is not what we want: unpaid donation should be allowed. -> Use the analogy argument: You make a comparison between situation and find an analogy to justify one case based on the other. Note, you should be careful and only make an analogy between situations that are completely comparable. -> The special status of kidneys makes it difficult to find a complete analogy: It is an irreproducible organ, irreversible surgery, irreplaceable organ, vital organ.

Person-body identification argument: Almost all people identify with their own body. This implies that you consider your organs, kidneys in particular, so important to who you are, that you consider them to be constituents of yourself and therefore not saleable. You identify with the important parts of your body since you'd be lost without them. Note, this argument is not about the natural identity, nor about the traces of personhood in your organs.

Commodification attitude argument: Slippery slope: **Once you start to accept that kidneys are tradeable, it adds them to the list of alienable assets:** It becomes something that you own, i.e. assets. Since it is part of your assets, it could after some

time e.g. be used as collateral guaranteeing economic contracts, or be claimed by court bailiffs or other creditors (with or without force).

Conclusion: All these previously mentioned elements are convincing arguments against, but not to that extent to fully prohibit a regulated market:

- **Personhood:** We appeal to a particular conception of the personhood on which other people might maintain quite divergent views.
- **Paternalism:** A prohibition based on these arguments could invoke the criticism of paternalism. Paternalism in this context denies people the freedom to sell a kidney on the grounds that it is better for their overall well-being not to engage in such contracts. To avoid this criticism, one has to show convincingly that the state knows better what is good for the citizens than the citizens themselves and that it allows the state to limit personal autonomy.

-> Only if society finds consensus over the concept of personhood invoked, and if it considers the loss of self-respect and dignity involved in selling kidneys an ethical limit to personal autonomy not to be trespassed, then nothing stands in the way of a state prohibition of kidney sales.

A regulated market solution recanted/cancelled/rejected: Arguments that try to solve the 'ifs'.

Why do so many people, when asked for their intuition, find the idea of kidney sales repellent? -> It suggests that personal choice and autonomy are most probably not the only values that matter.

In ethics, there are 2 ways of looking at things, arguments can be divided into 2 different categories: one side of the spectrum starts from the individual and the other side are the arguments that start from the community's point of view. These are the ideal situations from which good and bad is determined. -> It's very difficult to reconcile both.

There are 2 arguments against a regulated market that both originate from the community-side of the spectrum, i.e. How do we want society to look like? Communitarian and contractarian argument.

Communitarian argument:

A person is part of a broad web of caring relationships that define that person. -> **Personal characteristics** which constitute who one is (e.g. identity, nationality, criminal record, university degrees) are **inalienable**, i.e. they can't be given/taken away. -> Arguably, **kidneys belong to this category**. You individually don't get to decide what happens with your kidney since it's part of the community. You are good to the community when you can donate to the community.

When going for a regulated market, ultimately some people will sell their kidney for money. -> **Do we really want to live in a society where selling one's kidney is the ultimate way out of poverty?**

Contractarian argument:

Argument Based on contractarian theory that starts with a hypothetical situation: Suppose that we don't know who we are, what our health is, whether we are poor or rich, and whether we need a kidney or not. We're then asked to discuss and try to find agreement on the best way/guiding principles for a system of kidney provision. -> This veil of ignorance tries to provide impartiality so that you take into account all possible situations.

3 guiding principle will appear: Under the veil of ignorance, everyone will agree that...

- The system should improve the well-being in the long run of all those involved.
- The new system should minimize the effects which come with the transition from the existing system to the new one.
- The system should comply with human rights and principles of justice.

-> **Does a regulated market stand the test of the 3 principles?**

- Are the long run interests of the vendor and the community well-served? No: Probably both the vendor and community are worse off in the long-run.
- The new system puts strains on the caring relationships and the community.
- The worst-off people, i.e. the poor who need a kidney, won't be able to sell a kidney which some might find a grave injustice.

Conclusion: For all these reasons, a regulated kidney market doesn't seem to be the evident, first best solution for the problems at hand. However, this doesn't mean that those in desperate need for a kidney are not considered. **Society should first exhaust all other morally legitimate, legal and economic incentive schemes to alleviate the kidney shortage before implementing a regulated organ market.**

Alternatives to a market: A combination of alternatives will work the best.

- Prevention: Avoid/Reduce kidney diseases.
- Promoting after death donation: Come up with an opt-out system.
- Procurement coordinators: **People who actively look for people dying to convince them for kidney donation.**
- Legal systems: Come up with an opt-out system.
- Reduce search and exchange costs of living donation: **Set up institutions who are specialized in these matters.**

Economic alternatives to a market: Using economic instruments to have more kidneys available:

- Financial compensation: Make it clear that people won't face any costs when donating.
- Rewarded gifting.
- Incentive schemes (e.g. taxation).
- Future market: A promise a person makes to donate later for receiving something now.

- Health insurance premium credits.
- Death benefit payments to the family.
- Mutual insurance pool.
- Lump sum to a good cause of the donator's choice.

Medical alternatives to a market:

- Stem cell research.
- Tissue engineering to 'build' kidneys.
- Xenotransplantation with non-human kidneys.

Market, morals and civic life – Sandel: Are there things that shouldn't be bought/sold, if so, why?

There are some things that money can't buy: e.g. friendship (money to buy friendship corrupts it), awards (market exchange immediately dissolves the good that you are seeking). -> Buying these things makes them disappear.

Are there some things that money can buy, but it shouldn't be possible? e.g. organ sales, humans. -> The good survives the selling, but is arguably degraded, corrupted, or diminished to a good as a result.

-> **Intermediate cases** between the friendship case (can't be bought) and kidney case (shouldn't be bought). There are cases where it's difficult to whether we can't or shouldn't buy it. Examples:

Expressions of personal relations: e.g. apologies: **Tianjin Apology Company:** You pay the company a fee and they will apologize to the person you owe an apology to. Can apologies be bought? Yes, e.g. we send flowers or present with an apology note. Is an expensive apology more meaningful than a cheap one? -> It's difficult to determine if this can't or shouldn't be done. **When buying an apology, there is still the feeling that something is missing, i.e. the person apologising himself, but this intermediate way is still somehow accepted.**

An honorary degree: Often given to philanthropists who have contributed large sums to the university granting the degree. -> **Are such degrees bought or are they genuinely honorific?** Very difficult to distinguish, so they are an intermediate case.

Buying and selling of admission to elite universities: Most seats are allocated according to merits, i.e. being an excellent student with great marks. **However, some seats go to children from wealthy parents. In that case, the honorific aspect of admission to elite university is gone.** This is again an intermediate case: admission is a good that money can (sometimes) buy but arguably shouldn't.

-> **How should we think about those intermediate cases; and the limits of the market in general?** This analysis of the goods that money apparently can buy but shouldn't leads to a moral objection to certain market exchanges: Money can degrade or corrupt the good at stake. This objection should be distinguished from another familiar argument: coercion, poverty, inequality. e.g. Prostitution:

Coercion: Some say prostitution is wrong because it is rarely truly voluntary. This argument refers to moral ideal of consent. Conditions could be changed to meet this ideal: You can always come up with rules, safeguards that take the argument away so you're closer to the moral ideal of consent.

Corruption: Some object to prostitution on the grounds that it is intrinsically degrading. This argument refers to the moral importance of the goods that are said to be degraded by market exchange. Changing conditions will not help to meet this ideal: It cannot be solved and whatever measure you take, you still degrade yourself.

This more fundamental argument **helps to articulate what is troubling about many of the contemporary cases of excessive marketization and commodification:**

e.g. Surrogate motherhood/contract pregnancy: What's wrong with this?

- Treating children as commodities degrades them by using them as instruments of profit rather than cherishing them as people worthy of love and care.
- Treating the body of women as factories degrades women.

This argument of corruption assumes that certain things are properly regarded and treated in certain ways. There seems to be a **proper way to value the goods**. Then you have to defend how you value the goods in question, either by analogy (similar situations) or by appealing to a certain conception of the good (i.e. making the ideal situation explicit). -> Appealing to a certain conception of the good is the most attractive way forward. When using the argument of corruption, you also have to **explicitly state your ideal view**.

e.g. Surrogate motherhood/contract pregnancy: One invokes a certain conception of pregnancy and childbearing. Saying that selling degrades children implies that you have an idea of how children should be treated ideally, i.e. people worthy of love and care.

Part 3: UNCONDITIONAL BASIC INCOME:

Introduction: Part 2 dealt with the (ethical) limits of the market. Part 3 deals with alternatives/ adjustments to the market.

There are very often ethical questions asked about the market, i.e. there are ethical concepts present in the question:

- Is so much competition good?
- Is greed the driving factor of the financial system?
- Is the actual income and wealth inequality justifiable?
- Is labour a fundamental value in our society or rather a cause for stress, depression and unhappiness?
- Are robots and computers stealing our jobs?

-> Therefore, some propose adjustments to the market or even radical alternatives to the existing market based on philosophical and ethical arguments.

This part will look further into a particular proposal which aims at meeting a number of the ethical and philosophical issues with the market, i.e. **providing real freedom for all and more equality, less poverty and less unemployment.**

Basic Income: A Simple and Powerful Idea for the 21th century – Van Parijs (2004):

Simple and powerful idea: “Give all citizens a modest, yet unconditional income, and let them top it up at will with income from other sources.” This idea has a long history and many names: territorial dividend – state bonus – demo-grant – citizen’s wage – universal benefit – universal basic income – unconditional basic income. There have already been some basic income pilot studies.

What is basic income and what isn’t?

Definition: “A basic income is an income paid by a political community to all its members on an individual basis, without means/income test or work requirement.” -> 6 constituting components.

Note, it is not one single detailed take-it-or-leave-it proposal, but rather a fundamental framework that allows for various specific basic income schemes. The basis is there, but how a country’s going to implement it is open for discussion. There are political and cultural differences between countries, different calculations amongst countries.

Income: The basic income is a regular income (i.e. not one-off endowments) has to be paid in cash, not in kind (e.g. food, land). This is because payments in cash are fair, eliminating lobbying; and efficient, resulting in less bureaucracy. There is no restriction for the recipients on how or when to use the cash. This basic income supplements (not substitutes) in kind transfers, e.g. free education, basic health insurance. If some services are already free, then it stays like this.

The amount of the basic income should both be modest enough to be sustainable and generous enough for it to be plausible that it will make a big difference. -> Proposal to spend 25% of GPD on a basic income. The amount could vary with age,

geography (e.g. depending on cost of living) and across time (linked to GDP/capita). e.g. Geography: Everyone should receive an amount that will result in all people having the same purchasing power.

Paid by a political community:

This political community is a government of any sort, e.g. city, province, region, nation/state, supranational. The basic income is paid out of publicly controlled resources:

The difference between distribution and redistribution is that distribution is an act of distributing or state of being distributed while redistribution is the act of changing the distribution of resources.

- **Redistribution:** Redistributing (i.e. changing the distribution of) money from the common pool of government revenues; or from a specific tax.
- **Distribution:** Distributing money/wealth from an investment fund, publicly owned productive assets, money creation, etc. and distributing it.

To all its members: The basic income will be paid to all nationals, all non-citizens that are legal permanent residents, children (when they reach adulthood), all pensioners. -> It is often called a universal/unconditional basic income. (Inmates won't receive a basic income since they cost society already a lot of money).

On an individual basis: The basic income is paid to each individual, not to the (head of the) household. The amount of cash is independent on what type of household one belongs to (uniform). This implies that authorities don't need to look into the personal living arrangements of an individual (efficiency). This further implies that an individual basic income doesn't lead to people choosing a specific living arrangement for specific purposes (freedom).

-> **4 differences from a guaranteed minimum income scheme:** Such minimum income scheme is paid to the household, the amount of cash will depend on the composition of the household (e.g. marriage, children), authorities have to check the household's situation (bureaucracy), people choose certain living arrangements for beneficial treatment (e.g. tax reasons).

Without means test: Individuals will receive a basic income irrespective of what they might already earn. There is no prior assessment of income/wealth and the poor and rich are treated the same. Note, this doesn't mean that the rich or people earning income become richer. Basic income has to be funded: If basic income is added to the taxable income, the rich will contribute the most to the system of basic income, e.g. through progressive income tax.

Reasons why a basic income is better than a means-tested income:

- **The rate of take up of benefits is likely to be higher (efficiency):** In means-tested systems, people have to go through a lengthy procedure (bureaucracy) and sometimes drop out of the procedure to receive a means-tested income (e.g. minimum income). With the system of a basic income, the efficiency is way higher and thus everyone will take up the benefits.

- **There is nothing humiliating about benefits given to all:** Some people might find it humiliating to prove that they in fact have no income in a means-tested income system. Many people who have the right to an income and need it do not file for it. Receiving a basic income is not shameful since everyone receives it. -> It's better for the poor that also the rich receive a basic income.
- **The regular payment is not interrupted when accepting a job so reducing the risk of taking a job (first aspect of the unemployment trap):** This first aspect means you don't accept a job offer since you're afraid to lose your unemployment benefits and because you think it takes a lot of time and effort to get it back when you become unemployed again (looking downwards). That's why some people deliberately remain unemployed. When you continue to have a payment, there is no incentive to not accept a job.
- **The regular payment is not interrupted when losing a job so people are more inclined to reject a job offer (second aspect of the unemployment trap):** This second aspect means you have a basic income and look what you can earn if you go working (looking upwards). If the gap between what you earn more with an income from employment and your unemployment income is not big enough that it doesn't cover the costs you incur associated with working, some people will deliberately remain unemployed. e.g. 1.000€ unemployment income vs. 1.200€ income from employment is not a large enough gap. There should be a significant positive income differential between no work and (low-)paid work. -> With a universal basic income, every income you earn is additional to the basic income you already receive. Therefore, people will be more willing to go working since they don't lose their basic income and their wealth can only increase. e.g. 1.000€ basic income can become an income of 2.200€ when adding income from employment.

-> **Conclusion:** It frees people from a lack of money (poverty) and it also frees people from exclusion from work (unemployment trap).

Without work requirement: work-unconditionality: Everyone receives a basic income irrespective of the present work performance, i.e. not restricted to those who have worked enough in the past or paid in enough social security contributions or taxes; and irrespective of one's willingness to work. -> Universal: workers, self-employed, students, unemployed, home carers, break-takers, lazy people.

Employment trap: The universal basic income frees people from the employment trap: People are stuck in employment that they maybe don't like but keep on doing because if they drop out, they lose their income and it will take a long time before they receive their unemployment benefits. -> If you can drop out of employment knowing you have a basic income always available, people will think more about themselves and do the job they really like and reject the unattractive jobs that pay little.

Why do we need a basic income? There are a few reasons:

To avoid the employment trap: If we want no means test, it is important to drop the work test.

Work-unconditionality is a key instrument to prevent means-unconditionality from leading to the expansion of lousy, degrading, dead-end jobs. If you drop the means test and only keep the work test, then people will take any job to be eligible for a basic income. -> To avoid people taking low-paid lousy jobs in order to keep their right for a basic income (i.e. the employment trap), both unconditionalities should apply, i.e. no means test and no work requirement.

To avoid the unemployment trap: If there is no means test, no work test is needed.

Means-unconditionality prevents work-unconditionality from unacceptably fostering exclusion. If you drop the work test and only keep the means test, then you will disconnect the less productive from any labour participation in low-productive jobs and thus foster exclusion. If you only get a basic income when you don't have another income, the poor won't have an incentive to go working and remain unemployed. -> We need a basic income to deal with the unemployment trap.

-> "The two key unconditionalities of basic income are logically independent, but are intrinsically linked as components of a strong proposal."

Activating while liberating:

- **Activating:** Basic income is a specific way of handling the joint challenge of poverty and unemployment. Receiving an income from employment on top of your basic income creates a big incentive to go working to increase one's wealth.
- **Liberating:** The unconditional nature of a basic income makes it possible to enable the less advantaged to discriminate between attractive or promising and lousy jobs. In other words, you have the freedom to leave your lousy job or unemployment.

Social justice: There are many principled (see later) and pragmatic (e.g. efficiency) justifications of basic income. However, Van Parijs justifies basic income by an appeal of 'real freedom': People will not only have the right, but also the means to do what one may wish. -> Van Parijs wants a fair distribution of the real freedom to pursue the realization of one's conception of the good life: everyone should be equally free and have the means to do what one wants. -> Social justice.

Is a basic income affordable? Can society pay for providing everyone with a basic income?

Underspecified question: Very general answer since affordability depends on the specific proposal:

Based on the definition, a basic income shouldn't necessarily satisfy all basic needs and replace all other cash/social benefits. -> Whether a basic income is affordable or not depends on how much a government wants to give as a basic income, how much benefits will be abolished and how much will be taxes levied.

However, a basic income is probably more expensive than regular income schemes for some reasons:

- More expensive because work-unconditional: There are more beneficiaries than under a conventional guaranteed income scheme.
- More expensive because income-unconditional: Not primarily because basic income is given to the rich as well to the poor, but because we need to provide the poor with stronger material incentives to work (i.e. lower tax rates).
- More expensive because strictly individual.

Which way forward? “A coherent and plausible conception of social justice requires us to aim for an unconditional basic income at the highest level that is economically and ecologically sustainable, and on the highest scale that is politically imaginable”.

Pragmatic conclusion: For now, a general but household-tested, means-tested, and willingness-to-work-tested guaranteed minimum scheme is a step in the right direction. -> Disappointing conclusion since he disregards his theories.

Basic Income: Principled or Ethical Justifications – Van Parijs (2017):

We see that there have been many objections raised against an unconditional basic income: there are economic, political objections, concerns about empirical experiment, but most importantly fundamental objections that revolve around ethical arguments.

Objection: Of all objections to a basic income, one sticks out above all others, and is more emotional, principled, and decisive in the eyes of many: People don't agree that one would receive an income when not working or willing to work. Even though they think it's a good thing that it will reduce poverty and unemployment, they are against it based on ethical grounds (i.e. no work test). This objection comes in 2 main versions:

- **Perfectionist:** Giving money to people who don't work means you're rewarding idleness and is ethically unacceptable. In a perfect worldview, there is no idleness and people work hard.
- **Liberal:** It is unfair to give money to people that was earned by others. Everyone has their own (liberal) ideas, but it is collectively seen as unfair for able-bodied people to live off of the labour of others.

Assume (for the sake of the argument) that it is a correct objection and that enjoying a basic income without doing any work does constitute unfair free riding.

3 reasons why this accusation should be relativized:

Double standards are at work: People don't have any feelings of injustice when rich people don't work. However, when poor people don't work and receive a small income, it's considered unfair. -> Double standard: It's accepted when rich people don't work, while people say poor people live off of the labour of others when they don't work.

Technological progress: Nowadays, if you get an income while not working, you're living off of the labour of others. -> Is this still unfair when technological progress leads to overabundant workers? There shouldn't be any problem with receiving an

income without working since this the future. -> We should get rid of the morality that stigmatizes an access to an income without work.

Minority remains unemployed: Only a small minority will take advantage of the basic income in order to do nothing or very little. Getting rid of the unemployment trap by providing a firm floor instead of a net will recruit people into the workforce, but some will indeed stay unemployed. However, this doesn't mean that this expansion of leisure leads to idleness, but rather into an upsurge of productive activities in a broader sense, e.g. education, childcare, voluntary work.

-> Saying that giving money to people who don't work is a bad thing from an ethical point of view should be relativised.

3 further reasons why the introduction of basic income could reduce injustice (instead of increasing):

How to distinguish? Comparing with the situation of a guaranteed minimum income: You want to receive money because you don't have a job. You then need to distinguish between people who are unable (e.g. illness, disability) and unwilling (free-riders) to work. -> In this existing system, there are free-riders that say they're unable, but actually unwilling to work. To avoid penalizing people who really are unable to work, a modest unconditional income can be justified as the least bad measure.

Real free-riding: The real free-riding nowadays is men free riding on the unpaid work done by their partners. A basic income might be the least bad way of tackling free riding: It would worsen the injustice of overpayment of the truly lazy, but not as much as it would reduce the injustice of underpaying those who currently care for children, elderly, or disabled.

Compensation for irksomeness: If there is better compensation for the lack of intrinsic value (i.e. irksomeness) of work, unfair free-riding will not expand but shrink. Considering the basic income as a compensation for all annoying things your job entails, you will at least keep on working.

Justice as reciprocity: We can distinguish 2 concepts of justice:

- **Cooperative justice:** The fair allocation of benefits and burdens of cooperation between participants in some cooperative venture. How will you distribute the fruits of a cooperation between people. Some people may have contributed or worked more than others.
- **Distributive justice:** The just distribution of entitlements to resources among the members of a society. There is just some money available (e.g. tax revenue) for which no work was done. How is this money distributed over society? -> More important: One must appeal to the concept of distributive justice in order to best defend the fairness of an unconditional basic income: A basic income is fair from a distributive point of view. -> What is a just distribution, how to organise a just distribution, what should be distributed?

Egalitarian conception of distributive justice: If we care about freedom for all, we need an unconditional basic income. The money available should be equally

distributed such that all people are equally free. Freedom should be interpreted as 'real freedom', i.e. the means to be free.

Note, inequalities can be justified if they benefit everyone in society, even their apparent victims. If you take money away from one person that would create a situation with income for all, it is justified to create this inequality. -> If we accept this, we must go for the greatest real freedom for those with the least of it, i.e. maximization of the minimal level of real freedom, real freedom for all. Everyone should have the same real freedom, but sometimes the distribution is unequal if for a better cause for society. In that case, you should choose that alternative/conception of distribution that maximised the real freedom of the people with the least of it, maximise the minimum.

Ethical justification: The ethical argument of Van Parijs in favour of a basic income:

When you work and earn money, it's not solely because of your effort. We benefit very unequally from what was freely given us by nature, technological progress, capital accumulation, social organization, civility rules, etc. We earn money by also using what has been done before us. -> A basic income ensures that everyone receives a fair share of what none of us today did anything for. We should distribute the things that are not coming from ourselves.

-> **Ethical argument:** We are fundamentally equal and have a fundamental right to have 'real freedom' because we all earn money not solely because of our own effort, but also based on what other have done before us.

The appeal of the conception of distributive justice, on which our principled justification of basic income rests, depends on our realizing the extent to which our economy functions as a gift-distribution machine: We are given a lot of things, e.g. knowledge, social norms, infrastructure, so the economy should function as the distribution of the gifts of the past to everyone.

Part 4: INTRODUCTION TO BUSINESS ETHICS

Different from the previous chapters that were about economics and ethics, i.e. more at the fundamental, scientific level. Business ethics is at a more pragmatic level that is a more practical approach to ethics. Ethics are applied in a business context.

Business Ethics: Theory:

Fundamental concepts and problems:

Morality and Ethical Theory: What is the difference between these concepts?

Morality: Prevailing social practices defining right and wrong within a culture. It is about the norms, habits, customs, social practises that exist, are known and accepted in a specific culture that define desirable behaviour. e.g. Breaking-up with someone through a text message is not accepted.

Ethical theory and moral philosophy: Moral philosophy entails intellectually reflecting on morality, i.e. the prevailing social practises. Ethical theory goes one step further and develops theories that offer a framework to determine what is good or bad. -> Ethicists design justifications of moral point of view based on carefully analysed and defended principles such as:

- Respect for autonomy: to each his choice. -> If you want to know whether what you're doing is right, you need to wonder if you respected everyone's autonomy.
- Distributive justice: to each his own
- Equal treatment: to each the same
- Human rights: to each his rights
- Beneficence: do not harm
- Truthfulness: tell the truth

Morality and Prudence: What is the difference between moral rules and self-interest? Usually, it is in an individual's interest to act morally. -> What is the relation between morality and prudence in the business world?

Morality, no prudence: Businesspeople often act morally, not because it's prudent to do so, i.e. for their self-interest; but because it is right to do. e.g. Relocation of a factory: Financially and/or mentally support the personnel that had to be fired in the old factory so that they are prepared to find a new job. -> Morally right, but not prudent.

Morality and prudence: It's possible that a company is both acting morally and in their self-interest. e.g. Marriott: When opening new hotels, they will hire people based on welfare, i.e. the poorest and those in difficult situations will be hired first. This is also in their interest since this is cheap labour.

No morality and prudence: Often prudence dictates a different decision than morality. There are situations where companies don't act in a morally correct way since it doesn't correspond with their self-interest. e.g. Pollution: Dumping waste in

nature. -> This is the reason why business ethics became a field of study, i.e. to reduce these immoral issues where more harm than good is done.

Morality and Law: What is the difference between these concepts? Morality and law both share the same concerns, i.e. systems to guide people to living together.

If something is legal, it is not necessarily moral: The fact that something is accepted legally does not imply that it is also morally acceptable, e.g. US Slavery: It was legally accepted, but many were morally against it, hence the American civil war. This also implies that not all moral rules are or can be officially written down in laws, e.g. respect your parents, be kind to others, always tell the truth.

If something is illegal, it is not necessarily immoral: The fact that something is legally not accepted does not imply that it is also morally unacceptable, e.g. Asbestos: It was used a lot in the 60s without the companies knowing it was dangerous. However, when the use was forbidden in the 90s, a lot of companies were sued for using asbestos in the past and went bankrupt. Legally, they did something wrong, but morally they were not to blame because they weren't aware of the harm it caused.

Court rulings have caused moral inequities: Seeking justice sometimes leads to injustice. e.g. Silicone breast implants: A company producing silicone breast implants was sued because the implants were leaking and causing injuries. However, after extensive research, no evidence was found that silicone implants imply health risks. -> The court ruling was wrong and thus it was morally wrong to let the company go bankrupt.

The Rule of Conscience:

Conscience as a moral guide: Some people consider following their conscience to be sufficient or equal to ethics and disregard all moral theories. However, ethicists and moral philosophers don't think one's conscience is a good moral guide. It is often insufficient, untrustworthy and is likely to differ radically between people since it develops based on an individual's beliefs and experiences. e.g. US: Some people very passionately care about the environment and engaged in acts of eco-terrorism: They installed a mechanism in trees that could hurt the loggers when they wanted to cut the trees. They acted according to their conscience, which justified their actions morally.

-> **Moral justification must be based on a source external to individual conscience:** When defending your opinion, you should find a universal point of view that is accepted by many people. e.g. Self-defence: In court you shouldn't make it personal, but use the argument that everyone would've done the same thing when in your position. -> Don't take the individual approach, but broaden it to the everyone's perspective.

Approaches to the Study of Morality and Ethical Theory:

- **Descriptive approach:** Scientific study of ethics: You describe morality by means of anthropology, psychology, history.
- **Conceptual approach:** Conceptual study of significant terms in ethics, e.g. what is right, justice, good, virtue. -> Moral philosophy.

- **Normative approach:** Prescriptive study attempting to formulate and defend basic moral norms, often providing reasons to adopt a whole system of moral principles, e.g. moral theories: utilitarianism, Kantianism, virtue ethics.

Relativism and Objectivity of Belief:

Relativism: Some people say that ethics is nonsense and that everything is dependent on the culture you live in. Relativism means that moral rightness is contingent, i.e. subject to chance, on cultural beliefs and is apart from the historical and cultural context meaningless. -> Morality and ethics are relative, i.e. there is no such thing as an absolute truth. -> However, ethicists argue that there is an ethical truth, even if it hasn't been found yet. e.g. Nowhere is in the world is it morally accepted to kick a pregnant woman or the elderly.

Danger: Descriptive claims (i.e. what is) lead relativists to conclude what should be the case and what is ought to be believed. In other words, what is currently done in a certain culture should and must continue to happen in the future. This is very dangerous conclusion since it allows for anything to happen and be justified, e.g. death penalty.

Cultural independence: Ethical relativism is used to challenge the imposition of Western values on the rest of the world. In other words, ethical relativism makes is clearer that the West shouldn't impose its ethical values and rules on the rest of the world (e.g. era of colonialism). The West needs to respect other cultures and the way they do things, even if it doesn't correspond with our view.

Rejection: There are 3 reasons why moral philosophers tend to reject relativism:

- **Often false moral disagreements:** When moral philosophers further analysing moral disagreements, they often discover agreement at deeper levels on more basic values. e.g. Tribe: Anthropologists discovered a tribe where children killed their parents because they believed you live on in the after-life in the bodily state when dying on earth. There can be cultural disagreement on the existence of an after-life, but it's a universal moral principle that children have to respect their parents.
- **Often agreement on ultimate moral standards:** People often agree about what may be called ultimate moral standards despite their differences in belief. e.g. Abortion: In countries where abortion is allowed, they want to protect the life of the mother; while in countries where abortion is illegal, they want to protect the life of the unborn baby. Even though they are very different opinions, they do both fundamentally want to protect life.
- **Often only disagreement on factual beliefs:** In many moral controversies, people seem to differ only because they have different factual beliefs. e.g. Environment: Individuals often differ over the appropriate actions to protect the environment because they hold different factual views about how certain elements will (not) harm the environment, not because they have different standards about environmental ethics. Identical sets of normative standards may be invoked in their arguments about environmental protection, yet different policies and actions may be recommended.

Moral disagreements: Even if there are no factual differences, people might find themselves in moral disputes. -> How can moral disagreements be solved?

1. **Obtaining objective information:** Find out as much as possible about the case to be correctly informed. Obtaining objective information might already solve a dispute. e.g. Greenpeace vs. Shell: Shell wanted to let an old platform sink while Greenpeace wanted it to be disassembled. -> In the end it was scientifically proven that sinking the platform would be better for nature. -> Greenpeace should've informed themselves better to avoid the dispute.
2. **Definitional clarity:** Be clear about the definitions you are using, i.e. what are you exactly talking about to avoid confusion. e.g. What is meant with corruption, sexual harassment, etc.
3. **Example-counterexample:** One party can present an example and the other party can give a counterexample in which they consider a different perspective of the issue. e.g. AT&T: A commission accused them of discriminating against women. AT&T then said that 55% of their employees were women. The commission then said that most of the female personnel was in the lowest pay-range. -> Different parties giving different perspectives of the same issue.
4. **Analysis of arguments and positions:** After all the previous steps, you need to have an opinion and back it up with arguments. The main issue in trying to find moral agreement is to reason and be open to hear other opinions. You shouldn't get carried away by emotions.

The Problem of Egoism: When talking about business and ethics, some argue that businesspeople are very selfish and egoist. Therefore, they don't think business and ethics go together at all.

Psychological egoism: Descriptive view where everyone is always motivated to act in his own self-interest. Implications:

- **No purely altruistic motivation:** If people care about others, it's only for their self-interest.
- **No normative ethics:** If you never care about other people at all, there is no morality at all. This implies that no moral rules can be defended and thus there are no reasons to adopt a whole system of moral principles, i.e. normative ethics.

Criticism: We do notice altruistic behaviour in many people, e.g. doctors, firefighters, parents. -> According to psychological egoism this doesn't matter: Those people only do it to promote themselves, i.e. people feel good after an altruistic act. -> Do we really help/love/care about others because it brings satisfaction? Many argue that satisfaction is not the (only) motivation, e.g. respect, empathy. -> Psychological egoism is difficult to defend.

Ethical egoism: Prescriptive theory where one is ought to act on the basis of self-interest. You should act in an egoistic way because acting against one's interests is unreasonable or contrary to reason.

Morality results from egoism: Hobbes: If we live in a natural state where there are no rules, law, ethics; How will the state be organised? Doing nothing, life would be

solitary, poor, nasty, brutish, short, a war of all against all. Therefore, to protect yourself, you need to accept a strong government and rules of morality. It's in your best interest to accept rules. -> Morality is based on self-interest: The more egoist one is, the more motivation there is to accept and perform moral rules.

Egoistic business practices and utilitarian results: Ethical egoism leads to utilitarian outcomes.

Adam Smith: Pursue your self-interest and by an invisible hand, public interest is (unintentionally) achieved. e.g. Bakeries: The reason why bakers facing competition lower their prices is because they want to continue their business, which unintentionally leads to a better result for the customers, e.g. lower prices, nicer shops, more alternatives. -> The more egoistic, the better for society. -> Basis for capitalism: The bad intentions of people turn into good outcomes for society.

Note, Adam Smith: Benevolence is equally important as prudence. He also stresses that you should be good to people and shouldn't harm anyone.

Normative ethical theory: Theories (tools, instruments, ways) that help to determine what is good or bad in ethical issues in order to make an ethical decision.

Utilitarian theories: An action is right if it leads to the best possible balance of good consequences over bad consequences for all the parties involved. -> What is meant with 'good' and 'bad' consequences? John Stuart Mill: Actions are right in proportion to their tendency to promote happiness or absence of pain. -> Choose that alternative that gives you the most net happiness.

Essential features of utilitarianism:

- **Efficiency:** Committed to the maximization of the good and the minimization of harm and evil. -> The reason why utilitarianism became later part of economics, i.e. minimising costs and maximising benefits: cost-benefit analysis.
- **A theory of the good:** What is meant with 'good'? There are various views:
 - **Hedonistic** utilitarianism: Aim for pleasure or happiness and avoid pain.
 - **Pluralistic** utilitarianism: Happiness is too limited which is why you also focus on many 'goods', e.g. knowledge, friendship, health, beauty, etc.
 - **Preference** utilitarianism: Utility is that what a person would choose from among available alternatives, i.e. one's preference.
- **Hedonic calculus:** Commitment to the measurement and comparison of the good. You have to calculate the net utility by weighing the good and the bad, and then compare this net utility among the alternatives.

Act and rule utilitarianism:

Act utilitarianism: In all situations, one is ought to perform that act that leads to the greatest good for the greatest number, even if this implies breaking a moral rule. e.g. Robin-Hood argument: It is allowed to steal from the rich and give to the poor.

-> **Rule utilitarianism:** Reserves a more significant place for rules, which they do not regard as dispensable on grounds that utility is maximized in a particular

circumstance. Rules are justified by an appeal to the principle of utility. -> We should try to find the greatest good for the greatest number, but we should also respect some universal rules. The reason why we accept those rules is because they are in our best interest and create our own utility (like ethical egoism). It's not just adding rules to utilitarianism, but they're part of it.

Criticism of Utilitarianism: Criticisms of utilitarianism that lead to long discussions.

How can utility (happiness, knowledge, preference units) be measured and compared? Utilitarianism says that we have to look at all the good and bad consequences (and the further consequences resulting from those), for all parties involved, and for all different alternatives. This is however impossible. -> We continuously make rude comparisons, i.e. we are all able to quickly go through the advantages and disadvantages, and make a choice. e.g. Presentation: When a team member is absent, you have to and are able to make quick decisions. -> We do not consider all the consequences, parties and alternatives, but we use some rules-of-thumbs to make quick decisions.

Utilitarianism ignores non-utilitarian factors e.g. justice, love, friendship considerations? e.g. Denying people with aids or genetic defects a health insurance is efficient, but unjust since it's not their fault. However, utilitarianists say they take into account all costs, have a long-term view.

Kantianism: Why do we find some trading organs wrong even if it brings good utilitarian outcomes?

Kantian respect for people: Kant: People should be treated as ends and never purely as means to the end of others. Never treat people as an object to be used. e.g. Organ trading is wrong if it treats the seller merely as a means to one's ends. The respect for people is based on a shared human dignity: A person has value in itself, not only for what it does or can do.

Contracts: Note, respect for people doesn't mean people can never treat others as a means to their ends. e.g. A freely entered labour contract. -> There is a return for both parties, i.e. remuneration.

Motives: It of the highest importance to look at the motives for actions. Kantianism expects people to make the right decisions and do the right things for the right reasons, i.e. respect for the person.

e.g. Jumping into a river to save someone from drowning. Utilitarianism: You become a hero; Kantianism: Whether you're good or bad depends on your motives of why you saved him, regardless of the good outcome.

e.g. 3 people making equal sacrifices for a sick relative that all lead to the same consequences:

- **Fred** because he fears social criticism. -> Kantianism: Not morally motivated, only by fear.
- **Sam** purely based on a sense of obligation. -> Kantianism: Morally praiseworthy because he is motivated by the obligation to help his relative.

- **Bill** because he gets satisfaction from helping others. -> Kantianism: Motivated by emotions and sympathy, not by obligation. He is doing it for himself, not for his relative.

-> We come to different conclusions about good and bad depending on which ethical theory we use: Kantianism gives different results than utilitarianism.

Universalizability: Kant developed a fundamental moral law that he called the categorical imperative: *"I ought never to act except in such a way that I can also will that my rule should become a universal law"*. -> When you consider to do something, you should wonder what would happen if everyone would act the way you would. In other words, formulate your reason in a universal rule. Respect will be the criterion to evaluate what will happen if one's rule becomes a universal rule.

e.g. **Promises:** You (plan to) break your promise because it is more convenient for you. -> Universal rule would be: *"Everyone should break a promise whenever keeping it is inconvenient"*. However, this makes the whole practice of making promises pointless. -> What is chaos?

e.g. **Help:** You (plan to) help someone in need. -> Universal rule would be: *"Help others in need"*.

Criticisms of Kantianism:

Particular obligations: Kant emphasizes universal obligations, i.e. obligations common to all people, at the expense of particular obligations, i.e. obligations that fall only on those in particular relationships, e.g. parents-children, lovers, friends, etc.

e.g. Ethical dilemma: You can save the life of 5 people by killing 1 person, but what if that 1 person you have to kill is your son? The universal obligation suggests you kill one, but the particular obligations doesn't allow you to kill your son. -> Such dilemmas are not discussed by Kant.

Impartial perspective: Everyone should be treated in the same way. -> One cannot show favouritism to loved ones.

Contemporary challenges to the 2 dominant theories:

- **Rights theories:** Ethical theories based on human rights. In order to know whether something is good or bad, you have to look if it is in line with human rights.
- **Virtue ethics:** Ethical theories based on character traits. In order to know whether something is good or bad, you have to ask yourself if it is in line with the person you want to be, i.e. your virtues. A virtue is the acquired ability to adopt the correct position and to do the right things in changing situations of life. e.g. Kindness: You have to work on yourself to become kind, but once you are, it is part of your personality and you can adopt it to suit different situations.
- **Common-morality theories:** Ethical theories generally based on obligations. In order to know whether something is good or bad, you shouldn't rely on

theories. All people share by nature a set of norms that determine what is good or bad. This is expressed in a couple of principles, e.g. treat all people equally. -> It is common sense, morality to do good.

- **Theories of justice:** Ethical theories that aim at a fair (re)distribution: How will benefits be distributed? How will we redistribute what was contributed? -> Economic focus.

Moral point of view: Problem: How to decide which of the normative theories presented thus far is the most appropriate basis for making sound ethical decisions regarding business decisions?

Similarities: Even though there are a lot of ethical theories, a lot of them are compatible: In most cases, almost all of the theories come to the same conclusion, i.e. something is either good or bad. Furthermore, all theories share the right/correct attitude to take in ethics, i.e. moral point of view:

- **Rationality:** We seek to solve disputes rationally, not emotionally.
- **Impartiality:** We take an impartial stance, i.e. consider other points of view.
- **Universalizability:** We assume that other people are neither more nor less important than ourselves.

-> **Solution:** To know which ethical theory is the best, we apply the practical ethical evaluation framework. It accepts the plurality of ethical theories, i.e. different perspectives and ways to look at things. -> Embrace and use that variety.

An ethical evaluation framework: Practical approach on how to find a solution to ethical dilemmas.

The ethical evaluation framework is a way of evaluating options, for responding to an ethical issue, that considers a wide range of ethical perspectives. It takes into account the (knowledge of) many ethical theories and the fact that every argument has the same weight. -> It helps to structure your thoughts, to make a sound decision, and to defend your choice in a sensible way.

Application: The ethical evaluation framework can be applied in business ethics: Individual responses to moral issues in business. There is also a link with CSR: Organizational responses to moral issues in business.

Structure: The framework consists out of 2 main steps. In the first step, you will ask yourself 8 questions, to then in the second step show the importance of each question and present the results, i.e. yes or no, in a matrix

8 questions: These 8 questions are based on all the ethical theories that exist.

1. Light-of-day test: Would I feel good or bad if others (friends, family, colleagues) were to know of my decision or action? This first question is about what your intuition tells you about the act. You wonder if the action should be allowed to 'see the light of day'. If you (intuitively) feel that you should hide it from others, then there is already something wrong with it. e.g. Bribing.

2. Virtuous mean test: Does my decision add to, or detract from, the creation of a good life by finding a balance between my virtues? Is it in line with the person I would like to be? You wonder if the action corresponds with your virtues or personality. Going against your personality feels wrong.

3. Veil of ignorance: If I were to take the place of one of those affected by my decision and plan, would I regard the act positively or negatively? Impartiality: You have to take the perspective/ position of the other parties involved that would be affected by the action. Ultimately, the action should be in line with the golden rule: One should treat others as one would like others to treat oneself; or, one should not treat others in ways that one would not like to be treated.

4. Universality test: Would it be a good thing or a bad thing if my decision and plan were to become a universal principle applicable to all in similar situations, even to myself? Kantian approach: What will happen if my action would be a universal rule and thus carried out by everyone?

5. The communitarian test: Would my action and plan help or hinder individuals and communities to develop ethically? Is my decision helping to realize the society I would like to live in? Communitarianism: Ethical theory where the view on the community is the starting point: What is the ideal community I have in mind? -> Is the action I plan in line with the envisioned community?

6. Self-interest test: Do the decision and plan meet or defeat my own best interests and values? Ethics is not about heroism where you have to sacrifice yourself for others. Contrary, you have a moral duty to take care of yourself first and treat others equally.

7. Consequential test: Are the anticipated consequences of my decision and plan positive or negative? Utilitarian approach: positive or negative consequences define good or bad actions.

8. Discourse test: Have the debates about my decision and plan been well or badly conducted? Have the appropriate people or stakeholders been involved? Have I followed the correct way? Stakeholder theory: Theory that accounts for multiple constituencies impacted by businesses. It addresses morals and values in managing an organization, such as those related to CSR, market economy, and social contract theory.

Matrix: Presenting the results and coming to a conclusion. Note, there are several ways to do this:

Equal importance: Each test has the same importance and thus it is quite easy to analyse the yes and no results to conclude if the action is ethical or not. What will happen when there is an ex aequo? You go back to the questions and read over your answers again.

Hierarchy: Not every test or criterion has the same importance. Therefore, to indicate this importance and give a value to each test, you can label each question to add in a hierarchy:

- **Identify any criterion you see as a veto item:** A veto item is any criterion that is so important to you that if your decision and plan score negatively on it, you will reject the proposal even if, overall, it scores more positives than negatives. The most important candidates are test 3 and 4.
- **Identify any item you see as a trigger item:** A trigger item is any criterion that is so important to you that if your decision scores positively on it, you will accept the proposal even, if overall, it scores more negatives than positives. The most important candidates are test 3 and 4.
- **Identify any criterion you see as a reject item:** A reject item is any criterion that you feel should not be considered.

After identifying each test's importance, you will answer each question and indicate a positive answer with a plus and a negative answer with a minus. You will then ignore the questions you rejected and calculate the total remaining plusses and minuses.

Evaluation: If any trigger item scores positive, accept the decision and plan. If any veto item scores negative, reject the decision and plan. Otherwise accept the decision and plan if there are more positives than negatives or reject the decision and plan if there are more negatives than positives. What will happen when there is an ex aequo, or a veto and a trigger? You go back to the questions and read over your answers again.

e.g. Business bribery: You reject the virtuous mean test because it is a company issue and doesn't have to do with your personality/virtues and you won't take the decision. Besides this, there are more negative answer than positive answer which is why you will reject the proposal.

	Reject	Veto	Trigger	+	-
1. Light-of-day test					
2. Virtuous mean test					
3. Veil of ignorance test					
4. Universality test					
5. Communitarian test					
6. Self-interest test					
7. Consequential test					
8. Discourse test					