



## Summary Ethics and Economics

Economics and ethics (Katholieke Universiteit Leuven)

# SUMMARY ETHICS AND ECONOMICS – 2020

## 1. Introduction

### Why study ethics & economics?

- 1) Economics is part of the humanities.  
→ about the human search for stability, appreciation, acceptance, well-being, happiness, meaning and value in life. This is what ethics is also about.
- 2) Society expects that “university” graduates (universities) possess a broad intellectual and cultural background.
- 3) Ethics develops your own self. “A man is not likely to be a good economist if he is nothing else.”

### False ideas about this course

- 1) “This course is totally useless”: and even if this were true, the most useless things in life are of the highest value of mankind (ex. listen to music? Is it really useful?)
- 2) “It is stupid to study arguments I disagree with”: A broad intellectual horizon and intellectual honesty allows you to determine your own position in the best possible way.
- 3) “University professors should be neutral”:
  - Expressing moral positions is obviously not a value neutral position
  - However, not expressing these positions is not value neutral either
  - Based on concepts of negative and positive liberty

**Negative liberty:** being free from all external constraints, limitations and influences  
⇒ people believing that this is freedom, believe that all the students should be free from the moral ideas and values of a professor  
E.g.: KUL library & master thesis: this should not be allowed: there should be no past thesis in the library bc students will get ideas in their heads and influence them.

**Positive liberty:** Being free to choose your own path from many possibilities (better)  
⇒ shows students how to make judgments based on a certain moral position  
→ freedom is having options, inspiration, and seeing examples from the past

## 2. Ethics of Economists

### 1.1 Introduction

- Be aware of (some of) our own ethical premises or principles
- We have in common that we are (would-be) economists → we are exposed extensively to the self-interest model (maximizing profit, utility, we're all rational, ...)
- Does this influence our ethical judgments? (2 players experiment – proposer, responder – propose how divide 10\$ and responder can accept or reject)

### 1.2 Are economists different, and if so, why?

- Yes, economists are different, look at different things, in a different way than other scientists → but are they also measurably different at fundamental levels?
- Marwell & Ames (1981): yes, more free-riders in the group of economists either due to selection or learning.

⇒ **Selection:** economic students are self-interested, want to become rich, become someone. But maybe they're already like this before they enter University. Students concerned with economic incentives might self-select into economics.

⇒ **Learning/indoctrination:** the thing they study make them like that (maximizing profit). Economics students might adapt their behavior over time to the basic axioms of the theories they study.

(Learning = critical acceptance; indoctrination = uncritical acceptance)

#### Objectives/Aims of Carter & Irons (1991):

- Checking results of Marwell and Ames (1981)
- To test whether students behave in accordance with predictions of the rational / self-interest model of economists (here ethics enters)
- To distinguish between selection / learning.

Exam question: explain how the experiment of Irons and Carter can be used to find out whether it's learning or selection

**Experiment** (how might we tell if economists are different?): 4 groups of respondents = there are 4 groups to separate from the different effects that could come in the way of true results

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

- If there's a difference between (2) and (4): this proves the **learning effect** = being exposed to the model over and over again (but it might also come from a **maturation effect** = getting older)
- If there's a difference between (1) and (2), this proves the **selection effect**
- If there's a difference between (1) and (3) simply by being at university, one might change: **maturation effect** (getting older, wiser, ...)

→ Respondents get \$2 + the money decided upon during the experiment.

### Simple ultimatum bargaining experiment (1 proposal: take it or leave it?)

- Proposer: divide \$10 between him and someone else; in multiples of \$0.50
- Responder: either accepts the offer: each get the proposed amount; or rejects the offer: both get \$0.

### What does economic theory predicts?

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

### The Prediction:

- Responder prefers anything above \$0
- Proposer knows this
- Thus, he offers only \$0.5 and keeps \$9.5
- Responder accepts

### Results:

- **Proposer's** amount kept:
  - Economists keep more and are more like the predictions of the model
  - Seniors keep less: they're more "social" in both groups (eco and non-eco)

(in \$)	Freshmen	Seniors	Total
Noneconomists	5.65	5.20	<b>5.44</b>
Economists	6.30	6.02	<b>6.15</b>
<b>Total</b>	<b>5.93</b>	<b>5.61</b>	

- **Responder's** minimum acceptable amount (the closer to 0,5 = the closer to the economic prediction)
  - Economists accept less (there are closer to the 50 cents)
  - Senior accept less

(in \$)	Freshmen	Seniors	Total
Noneconomists	2.85	1.98	<b>2.44</b>
Economists	1.38	1.98	<b>1.70</b>
<b>Total</b>	<b>2.21</b>	<b>1.98</b>	

- **Results of the classroom: Proposer**
  - It's close to what the experiment says (5.898 → senior economists)
  - In this group, 7 students choose 9,5 and offered 0,5. Most of us proposed a 50/50 solution
- **Results of the classroom: Responder**
  - Minimum acceptable amount: 3,40

### FIRST Result

- Economists accept less, and keep more (in line with the model)
- The economic behavior is closer to the predicted model
- Economists are **significantly different**
- Regression analysis confirms this. Why? → look at the second result

### SECOND Result

- Regression analysis looking for:
  - Difference between freshman noneconomists (1) and freshman economists (2) = **selection**
  - Difference between freshman noneconomists (1) and senior noneconomists (3) = **maturation** effects
- **Result: selection!** Freshman economists accept less and keep more than freshman noneconomists. Students are already different at the start of their studies (more selfish, ...). You're not made selfish by the handbook, professors!  
→ Economists are born, not made!

### THIRD Result

- Is there any learning? Does economists' training shape behavior according to the self-interest model?
  - Compare freshmen and seniors: initial gap between economists and non-economists should widen (1-2 versus 3-4) → the non-economists because more in line with the theory and the economists accept less, which is against the hypothesis
  - Puzzle: no support for learning hypothesis
    - Amount acceptable: gap disappears (against hypothesis)
    - Amount kept: gap widens slightly (in line with hypothesis)
- there's not enough proof to accept the learning hypothesis, since they both say different things.

"We find that economists are different, but they are already different when they begin their study of economics. Our results are mixed as to whether the difference persists, but we find no evidence that it widens with economic training. Of course, this is perilously close to saying that economists are different because they are different." (Carter & Irons, 1991, p. 175) → we don't have any indication into the reasons why we're different at the beginning

### FOURTH Result

- Can we say more?
- Is the difference due to deductive skill? i.e. self-interested calculation) rather than to different (moral) sentiments?
- Maybe economic students are just better at handling numbers ...
- They have checked and NO: this is more than just logic

### The Lesson

- There seems to be something "more" / "else" than self-interest that guides economists
- Is it ethics? Why not accepting 0.5? Why not keeping 9.5?
- Many go for  $5/5 = 50/50$  = equality = common interpretation of fairness

- Behavior was not accurately predicted by the model!  
→ we should ask them about the reasons for their choices

### Why is behavior not accurately predicted by the economic model?

- 1) **Ethical** reasons: justice, equality, altruism, ...
- 2) **Paternalist** reasons: aiming to change the behavior of others, punishment, ...
- 3) Simple stupidity or total **indifference**
- 4) **Irrational behavior**: e.g. satisficing versus maximizing, overestimating probabilities (overconfidence bias), risk aversion (fear the responder will act irrationally), ...
- 5) **Behavioral economics** explores why people sometimes make irrational decisions, and why and how their behavior does not follow the predictions of economic models (cf. maximization of utility and/or profit).

→ Richard Thaler received the Nobel Prize in Science 2017 (Nudging: how can we use people's irrationality to the best)

For example: urinals: men are not always very clean, talking to each other → to make it clean, you can:

- Impose a law
- Give more information ("do you know what it costs to clean your mess?")
- **Nudging**: play with the irrationality: put a sticker in the urinal with a fly: all the men try and pee/kill that fly  
= we are using the rationality of people to get good results = soft paternalism = not really telling someone he's wrong, but only pushing him softly to use its irrationality in a correct way

## 1.3 Does studying economics inhibit cooperation? (1993)

### Introduction

- Does exposure to the self-interested model alter the extent to which people behave in self-interested ways? (Frank et al., 1993, p. 159)
- Do economists behave differently? → literature overview
- Why do economists behave differently? → their evidence

### Do economists behave differently?

- Free-rider experiments: Do economic behave differently? YES
- Marwell & Ames (1981)
- **Experiment**: Allocate money to a 'private' and a 'public' account
  - You receive the money you put in the private one
  - The money of the public one is pooled, multiplied by a factor larger than one and distributed equally for everyone (even to those who did not contribute to the public fund in the first place)
- **Results**: economists put on average **20%** in public fund; noneconomists put on average **49%** in public fund. → economists are trying to free-ride: you want to get something without participating in it. If everyone puts money in the public fund, I'll still get my share bc others put some in the public fund

### Numerical example of Marwell and Ames' experiment:

- Population: 10 persons

- Each person has 10 €
- Multiplier: 2
- They all put their money in public fund:  $(10 \times 10 \text{ €}) \times 2 = 200 \text{ €} \rightarrow$  Equal distribution gives each person 20 €
- In the first place, everyone thinks everyone should put all the money in the public fund so everyone gets the same 20 EUR
- Strong **incentive to free-ride** however:
  - All but you put money in public fund:  $(9 \times 10\text{€}) \times 2 = 180 \text{ €}$   
 $\rightarrow$  equal distribution gives each person (including you) 18 €.
  - Thus, in total you have **18 € + 10 €** (you kept in private fund)  
 $\rightarrow$  The less one puts in the public fund the more free-rider one is!

#### Do they behave differently? (other way of looking at it)

- Ultimatum bargaining games: same answer, YES (Carter & Irons - 1991)
- Survey data on charitable giving: YES, also same result
  - Economists give less to charities (selfishness)
  - Also a questionnaire study among professors:
    - o 9.1% economics professors never give to charities
    - o 2.9%-4.2% other professors never give to charities $\rightarrow$  also the amount that they give (because some still do): the average gift of economists is lower, although they earn more money
- Prisoner's dilemma experiments: YES
  - Recall course microeconomics
  - Payoff matrix
  - Economists do behave significantly more self-interested
  - The **reason**? Some say that because there are more male economists who are less into cooperation? But no, when controlling for gender, economists still **differed** from others = not a gender issue
  - Many variations of this experiment but they all come with the same result

		Player X	
		Cooperate	Defect
You	Cooperate	2 for X 2 for Y	3 for X 0 for Y
	Defect	0 for X 3 for Y	1 for X 1 for Y

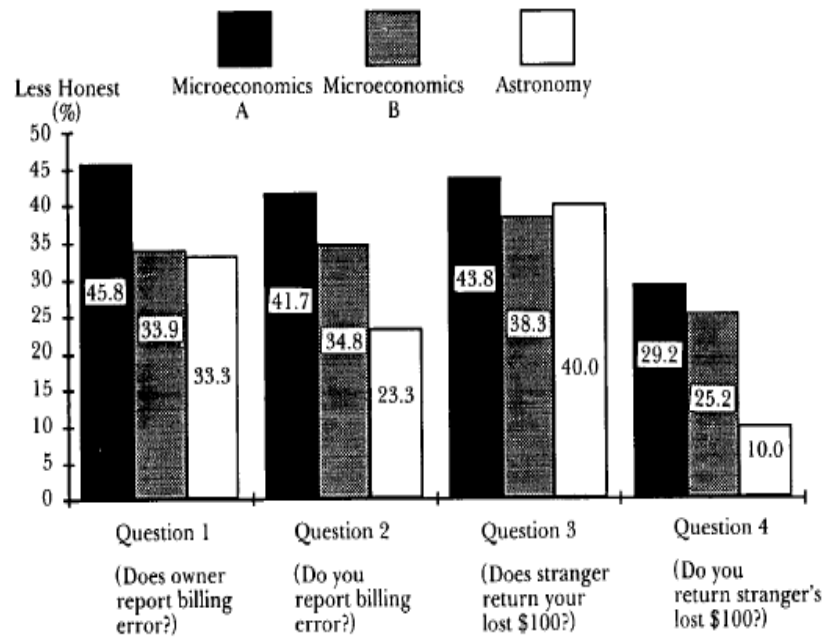
#### Why do they behave differently?

- Training, self-selection or both?
- **1<sup>st</sup> way**: Comparing upperclassmen (seniors) and underclassmen (freshmen):
  - Defection rates (= non-cooperation) fall between freshmen and seniors (for the whole sample)
  - Holds more strongly for noneconomists
  - Economists stick more to defection
  - Students show a tendency towards cooperation with movement toward graduation, except economics students
  - Suggests learning / training effects
- **2<sup>nd</sup> way**: Honesty surveys
  - Two ethical dilemmas:
    - a) Do you report billing errors? You eat at a restaurant, the bill is incorrect and it's in your advantage. Are you going to be honest about it? Or just run away
    - b) Do you return stranger's lost \$100? If you find an envelope with \$100 and a name on it  $\rightarrow$  do you give it back?

- Questions were asked at beginning of course and at end of course
  - Microeconomics A: mainstream economist (talks about his/her book and that's it)
  - Microeconomics B: development economist (more keen on talking about poverty, development, inequality, ... → more caring and social person)
  - Astronomy (3<sup>rd</sup> group): completely different = CONTROL GROUP

Figure 3

### Freshmen Honesty Survey Results





- Results: we compare if people become less honest as the year goes on...

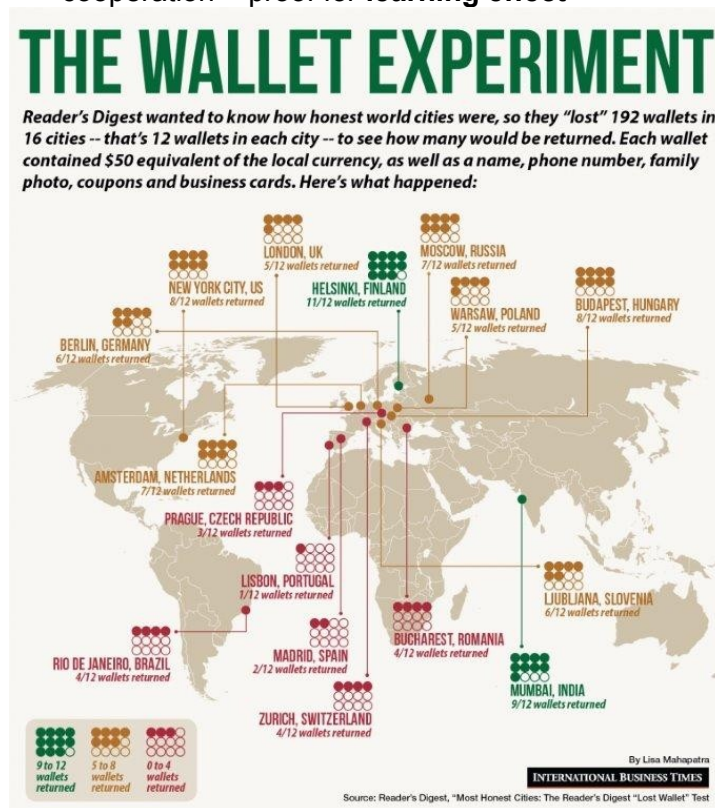
**Micro economics A for question 2** = 41,7% became less honest (23.3% in control group)

→ tendency to say that students studying economics become less honest. But here we don't get any info about all the others (the people that become: more honest? Stay honest? They were dishonest and remained dishonest?)

+ same conclusion for the question 4

- BUT the 1<sup>st</sup> article (Carter & Irons) they concluded that it was "selection" and that people already had their clear ideas before studying economics

□ Now there's an emphasis on self-interest model that seems to inhibit cooperation = proof for **learning effect**



In Brussels, all 12 were returned... but empty.

#### 1.4 The Moral Effects of Economic Training (2015)

- Amitai Etzioni presents an overview of the literature on the moral effects of economic teaching up to 2015

All these studies report that *economics students* are *less* social, less cooperative, less honest ... than their peers.

- Marwell and Ames (1981)
- Carter and Irons (1991)
- Frank, Gilovich and Regan (1993)
- Other studies supported these key findings:
  - Frey, Pommerehne and Gygi (1993)
  - Cadsby and Maynes (1998)
  - Selten and Ockenfels (1998)
  - Frank and Schulze (2000)
  - Gandal, Roccas, Sagiv and Wrzesniewski (2005)
  - Rubinstein (2006)
  - Faravelli (2007)
  - Haucap and Just (2010)
  - Bauman and Rose (2011)

- *Is studying economics the **cause** of moral debasement?* Or is it a selection effect “whereby students prone to immoral behavior are more likely to choose to study economics than more moral students”?

**Selection effect**

versus

**Indoctrination effect**

Carter and Irons (1991)  
Frey et al. (1993)  
Frank and Schulze (2000)  
Gandal et al. (2005)

Frank et al. (1993)  
Faravelli (2007)  
Bauman and Rose (2011)

- **Conclusion:** This suggests that, although those drawn to economics already have a more ‘debased’ orientation compared to their peers, exposure to economics adds a debasing effect.”

→ Thus, *selection* AND *indoctrination* effects matter.

- **Qualifications:**

- “It should be noted that the debasing effect is often significant but far from total. There are areas of attitudes that will not be affected by exposure to economics.”
- “Few studies find that the study of economics correlates with pro-social behaviors.”
- 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!**

- Be critical
- But what about studying ethics?

*“The results provide little evidence that the philosophical ethics approach studied here systematically affects the fairness views of students. ... The absence of an individual effect does not necessarily mean that ethics instruction is ineffective in a broader sense.”*

→ Studying ethics doesn’t change you.

1.5

### 3. The limits of the markets

#### 2.1 Introduction

Here, we are **asking fundamental questions** about the (ethics of the) **market**

- ≠ Applied ethics
- ≠ Ethics applied to business
- ≠ Business ethics

- 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 not for sale?
- Can you name goods which should not be for sale?

##### A) Tissues/body parts

- Some say “life shouldn’t be for sale” → but it exists (to kill for money)
- Some say “people can’t be for sale” → slavery (or in football? Buy and sell players)
- “Children shouldn’t be for sale” → You can’t buy children but you can pay a surrogate to carry your child
- “Blood shouldn’t be for sale” → Not here, but in the US you can get money
- Same for skin tissue, sperm, egg cells/semen, hair?

Where is the limit? *law is different than ethics* → is **how we feel about it**

##### B) Personal “rights” / identity traits

- Voting right, autonomy, freedom, identity, nationality, school degrees, criminal records, ...

##### C) Free goods

- Clean air
- Clean water
- Clean land

##### D) Immaterial goods

- Love, comfort, friendship, family, respect, honours, ...

Could/should these things be tradeable? What should and what should not?

→ This is about the limits to the free market.

##### Do you think a free market for living donor kidneys is acceptable?

- People die on the donor waiting list, others have to have dialysis
- Other say: we’ll find the kidney ourselves and go on the black market → paying someone for the kidney. But it’s illegal, done in non-hygienic places.
- Economists say: it is cheaper for the government (less dialysis), saves lives, avoids the black market

## 2.2 A regulated market for kidneys?

### 1. Introduction

#### - **Situation**

- Shortage of kidneys: people die while waiting for a kidney
- Leads to immoral practices: theft, corruption, ...

- “**Negative**” approach: to forbid those practices, if possible at all. It doesn’t solve the problem → only solves the back market, the immorality

- “**Positive**” approach: to create a favorable legislation (for example, if everyone gives an organ after life (Belgium))

- Presumed consent (consent is still often sought): an opt-out system (which is an example of *nudging*: small push by saying everyone is a donor, and many people do not bother to opt-out)

→ you still have the right to register that you’re not agree with it

→ most people have another system (opt-in system). However in Belgium, consent is still often sought, you need young people as well. Still asking to the family whether they want

→ Many doctors do ask consent bc they find it correct and polite. People are in total shock bc someone just died and people say “no” often because they are afraid it will hurt the body

- Mandated choice: it’s up to you but you have to make a choice (*no nudging*)

- Exchange frameworks: allows for couples who are prepared to give to a relative. Mix families: you’re not related but the child gives a kidney to the other child and the father gives a kidney to another father

- Rewarded gifting (Iran, Philippines): they give a reward to people willing to donate a kidney during life. It’s not a huge amount (\$1500) → fixed, symbolic price. Only people living in Iran are allowed. Result: no shortage in Iran! Should be an example for others.

→ Why not a free (free supply/demand) or regulated market?

#### - **Scope:**

- Not medical
- Only kidney donation (do these arguments also apply for sale of other body parts as well?)
- Only living vendors (do the arguments also apply for cadaveric vendors?)

#### - **Terminological clarification / moral standing**

Compensation for donation	→	accepted
Rewarded gifting	→	controversial
Donation for payment	→	highly controversial

(In the third point, money is the only motivation (not like the other points))

## 2. A regulated market solution defended

**Why** don't we have an unrestricted free market?

- Free price negotiations (highest bid)
  - Shops or market places
  - Competition (my kidney is better than yours, ...)
  - Brokers, middlemen, private companies
  - Price and quality differences
- NO. There's a lot of protests about that  
→ Gary Becker is the fiercest (and only) defender of this theory of unrestricted free market

**Why** don't we have a regulated or ethical market? (p.6 – *study in detail*)

- **Advantages:**
  - best quality surgery / medical circumstances
  - Just allocation
  - Protection against wrong choices
  - Anonymity
  - Absence of black market
  - Cost-effective
- **Objections:**
  - Practical considerations:
    - Determining criteria for a fair access to a kidney? Who will do that? → not impossible, we can come to agreements
    - Determining price of a kidney? Who will do it?  
→ you can have an institution for that
    - Handling logistics
  - Weaker arguments:
    - Criticisms of organized religions  
= if we want to make an argument applying that applies to everyone, that's a weak agreement
    - Fear of abuse of the system
  - Stronger arguments:  
→ Asking fundamental questions about sovereignty over one's body and the freedom of contract

### (1) Fall of altruistic donations

= **Rejected** (see p.8): some actions are preferably done in an altruistic way (e.g.: caring for someone) but if we start paying for nurses, it doesn't make that we should forbid it

A first widespread objection states that an organized kidney market would lower the number of organs available for transplants donated from altruistic motives. I however buy the counter-arguments of Radcliffe-Richards et al. [1998, p1951-2]: *“It is frequently asserted that organ donation must be altruistic to be acceptable, and that this rules out payment. However, there are two problems with this claim. First, altruism does not distinguish donors from vendors. If a father who saves his daughter’s life by giving her a kidney is altruistic, it is difficult to see why his selling a kidney to pay for some other operation to save her life should be thought less so. Second, nobody believes in general that unless some useful action is altruistic it is better to forbid it at all.”* And after all, the presence of markets does not generally drive out altruistic motives. Dworkin [1993] refers to hospital workers who are paid which does not expel volunteer workers.

**(2) Exploitation of the poor:** poor people might have a lack of education and for that reason it’s hard for them to see the consequences of selling a kidney, undergoing a surgery

- *Fear of lack of genuine consent*
  - Fully informed donors
  - Capable of making a rational decision
- *Fear of coercion and duress*
  - Pressure or coercion (even within families: they force you to sell your kidney)
  - Psychological suspect motivations
  - Racist conditions (only want to give it to a white male)

⇒ **Safeguards needed**
- *Financial pressure or poverty*
  - A regulated market is not a poverty-alleviating instrument
  - Yes, poor will be overrepresented in the donor pool
  - But: is this a problem? Does it mean that the choices of poor people are involuntary?
  - Dworkin (1993): if poverty is coercive than every ‘free’ contract with a poor person involved is illegitimate!
  - Zutlevics (2001): “The argument of Dworkin goes too far because it allows for people to arm themselves into thinking they’ll win more money” (e.g. beggar on the street who can cut his leg to gain more money in his begging activities) Then anything goes? No, some contracts are OK, some not. → we should protect poor people to do things under the pressure.
  - This calls for regulation, not the prohibition of the market.

⇒ **Rejected**



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

to protect the vulnerable from being exploited, not for the abolition of markets. None of the objections discussed above – the fall in altruistic donations, the lack of free and informed consent and the strains of poverty – are convincing enough to prohibit a well-regulated market for kidneys. I believe that people under the right conditions have the personal autonomy to improve their well-being through freely engaged contracts, within the constraints of moral permissibility. However, this conclusion hinges on a couple of assumptions. First, personal autonomy is limited by the personal autonomy of others who are represented by the community one belongs to. Whether and to what extent the community plays a role in this context are issues I will expand on in section 4. Secondly, until now we have been assuming that kidneys are commodities that could be bought and sold neglecting the fundamental question whether kidneys should be a tradable commodity after all? The matter of the moral permissibility of kidney sales is scrutinized in the next section.

### 3. A regulated market solution doubted

#### **(3) Commodification of the body**

- “Should kidneys be sold?” ≠ “Can kidneys be sold?”
- Three types of arguments:
  - I. Sale changes nature of the transaction: greed instead of altruism
  - II. Sale changes relationship good / vendor: ‘he does not sell what is his, he sells himself’  
→ you don’t sell something that you possess, but yourself, your actual body
  - III. Sale changes nature of the vendor:  
→ people selling their kidney degrade themselves, it’s disrespectful

Paid donation, they argue in vibrant rhetoric, 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.

- This argument is only valid if it shows that:
  - a) Trait is valuable
  - b) Trait is corrupted by kidney sale

- c) Corruption is severe enough to ban sales
  - d) Ban does not exclude unpaid donation
- There's also the *analogy argument*: be careful with that
    - You compare a situation with another situation as if it was the same ethical conclusion
    - Ex. in the US, selling your blood is ok → but blood is different from kidney. Blood can reproduce, like skin, hair, sperm → but for a kidney it's irreversible  
→ pay attention to this argument
  - Special status of kidney donation:
    - Irreproducible organ
    - Irreversible surgery
    - Irreplaceable organ
    - Vital organ
  - Person-body identification argument
    - Not 'natural' identity: 'I am not my kidney'
    - Not traces of 'personhood': 'My kidney does not contain traces of my personhood'
    - 'I am not less person when I am missing parts of my body'
    - **But:** my kidneys are so important (see above) to who I am, I consider them to be constituents of me and therefore one should not sell one's kidneys
  - The commodification attitude argument (p. 15):
    - The mere fact that kidneys are tradeable, adds them to the list of alienable assets
    - Could then be used as collateral guaranteeing economic contracts, etc.
    - Could then be claimed by court bailiffs or other creditors (with or without force): 'Pay your debt and if you can't, sell your kidney'.

### Conclusion

*the sale of human body parts is at issue. Even though we respect the freedom of individuals to do what they want with their lives, we draw certain lines based on human dignity beyond which we do not give effect to their free choices."* (C. Cohen [1999, p 295]) However, if society finds consensus over the concept of personhood invoked above 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<sup>29</sup>.

15 sell a kidney on the grounds that it is better for their overall well-being not to engage in such contracts. To avoid the criticism of paternalism 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. Cohen is exactly trying to do this: "*Autonomy is an important element of human dignity, but it is not absolute. It has limits. It is one of its limits when*



#### 4. A regulated market solution recanted

- So far, so good. But why find so many people (including the medical world), when asked for their intuition, the idea of kidney sales repellent?
- It suggests that personal choice and autonomy are most probably not the only values that matter

- Two arguments:

**(1) Communitarian argument**

- I am part of a broad web of caring relationships
- Personal characteristics which constitute who one is (e.g. identity, nationality, criminal record, university degrees) are inalienable
- Arguably, kidneys belong to this category
- And: Does one of us really want to live in a society where selling one's kidney is the ultimate way out of poverty??

**(2) Contractarian argument**

- Suppose that we do not know who we are, what our health is, whether we are poor or rich, and whether we need a kidney (veil of ignorance)
- We are then asked to try to find agreement on the guiding principles for a system of kidney provision
- I believe *three guiding principles* will come to the fore:
  - I. The system should improve the well-being in the long run of all those involved
  - II. The new system should minimize the effects which come with the transition from the existing system to the new one.
  - III. The system should comply with human rights and principles of justice
- Does a *regulated market* stand the test:
  - I. Are the long run interests of the vendor and the community well-served?
  - II. The new system puts strains on caring relationships and the community
  - III. The worst-off people (the poor who need a kidney) will not be able to sell a kidney which some might find a grave injustice

- **Conclusion**

For all these reasons, a regulated kidney market does not seem to be the evident, first best solution for the problems at hand. However, this does not mean that those in desperate need for a kidney are left in dire straits. Alternative solutions maintaining and even thriving upon caring relationships and at the same time preserving the dignity of each person should first be scrutinized according to the guiding principles discussed above and the best ones should be put into practice, offered government support and public backing. It suggests that society should first exhaust other morally legitimate, legal and economic incentive schemes to alleviate the kidney shortage before implementing a regulated organ market.

- Alternatives to a market
  - Prevention
  - Promotion after death donation
  - Procurement coordinators
  - Legal systems
  - Reduce and exchange costs of living donation
- Economic alternatives to a market
  - Financial compensation
  - Rewarded gifting
  - Incentive schemes (taxation)
  - Futures market
  - Health insurance premium credits
  - Death benefit payments
  - Mutual insurance pool
  - Lump-sum to good cause
- Medical alternatives
  - Stem cell research
  - Tissue engineering
  - Xenotransplantation

## 2.3 Markets, Morals and Civic Life

### A. Are there some things that should not be bought and sold, and if so, why?

- Are there some things that money can't buy? **YES**
  - Friendship: money to buy friendship corrupts it
  - Nobel prize (and other awards): the market exchange immediately dissolves the good that you are seeking
- Are there some things that money can buy, but shouldn't?
  - Some say organ sales
  - Some say baby-selling ...

→ The good survives the selling, but is arguably degraded, corrupted, or diminished as a result

### B. Intermediate cases between friendship case and kidney case

- Expressions of personal relations e.g. apologies:
  - The Tianjin Apology Company
  - Pay a fee and they say sorry for you
  - Would you be satisfied with a bought apology?
  - Would you consider a very expensive apology more meaningful than a cheap one?
- An **honorary degree**
  - Often given to philanthropists who have contributed large sums to the university bestowing the degree
  - Are such degrees bought or are they genuinely honorific?
  - Very difficult to distinguish - so they are an intermediate case

- Buying & selling of admission to elite universities
  - Most seats are allocated according to merits
  - Some seats go to children from wealthy parents
  - In that case, the honorific aspect of admission to elite university is eroded
  - Intermediate case: a good that money can (sometimes) buy but arguably shouldn't.

→ this analysis of the goods that money apparently can buy but arguably shouldn't directs our attention to one moral objection to certain market exchanges – the **objection** that **money** can **degrade** or **corrupt** the **good** at stake.
- To be distinguished from another familiar argument: coercion, poverty, inequality
- Example: prostitution
  - Some say it is wrong because it is rarely, if ever, truly voluntary.
    - (1) Argument from coercion refers to moral ideal of consent. Conditions could be changed to meet this ideal
  - Others object to it on the grounds that it is intrinsically degrading
    - (2) Argument from corruption refers to other moral ideal: the moral importance of the goods that are said to be degraded by market exchange. Changing conditions will not help to meet this ideal
  - The *Argument from corruption* is the more fundamental one. It can best help us to articulate what is troubling about many of the contemporary cases of excessive marketization and commodification
  - Example: Surrogate motherhood / contract pregnancy
    - Treating children as commodities degrades them by using them as instruments of profit rather than cherishing them as persons worthy of love and care
    - Treating the body of women as factories degrades women
  - *Argument from corruption* assumes that certain things are properly regarded and treated in certain ways. There seems to be a proper way to value the goods
  - Example: 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
  - Next step is necessarily to defend how to value the goods in question:
    - Either by analogy (is it similar to baby-selling? is it similar to sperm-selling?)
    - Or by appealing to a certain conception of the good (= making the ideal situation explicit).
  - Appealing to a certain conception of the good is the most attractive way forward
  - Or the other way around: Arguments might hide a particular conception of the good that should be made explicit



## 4. Unconditional Basic Income

### 3.1 Introduction

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

But there are often **ethical** questions asked about the market:

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

Some propose adjustments to the market or even radical alternatives to the market based on philosophical and ethical arguments

→ We will discuss a **particular proposal** which aims at meeting a number of ethical and philosophical issues with the market i.e. providing real freedom for all and more equality, less poverty and less unemployment (*VAN PARIJS*)

### 3.2 Basic Income: A Simple and Powerful Idea for the Twenty-First Century (2004)

**A simple idea:** "Give all citizens a modest, yet unconditional income, and let them top it up at will with income from other sources."

- A long tradition, many names: Territorial dividend, State bonus, Demogrant, Citizen's wage, Universal benefit, Universal basic income, Unconditional basic income ...
- But also (jokingly): Helicopter money, Money from heaven, Free money
- Many experiments have been done or are underway:
  - Finland – Perustulokeilu 2017-2018 (2000 people, 560€)  
→ the unemployed received 560€ per month, the government has now decided to stop that experiment because politics change
  - Alaska, Ontario, Namibia, ...
  - Swiss referendum 2016 (77% against)

**What basic income is and what it isn't:**

**"A basic income is an income paid by a political community to all its members on an individual basis, without means test or work requirement."**

- Six constituting components of this
- Not one single detailed take-it-or-leave-it proposal, rather a fundamental framework which allows for various specific basic income schemes (*from Van Parijs*)

#### (1) An income

- Paid in cash, rather than in kind (e.g. food, land, food stamps): fair (no lobbying) and efficient (less bureaucracy)
- No restriction on how or when to use the cash
- Supplements (not substitutes) in kind transfers such as free education or basic health insurance

- Paid on a regular basis, rather than as a one-off endowment. E.g. on a weekly or monthly basis (just like a real income)
- Amount could vary with age, geography (e.g. depending on cost of living) and across time (linked to GDP/capita)
- Amount should both be modest enough to be sustainable (possible in the long term for gov.) and generous enough (i.e. not 1€) for it to be plausible that it will make a big difference.
- Van Parijs & Vanderborght propose to spend 25% of GDP on a basic income. This means, in \$, in 2015 (for everyone, from newborn babies to elders)
  - US: 1,163 \$ / per month / per capita
  - Switzerland: 1,670 \$ / per month / per capita
  - UK: 910 \$ / per month / per capita
  - India: 33 \$ / per month / per capita

## (2) Paid by a political community (not a company)

- Government of some sort: city, province, region (e.g. Alaska), nation-state (most proposals), supranational (EU or UN)
- Where does the money come from? Out of **publicly controlled resources**:
  - A) Redistribution:
    - Either from the common pool of government revenues;
    - Or from a specific tax: a land tax, a tax on natural resources, tax on a broadly defined income base, extra value-added tax, Tobin taxes (on international speculative transactions) or even bit taxes (on information transfers) or robot taxes (tax what the robots are doing in the future)
    - Or shift from taxing labor income to tax on production
  - B) Distribution: ('new money')
    - From an investment fund (e.g. from oil income as in Alaska), from publicly owned productive assets, money creation ("Quantitative easing for the people"), ...

## (3) To all its members

- Nationals? Yes, of course.
- Non-citizens? All legal permanent residents, since most authors see a basic income as a policy against exclusion
- Children? Yes, maybe less until adulthood
- Pensioners? Yes, maybe a little higher than younger adults.
- Inmates? No, imprisonment is already costing society a lot
- Therefore, often called universal basic income

## (4) On an individual basis

- Paid to each individual member (not to the household or its head)
- *Uniform*: amount of cash is independent on what type of household one belongs to
- *Efficient*: no need to look into personal living arrangements to check whether one lives in a one-person household, a two person-household, if you're married or not...

- Freedom: does not discourage people living together or to choose a way of living for tax/benefit reasons.  
= 4 differences from a guaranteed minimum income scheme

(5) Without means test: (means = income, wealth you have)

- Irrespective of income: given to poor and rich alike (the same)  
→ no prior assessment of income (or wealth).
- Does not make the rich richer: because the basic income has to be funded and if basic income is added to the taxable income, the rich will contribute most to the system of basic income (e.g. through progressive income tax).
- Frees people from the unemployment trap: facilitates saying yes to a job offer
- It is better for the poor that a basic income is also given to the rich
  - It is better for the poor than a means-tested guaranteed income:
    - 1) The rate of take up of benefits is likely to be higher (efficiency)
    - 2) There is nothing humiliating about benefits given to all
    - 3) The regular payment is not interrupted when accepting a job so reducing the risk of taking a job (= first aspect of the unemployment trap)
  - In sum: it frees people from a lack of money (poverty) and it also frees people from exclusion from work (unemployment trap)
- Makes work pay?
  - Economists argue that there should be a significant positive income differential between no work and (low-)paid work (= second aspect of the unemployment trap). (= second aspect of the unemployment trap)
  - Would you go to work for only 100 euros difference? And you have costs for transport, childcare to work...

*"Since you can keep the full amount of your basic income, whether working or not, whether rich or poor, you are bound to be better off when working than out of work."*

(6) Without work requirement: work-unconditionality

- Irrespective of present work performance:
  - ⇒ Not restricted to those who have worked enough in the past or paid in enough social security contributions or taxes.
- Irrespective of willingness to work:
  - ⇒ Not restricted to those willing to work
  - ⇒ It's universal: workers, self-employed, students, unemployed, home careers, break-takers, lazy people ...
- Frees people from the employment trap: it facilitates saying no to a job offer (e.g. lousy, unattractive jobs that pay little). People have to go to work but the work they do is pointless and unattractive. So, we don't push people to have bad jobs

## Why do we need a basic income?

### (1) If we want no means test, it is important to drop the work test. (otherwise brings an employment trap)

- Work-unconditionality is a key instrument to prevent means-unconditionality from leading to the expansion of lousy, degrading, dead-end jobs
- If we drop the means test (not looking whether they're rich/poor) but keep the work test (are you still working?), people need to have a job – any job – to have the right for a basic income.
  - i.e. any job, so maybe bad, lousy, degrading jobs
- To avoid people taking low-paid lousy jobs in order to keep their right for a basic income, both - unconditionalities should apply

### (2) If there is no means test, no work test is needed. (otherwise, unemployment trap)

- Means-unconditionality prevents work-unconditionality from unacceptably fostering exclusion
- If we drop the work test but keep the means test, then we might still have the unemployment trap and killing off low-productive jobs and disconnecting the less productive from any labor participation and so fostering exclusion

*“The two key unconditionalities of basic income are logically independent, but they are intrinsically linked as components of a strong proposal.”*

### (3) Activating while liberating

- The central case for basic income as a specific way of handling the joint challenge of poverty and unemployment
- The unconditional nature of a basic income makes it possible to spread bargaining power so as to enable (as much as is sustainable) the less advantaged to discriminate between attractive or promising and lousy jobs
- It gives you more freedom to negotiate

### (4) Basic income and social justice

*“The preceding argument implicitly appeals to a conception of social justice as the fair distribution of the real freedom to pursue the realization of one’s conception of the good life, whatever it is.”* → brings in ethical arguments (Van Parijs)

- Many principled justifications of basic income (see further)
- Any pragmatic justifications as well (ex. efficiency)
- Van Parijs justifies basic income by an appeal on his notion of ‘real freedom’: not only the right but also the means to do what one may wish
- ‘Real freedom’ → you’re not forced to do things → even allows for ‘regret’ in public economics
- In Belgium, you’re free to buy whatever model of car, but real freedom only if you have the money to do so.





## Is basic income affordable?

### (1) An underspecified question

- Recall: it is not part of the definition of basic income that a basic income should satisfy all basic needs. It could be more or less
- Recall: it is not part of the definition of basic income that a basic income should replace all other cash benefits
- Answer depends on how much one wants to give as a basic income and on how much benefits will be abolished and taxes levied.

### (2) More expensive because work-unconditional?

- Yes, because there are more beneficiaries than under a conventional guaranteed income scheme

### (3) More expensive because income-unconditional?

- Yes, 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)

### (4) More expensive because strictly individual?

- Most probably yes, we give it to everyone, whatever the household

## Which way forward?

“ [...] a coherent and plausible conception of social justice requires us to aim, with some important qualifications, 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 (somewhat disappointing) conclusion:

But for now, a general but household-tested, means-tested, and willingness-to-work-tested **guaranteed minimum scheme** is a step in the right direction as are other proposals

“It is arguably not only fair but also economically clever to give all, not just the better endowed, greater freedom to move easily among paid work, education, caring and volunteering.”

→ people would do the things they like (volunteering, ...), to study, for one year and learn, to care for your children, which is good for the economy (that's what they claim)

(Van Parijs & Vanderborght [2017, p. 26])



### 3.3 Basic Income: Principled or Ethical Justifications (2017)

#### A. Many objections have been raised against an unconditional basic income

##### (1) Often economic objections

- It is too expensive
- It is not sustainable because it will decrease labor supply. (people might want to work part-time)
- It will replace the existing social security system and make the worst-off even more worse off (depends on how you implement it)
- The taxation system will create more inequalities. (depends on the tax)
- *"The most deserving get less, the billionaires get more."*
- It will create a parallel (shadow?) economy
- It will not bring what it promises to bring: less poverty and less unemployment.

→ **Answer:** there is no such thing as one basic income scheme; specific schemes could be designed to remedy some or all objections

##### (2) Also political objections:

- A basic income is politically unachievable
  - A discussion on a basic income obscures the real problem: the effect of artificial intelligence on the future of jobs
- leftist bc decreases poverty and rightist since it activates labor supply and unemployed people

##### (3) Also concerns about the empirical experiments that are being/have been done:

- The results of the empirical experiments are not trustworthy: too small samples, no realistic settings, limited duration, no view yet on long term effects, not universal, ...

##### (4) But also objections of a more fundamental nature:

VAN PARIJS, Ph. & VANDERBORGHT, Y., Basic Income. A Radical Proposal for a Free Society and a Sane Economy, Cambridge, Ma: Harvard University Press, 2017, p. 99-109. (available via Limo)

"Of all objections to a basic income, one sticks out above all others – and is more emotional, more principled, and more decisive in the eyes of many. It relates to its being unconditional in the sense of being obligation-free, of not requiring its recipients to work or be willing to work. Someone can concede that a basic income would provide an effective way of reducing poverty and unemployment while still being fiercely opposed to it on ethical grounds. This objection comes in two main versions.

In one version the 'perfectionist' one, the underlying principle is that work is part of the good life and hence that an income granted without some work requirement amounts to rewarding a vice: idleness. In the other version, the 'liberal' one, the underlying principle is not about virtue but about fairness. [...] it is unfair for able-bodied people to live off the labor of others. How can this objection be refuted?

If one adopts the view, as we do, that the shaping of our social institutions should not be guided by a specific conception of the good life but by a coherent and plausible conception of justice, this second version of the objection is far more serious than the former." (Van Parijs & Vanderborght, 2017, p. 99)

- 1<sup>st</sup> **objection**: it is unfair for able-bodied people to live off the labor of others
  - ⇒ If you don't ask people to work and give money for people for doing nothing, that's a pay for people to be lazy, which is unacceptable. Bc they think that labor is something good in life, that it's a value, a virtue (hence why "perfectionist": they have an idea of what is good in society (working) and we don't get there)
- 2<sup>nd</sup> **objection**: enjoying a basic income without doing any work does constitute unfair free riding
  - ⇒ It's not about being lazy, it's simply unfair that you're sitting at home doing nothing, living from the money of others. → focus on this second objection
- Three reasons why this accusation should be relativized
  - (1) **Double standards** are at **work**: one wants to refuse to the poor the leisure the rich can get away with. Leisure is 'very good' for the rich but seems 'very bad' for the poor?
    - If at 15 you invested in dividends, you're can start resting at home... but people are working for you in the companies to earn dividends! (if the rich people are lazy, we don't say there are free riders, but if someone poor does it, then we say it's bad)
  - (2) Should a morality that stigmatizes an access to an income without work (and thereby tries to restrict material gratification to those willing to contribute to society's production) not be **abandoned** when technological progress is leading to overabundant workers?
    - Computers are working for us but we'll need an income → an income without work will be common in the future, so relativize bc it's going to be the future anyway (we need to break the link between labor and earnings)
  - (3) In fact, only a **tiny minority** will take the advantage of it in order to do nothing or very little
    - People are not going to be free riders, their money will increase
    - Getting rid of the unemployment trap by providing a firm floor instead of a net (minimum guaranteed income) will recruit people into the workforce.
    - On the other hand, experiments show a fall in labor supply, this does not translate however into an expansion of leisure as idleness but rather into an upsurge of productive activities in a broader sense such as education, childcare, and voluntary work
    - People go and work part-time or they study for another year

- Three further reasons why the introduction of basic income far from increasing injustice could reduce it.

(1) How to **distinguish** between people unable to work (illness, disability) and people unwilling to work (free-riders) anyway?

- In order to avoid penalizing unfairly people who are sick and wrongly assumed to be lazy, a modest unconditional income can be justified as the least bad measure
- If you give a basic income, maybe people can be more lazy, but it takes away the injustice that people unemployed that are willing to work but cannot earn/find a job.

(2) The real free riding nowadays is men free riding on the unpaid work done by their partners

- A basic income might well prove the least bad way of tackling free riding: it would **worsen** the **injustice** stemming from overpayment of the truly lazy but not as much as it would **reduce** the **injustice** stemming from underpaying those who currently care for children, the elderly, or the disabled
- Now, also the stay at home women get an income, which reduces that injustice

(3) With **irksomeness** of **work**, its lack of intrinsic value, better compensated for, unfair free riding will not expand but shrink

- Working is boring, hard, annoying, but if you're better compensated, then there won't be a lot of free-riders. If you're better paid for work, people will be happier to work

"All the responses presented above accept, for the sake of argument, that it is 'unfair for able-bodied people to live off the labor of others' and, underlying this indictment of free riding, embrace some conception of justice as reciprocity. Such a conception is compelling as a conception of *cooperative justice* – that is, as a characterization of the fair allocation of benefits and burdens of cooperation between participants in some cooperative venture. But is not compelling as a conception of *distributive justice* – that is, as a characterization of the just distribution of entitlements to resources among the members of a society. [...] And it is to a conception of distributive justice, not cooperative justice, that one must appeal in order to best defend the fairness of an unconditional basic income." (Van Parijs & Vanderborght, 2017, p. 103-104)

**Reciprocity:** fairness is about reciprocity

- Good as a conception of cooperative justice (thinking about the right ways of giving everyone his/her fair share of working together (divide equally? Give more to the leader of the team?).
- But what he says we need is distributive justice: what is right if you have something to distribute (that you didn't produce yourself).
- How to divide it? Equally? Pp that don't come to classes (yes, I'm talking about you) → should we divide it only bt the students here today? Based on merit?



"An unconditional basic income is what we need, we argued, if what we care about is freedom, not for just a few but for all. We thereby appeal to *an egalitarian conception of distributive justice* that treats freedom not as a constraint on what justice requires but as the very stuff that justice consists in distributing fairly. This requires that freedom be interpreted as 'real freedom', not just 'formal freedom' – that is, as involving not only the sheer right but also the genuine capacity to do whatever one might wish to do. Being egalitarian about this real freedom does not imply that one should aim to equalize it at any cost. Inequalities can be regarded as just if they work to the benefit of everyone, even their apparent victims. If we accept this, what we must go for is the greatest real freedom for those with the least of it – that is, the maximization of the minimal level of real freedom or, more succinctly, 'maximin real freedom' and, less esoterically, 'real freedom for all'" (Van Parijs & Vanderborght, 2017, p. 104)

He wants to **divide REAL freedom** for everyone (real freedom: you have to possibility to exercise your freedom, having the money)

- We're trying to equalize the means to equalize the freedom. Inequalities are ok if they work for the overall "goodness" of everyone (if some people want to be an entrepreneur to help people, they're allowed to earn more).
- Try to maximize the minimum level of real freedom = maximin (try to create as high as possible a minimum level for everyone)
- If you take away all the inequalities, people won't be motivated anymore.

"Strictly speaking, what our conception of distributive justice requires is not maximin real freedom – although we shall keep using this expression for convenience – but rather the maximin of the gifts that form the substratum of this freedom – that is, the maximization of what is received by those who receive least by way of material basis for the exercise of their real freedom. In all sorts of ways, but for most of us primarily as part of our earnings, we benefit very unequally from what was freely given us by nature, technological progress, capital accumulation, social organization, civility rules, and so on. *What a basic income does is ensure that everyone receives a fair share of what none of us today did anything for*, of the huge present very unequally incorporated in our incomes. And if given to all and pitched at the highest sustainable level, it ensures that those who receive least receive as much as is durably feasible." (Van Parijs & Vanderborght, 2017, p. 105)

Main **argument**: okay... you work and you earn money, but the amount of money you earn is not only your effort: you're using computers (that come from knowledge of past generations), is that something you've created? No, it's a gift, it's the society, nature: what you think "this is what I earned", you're actually using all the past generations

- What has been given to us. He believes that. And all income, we only have a very small part in it, that can be neglected
- That's why you need **distributive justice**: think about a way of distributing what has been given to us through generations of effort, not only our effort. (i.e. "what none of us today did anything for")

→ The **same intuition** has been expressed by a number of advocates of basic-income-like-ideas: *Edward Bellamy, George D.H. Cole & Herbert A. Simon*

### 3.4 Conclusion

"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*, as an arrangement that enables people to tap – very unequally – our common inheritance. There are other ways of motivating the plausibility of this picture. In actual life, the opportunities we enjoy are fashioned in complex, largely unpredictable ways by the interaction of our innate capacities and dispositions with countless other circumstances such as happening to have a congenial primary school teacher or an inspiring boss, to belong to a lucky generation, to have a native language in high  
"... Against this background, justice requires that we should look directly at jobs and other market niches as incorporating very unequal gifts to which we are given very unequal access by a complex, messy combination of factors. All of these gifts, and not only the much smaller amount that takes the form of donations and bequests, are up for fair distribution among all. And note that the correct term is *fair distribution* and not *fair redistribution*: the taxes that fund a basic income are not levied on what was created out of nothing by today's producers, but rather fees to be paid by these producers for the privilege of using for their personal benefit what we have collectively received." (Van Parijs & Vanderborght, 2017, p.106-107)

His **idea**: rich people are more "gifted" due to circumstances, luck in life and their background situation, and we should try to **correct** that.

- It's fair distribution, not redistribution
- **Redistribution** = you've worked from something, we take it through taxes and distribute it in a different way. (we don't do that here, bc you don't have a claim on your income)



## 5. Introduction to Business Ethics

### 4.1 Business Ethics: theory

#### A. Fundamental concepts and problems

##### ➤ Distinction between morality & ethical theory

- **Morality**: set of actual norms, rules, customs within a certain culture, with respect to what is considered to be the right behaviour, attitude. (they are not written down, but they are here). Even fashion is part of morality. It prevails social practices defining right and wrong within a culture.
- You're immoral if you do things against that
- Amoral: nothing to do with normality

For example: esthetical choice (choose it bc you like it: doesn't make you bad nor good). Girls are "allowed" to wear boots, but they choose the colour (aesthetical choice - amoral). Boys however, "can't" wear boots unless they go horse-riding (immoral)

- If it's beyond your control, you're not responsible (killing someone, sneezing) → the more stabbings, the better
- **Ethical theory and moral philosophy**: it's more philosophical, it's thinking about morality, why do we have morality? Norms?  
= justification of moral point of view on the basis of carefully analysed and defended principles such as:
  - Respect for autonomy: to each his choice
  - 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

##### ➤ Distinction between morality and prudence

- **Moral rules** (guide our behavior towards other people) versus **rules of prudence** (self-interest)
- Prudence: usually it is in one's interest to act morally, to protect ourselves
- If you hurt someone (hurt other), you go to jail (you hurt yourself): bad for both parts: rules of prudence coincide with moral rules, but sometimes they do not however
- Often businesspeople act morally, not because it is prudent to do so, but because it is right to do so
- Often prudence dictates a different decision than does morality

##### ➤ Distinction between morality and law

- They share the same concerns (ex. how can we live together in harmony?)
- "If it's legal, it's moral" ? The fact that something is legally acceptable does not imply that it is morally acceptable (e.g. slavery in the old days)
  - It's not because it's legal that it's okay
  - If something is legal, it is not necessarily moral!

- If he is guilty under law, he is morally guilty" ? Not always true... If something is illegal, it is not necessarily immoral!
  - Famous example: **asbestos**: product used to isolate, but in 1963 they found out it caused cancer → many companies stopped using it. But in the 80s and 90s, companies who used the product before they knew this were brought to court and were punished for using it before 1963 → was it immoral to do so during those days? No, they didn't know it was bad
  - Court rulings have caused moral inequities: judges make immoral mistakes. In the text, there are 4 examples
- **The Rule of Conscience:**
- "*Let your conscience be your guide*"?
  - Insufficient, untrustworthy, vary radically from person to person
  - Moral justification must be based on a source external to individual conscience
- **Approaches to the Study of Morality and Ethical Theory**
- **Descriptive** approach: scientific study of ethics
  - **Conceptual** approach: conceptual study of significant terms in ethics, e.g. right, justice, good, virtue (why is there ethics?)
  - **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. utilitarianism, Kantianism, virtue ethics ...  
→ tells you how to do, what's good or bad
- **Relativism and objectivity of belief**
- **Relativism** = moral rightness is contingent on cultural beliefs (and is apart from the historical and cultural context meaningless)
  - *Example*: in Sweden, abortion is accepted but in Ireland, it's still in the law → which country is correct? → pp who believe in relativism say "they are both correct, it depends on the culture, tradition what's good and right"
  - **Descriptive claims** (what is) lead relativists to conclude what should be the case and what ought to be believed
  - **Danger**: anything goes! Whatever a culture is doing, it's acceptable → then, we don't even need ethics anymore
  - **Ethical relativism** is used to challenge the imposition of Western values on the rest of the world
  - Imposition of Western values: Western world went to other places and said "don't do this, this is right, this is wrong" → believing our culture was the best one
  - Influence of relativism and multiculturalism grows. Are all cultures morally equal?
  - Moral philosophers tend to **reject** relativism:
    - Often false moral disagreements: agreement at deeper levels

Example: we see a disagreement between the Irish and the Swedish: in Sweden, they say "we respect the person" (the women) and the Irish say the same thing, except it's the respect of the unborn child → at a fundamental, deeper level, they both agree in "respecting a person"

Other example: children killing the parents when they're still adults and not old bc then they end up in paradise in good shape → at first sight moral disagreement (you don't kill your parents, you are supposed to respect them), but in the end, the children are right! They're respecting their parents by killing them early on...

- Often agreement on ultimate moral standard

Example: respect your parents

- Often only disagreement on factual beliefs

The Swedish put more importance in the life of the mother → it's a factual belief they have, they chose.

→ Distinguish between relativism of judgements and relativism of standards

### ➤ Moral disagreements (& how to solve them)

- **Obtaining objective information:** Make sure to be informed about the question
  - Example: Greenpeace and Shell in Norway: later on, Greenpeace saw that dismantling/destroying the oil thing in the North Sea was much more bad for the environment than letting it sink in the sea → they should've searched more for info!
- **Definitional clarity:** what do we mean by "sexual harassment"?, have clear definitions to clarify the discussion
- **Example-counterexample:** look from different perspectives
  - Example : "Not enough women are working in your company!" "that's not true, 60% of the staff are women" "ok that's true, but only low-paid jobs!" "that's untrue, bc in the management we also have a lot of women" etc.
- **Analysis of arguments and positions:** look into those arguments, and the unwanted consequences of that kind of argument
  - Example: "*Sexuality is aimed at making children. Homosexuality is against this → it's against nature and should be forbidden*"
  - But then you can say "if I have a cancer growing in my stomach, and the doctor takes it out, this is against nature as well! My belly wasn't there to be cut open!"
  - If you think homosexuality is against nature, then you should also accept that medication is against nature
  - "Naturalistic fallacy": nature is the norm → not accepted in ethics: ethics is much more about culture than nature.

### ➤ The problem of Egoism

- **Psychological egoism** = descriptive view that everyone is always motivated to act in his own self-interest. Those people say "we're all egoists".
  - There is no purely altruistic motivation (altruistic motivation = I do something for someone only for someone else, not myself)
  - There is no normative ethics

- But we see saints, heroes, mothers → there must be an altruistic behavior
- 'It does not matter', they say: it is always to promote themselves. People feel good after an altruistic act. They say "a mother is caring for her child for her own satisfaction, she feels happy".
- Do we really help/love/care because it brings satisfaction? Satisfaction is not the (only) motivation.
  - most people reject psychological egoism.
- **Ethical egoism** = one ought to act on the basis of self-interest (normative view) We SHOULD act upon our self-interest.
  - Prescriptive theory
  - Acting against one interests is contrary to reason
  - How would society look like? → See Hobbes: 'life would be solitary, poor, nasty, brutish and short' ... 'a war of all against all'
    - that's a terrible life, people will protect themselves, pp will kill each other, "a war of all against all"
  - *Solution* of Hobbes: to protect yourself, accept a strong government and rules of morality. It doesn't mean you should be a horrible human being, but if you're egoist, you'll respect the rules: it's in your own interest, to protect yourself (don't kill anyone, ...)
- **Egoistic business** practices and utilitarian results
  - Ethical egoism leads to *utilitarian* outcomes. See Adam Smith: pursue your self-interest and by an invisible hand (unintentionally) public interest is achieved
  - For example: a baker in a village, he's a monopolist asking high prices → that person is making bread bc he loves himself, for money, holiday, ... but when competition comes in (another baker), prices lower until marginal cost = marginal profit. Are they doing that for us, the buyers? NO. They're egoists, do it for themselves = 2 egoists is better than one
    - E.g. Alleviate (make it less bad) hunger by capitalistic means
  - Criticisms: a free market needs regulations otherwise environmental and social disasters are to be expected.
    - The invisible hand (i.e. a free market) is transforming egoistic actions into good actions, a good outcome
    - What those people think: give the poor/hungry people money instead of food, but they cannot take a bus and they're stuck there... but if there's money, other people are going to bring food to them bc now they can pay → solving the famine
  - Adam Smith (who was a professor in moral philosophy): benevolence (doing something for someone else) is equally important as prudence (only looking for yourself).

## B. Normative Ethical Theory

### ➤ 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.
- Look at the consequences → good or bad? Not only look at the consequences for yourself but also the others (all the parties involved)
  - David **Hume** (1711-1776)
  - Jeremy **Bentham** (1748-1832)
  - John Stuart **Mill** (1806-1873): actions are right in proportion to their tendency to promote happiness or absence of pain

### ➤ Essential features of utilitarianism

- (1) Committed to the maximization of the good and the minimization of harm and evil = efficiency
- (2) A theory of the good: what do you mean by “good”?
  - **Hedonistic** utilitarianism: good = pleasure or happiness
  - **Pluralistic** utilitarianism: many ‘goods’ such as knowledge, friendship, health, beauty apart from pleasure and happiness  
→ good : plurality of aspects, depends on a number of valuable things
  - **Preference** utilitarianism: utility is that what a person would choose from among available alternatives → see it from the preference of people
- (3) Commitment to the measurement and comparison of the good: **hedonic calculus**.
  - Tries to make a calculus, scientific objective method to find out whether an act is good or bad
  - Think in terms of numbers: utility, pain, good, bad can be measured

### ➤ Act and rule utilitarianism

- **Act utilitarianism**
  - In all situations one ought to perform that act that leads to the greatest good for the greatest number (even if this implies breaking a moral rule)
  - accepts killing one rich person (i.e. breaking a moral rule) and give money to the poor (greater number) → strange theory
- **Rule utilitarianism**
  - “Newest version” of utilitarianism
  - Reserves a more significant place for rules, which they do not regard as expendable on grounds that utility is maximized in a particular circumstance
  - Rules are justified by an appeal to the principle of utility
  - It's still utilitarianism bc the rules are justified by the principle of utility: accepting those rules are useful to you, will bring you utility

### ➤ Criticism of utilitarianism

- How could utility (happiness, preference units,...) be measured and compared? Since people have different standards?
  - Reply: we all have to make rude comparisons all-day
  - Example: how to decide what is best for your team presentation? You should start bc you're good at that and in the end, you made a decision
- Utilitarianism ignores non-utilitarian factors
  - Justice considerations? Denying people with aids or genetic defects a health insurance is efficient but unjust (no fault of their own)
  - Reply: utilitarianism takes into account all costs, and has a long term view

### ➤ Kantianism

Why find some trading organs wrong even if it brings good utilitarian outcomes?

- **Kantian respect for persons**
  - Immanuel Kant (1724-1804): persons should be treated as ends and never purely as means to the end of others → respect for every individual
  - Respect for persons based on a shared human dignity; person has value in itself, not only for what it does or can do
  - Organ trading is wrong if it treats the seller merely as a means to one's ends

**Ex.** if you want to find a job to work, you're treated as a means of the company → they'll use you but they don't only see you as a mean → you also receive an amount of money for your work

- Doesn't mean that people can never treat other people as a means to their end

**Ex.** a freely entered labor contract or hierarchical organisation or even a freely chosen kidney sale (with necessary medical care, no coercion, full information, etc.)

- **Motives** for actions are of the highest importance: it expects persons to make the **right decisions** for the **right reasons**. Look at the reasons behind the behavior, not the outcome/behavior in itself.

**Ex.** someone saves someone else from drowning: from a Kantian point of view, we don't know if it's a good person → look at the reasons why he/she saved that person, not the action (he might have done this to get a medal of honor or gifts) → the outcome is good but not for the right reason

- Being honest because it pays, is not honest
- Being ethical because it pays, is not ethical.

**Ex.** 3 people making equal sacrifices for a sick relative (and leading to the same consequences):

- Fred because he fears social criticism
- Sam purely based on a sense of obligation
- Bill because he gets satisfaction from helping others

- According to Kantianism:

- Fred: is not morally motivated, only by fear
- Sam is really morally praiseworthy because he's motivated by obligation
- Bill: is motivated by emotions and sympathy, not by obligation. → he does it bc he likes it

#### - Universalizability

- Kant developed a fundamental moral law, 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"*

- If you do something, you have to ask yourself: what if everyone in the world did this, what would happen?

**Ex.** teacher in a classroom: "stop talking! bc if everyone would start talking, I couldn't give class anymore!"

- Formulate your reason in a **universal rule**

**Ex.** you break your promise because it is more convenient for you.

- Universal rule would be: "Everyone should break a promise whenever keeping it is inconvenient"
- But this makes the whole practice of making promises pointless.
- Ex. you help someone in distress → Universal rule would be: "Help others in distress" → we get a beautiful world

#### - Criticism of Kantianism

- Particular obligations: he emphasized **universal obligations** (obligations common to all people) at the expense of **particular obligations** (obligations that fall only on those in particular like parents & children, lovers)

He always talks about universal laws but in real life, we make such rational decisions but we do have obligations (towards our parents, our children, our friends and the ones we love) → not everyone in the same way so technically not universal

**Ex.** a sniper: you can save the life of 5 people by killing 1 person with a bomb (universal obligation suggest you kill one); but what if that 1 person you have to kill is your son (particular obligations suggest you will not kill your son). Such dilemmas are not really discussed by Kant.

- Impartial perspective: everyone should be treated in the same way. So one can't show favoritism to our loved ones. Harsh!

#### ➤ Contemporary challenges to the dominant theories



- **Rights theories** (which are based on human rights)
- **Virtue ethics** (which are based on character traits): "Virtue is a condition which makes this possible: the acquired ability to adopt the correct position and to do the right things in changing situations of life."
- **Common-morality theories** (which are generally obligation-based): a set of norms shared by all persons who are seriously committed to morality.
  - Observation: there are many theories → we don't need those, that's bs.
  - Everyone in the world has a rough idea of what's good/bad
  - Be just → based on the human intuition, not very rational "don't hit a pregnant woman" → it's innate to us, we didn't learn it in a textbook, class,...
- **Theories of justice** (which aim at a fair (re-)distribution)
  - What's fair, acceptable

EXAM: this is one slide and the article may be 20 pages → only study this slide. If there's one slide and a lot of article it means that the article isn't important

### Normative Ethical theory: moral point of view

"How," one might ask, "am I supposed to decide which of the normative theories presented thus far— utilitarianism, Kantian ethics, rights theory, virtue ethics, and common-morality theory— is the most appropriate basis for making sound ethical decisions regarding business decisions?" (p. 39)

- Saving a person: utilitarianism says it's okay, but Kantianism says it's not okay if you do it for the wrong reasons
  - What kind of theory should we choose???
1. More than 2500 year of moral philosophy creates diversity
    - Relativize the problem: it's normal that there's diversity
  2. Not all these theories are incompatible
    - Most of the time, in 99% of cases, all theories go in the same direction: this is good or that's bad
  3. All share the right attitude to take in ethics, referred to as the moral point of view:
    - Rationality: we seek to solve disputes rationally
    - Impartiality: we take an impartial stance
    - Universalizability: we assume that other persons are neither more nor less important than ourselves → look at the rest of the world, not only at yourself
  4. For a practical ethical evaluation framework see 4.3
    - Way of dealing with those different theories and come to a personal decision

### 4.2 Ethical evaluation framework (EXAM)

- Distinction between:
  - (1) **Business ethics**: individual responses to moral issues in business. It's about ethics
  - (2) **CSR**: organizational responses to moral issues in business (company answers to ethical questions, but still about ethics)



- This ethical evaluation framework is a way of **evaluating options**, for responding to an **ethical issue**, that considers a wide range of ethical **perspectives**. So, it takes into account the 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.

→ there's no one ethical solution: depends on your culture, yourself, the company, ...  
 → he expects that we use this model, defend how it works and structure our decisions. At the end, if someone says no I'll not use it or yes I'll use it → doesn't matter

#### 1. Ask yourself the following 8 questions of your proposed decision and plan of action:

- **Light-of-day test:**
  - Would I feel good or bad if others (friends, family, colleagues) were to know of my decision or action?
  - If you decide to pay bribes, are you going to tell it to your wife when you come back home? If you feel you cannot let it out, maybe that's the first indication that something is wrong
- **Virtuous means 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?
  - Refers to the virtues and values you want to develop into your life
- **Veil of ignorance / golden rule:**
  - 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?
  - **Golden rule:**
    - ⇒ One should treat others as one would like others to treat oneself
    - ⇒ One should not treat others in ways that one would not like to be treated
- **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?
  - Typically like Kantianism
- **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?
  - What is what we want to get to? Find an ideal situation you want to get to and deduce it from there → start from the "we", not the "I"
- **Self-interested test:**
  - Do the decision and plan meet or defeat my own best interests and values?
- **Consequential test:**
  - Are the anticipated consequences of my decision and plan positive or negative?
  - Typically like utilitarianism
- **Discourse test:**

- Have the debates about my decision and plan been well or badly conducted? Have the appropriate people been involved? Have all stakeholders been involved? Have I followed the correct way?
- "I understand this decision, but the way they communicated it, it's wrong!"
- Ex. dump someone by text message
- Not only the decision counts, but the way in which we communicate

2. Second step: we consider these questions with different importance. This step allows you to tell which one (i.e. criterion) you value more.

1) Identify any criterion you see as a veto item

- Veto item: 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
- So negative that you don't even look to other questions

2) Identify any item you see as a trigger item

- Trigger item: 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
- Ex. "if my action can become a good universal law, I'm doing this, it's so important to me"

3) Identify any criterion you see as a reject item

- Reject item: any criterion that you feel should not be considered.

4) Answer each question. Circle + for a positive answer or a – for a negative answer

5) Ignore any question you have rejected

6) Total the number of circles in the positive and negative columns

- A **veto item** = 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
- A **trigger item** = 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
- A **reject item** = any criterion that you feel should not be considered

	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					

- Example with bribery he did: (Y = rejected item)

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

→ 5 say: don't do it

→ 2 say: you can do it but it's more in your personal interest

- 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.

3. Analyze the following cases using the ethical evaluation framework proposed by Fisher and Lovell (2009).

- A contractor proposes to work with child labor
- A manager proposes to fire cocktail waitresses and waiters if they become too fat and no longer match the company's image and values?
- As a member of a pharmaceutical company you propose to introduce animal testing under strict conditions and according to local rules, knowing that animal rights campaigners believe that they are justified in using violence, or the threat of violence, to stop animal testing.