GLOBAL ISSUES IN BUSINESS ETHICS

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Today, business enterprise constitutes a worldwide social and political activity. Although many self-interested corporations compete in international markets to earn a profit, that activity requires a degree of reciprocal altruism between individuals, corporations, and governments. Cooperation implies adherence to a moral and legal framework constructed of mutually agreed upon rules. Sometimes these rules are set by the individual companies competing in a particular market. Sometimes they are forged agreements between foreign governments and multinational corporations. Sometimes the rules are enforced by international law.

The basic moral problem for the conduct of international business is that the moral and legal rules, or background institutions, which serve as the groundwork for self-interested reciprocal altruism, varies between cultures. Therefore cooperation between competing companies, consumers, and cultures is very difficult to establish.

There are two main philosophical approaches to the resolution of moral and legal conflicts in international business: Universal Objectivism and Cultural Relativism. Universal Objectivism holds that at least some moral points of view are cross-culturally valid. This implies that the moral rules governing international trade are like the laws of nature in the sense that they apply equally to all transactions, regardless of where they take place. Hence, the moral rules which set the parameters of reciprocal altruism are "out there" to be discovered by rational persons seeking the truth.

In the Western liberal tradition, two moral principles form serve as the putative "objective" basis for international business ethics: the liberty principle and the harm principle. The liberty principle states that all business transactions must be freely chosen by the individuals whose interests are involved. Hence both buyer(s) and seller(s) must agree on the terms of the business transaction in question. Personal coercion is never morally acceptable. In other words, liberals (especially libertarians) defend the concept of free markets as the manifestation of free choices made by self-interested individuals. The harm principle states that in business transactions one cannot deliberately inflict harm on either the buyer or seller without their consent. Where there is consent, however, there is no harm. For example, in the Western liberal tradition, slavery is considered to be universal moral wrong because it violates the liberty and harm principles in respect to those who are enslaved. (Note: Conceptual problems arise when individuals freely choose slavery over other undesirable economic conditions.) Therefore, we regard slavery a universally objective moral wrong. If any individual or group believes that slavery is a morally acceptable business arrangement, we say that they are objectively wrong.

Cultural Relativism holds that there exists no necessary common ground between the moral and political beliefs of people from cultures with different traditions, and therefore, there is no objective way to mediate between conflicting
moral claims. Moral truth, they say, is at best a matter of social agreement within a specific cultural setting. For example, Communist China values collective social values over the liberty principle and therefore has its own labor laws which permit, slavery, child labor, and prison labor. A cultural relativist would argue that there is no objective way to resolve this moral dispute over the liberty principle because moral truth is based on tradition and the United States and China have different traditions. This means that in international affairs diverse moral points of view are inevitable, but not necessarily irreconcilable.

For a cultural relativist there are three ways of dealing with moral disputes between cultures. They can either a.) take a "live and let live" attitude and simply tolerate slavery in China or, b.) resolve the issue based on reciprocal altruism; that is, they can forge an agreement based on mutual self-interest; or, c.) resolve the issue based on political realism; that is, by exercising power and coercion. For genuine liberal regimes: a.) is out of the question because it condones the violation of a human right.

When conducting business based on objectivism, you follow universal laws regardless of the conflicting laws of other societies. Based on relativism, the rule of thumb is: “When in Rome, do as the Romans do.”

From the perspective of political realism, one might argue that the United States tends to dominate world affairs, not because its moral views are always right, but because of its military, economic, and cultural power. So although the moral views of the United States are really no more true than those of any other country, internationally we naturally tend to advance our self-interest and get our way. So if any country wants to conduct business with the United States, it must more or less, play by our rules. Historically, the United States and other major industrial countries have employed imperialistic policies, such as colonialism, in dealing with weaker nations. This of course, is predation and not reciprocal altruism.

However, in today’s world which is increasingly governed by international law, political realism has its limits. So if the United States really wants to compete in lucrative foreign markets, based on reciprocal altruism, it must occasionally abide by the rules set by other countries.

That's why U.S. trade with China turns out to be so complicated. On the one hand, China has the largest potential market in the world for U.S. goods. Therefore from a utilitarian perspective we would all be better off if we simply ignored China’s dismal human rights record and conducted business with them. However, our deontological commitment to the liberty principle requires that we ought to work toward increasing liberty in China. This might entail using trade as leverage. But China complains that the United States is practicing cultural imperialism by attempting to coerce them into changing their cultural beliefs to conform with our cultural beliefs. Of course, we think our cultural beliefs are true and China thinks our cultural beliefs are false.

Problems also arise for liberalism when our trading partners employ communitarian protectionist policies. For example, many business-persons (how's that!) argue that it is extremely difficult for U.S. companies to compete with Japanese companies in Japan because complex social traditions and protectionist
laws tend to favor Japanese companies. (This violates the liberal demand for impartiality.) Of course all countries employ communitarian protectionist policies. For example, the United States government vigorously protects domestic sugar producers from foreign competition. In short, there will always be a worldwide tension between self interest and global utility.

Finally, because of the social and political diversity inherent to international trade, disagreements between trading partners are inevitable. Multinational corporations must deal with a host of barriers including different languages, legal systems, monetary systems, and forms of government (not to mention subtle cultural traditions that also surreptitiously affect trade). Unfortunately, many governments are simply inept and incapable of managing trade policy, while others are totalitarian and unwilling to comply with the demands of the free market. How should multinational corporations operate when dealing with underdeveloped and non-democratic countries?

Based on liberal principles, we might argue that third world countries with unintelligent leaders, inefficient governments and weak economies are easily coerced by self-interested multinational corporations. It's like business deals forged between sophisticated businessmen and children. So when a less-developed country agrees to give away its natural resources and/or lower its pollution standards in order to accommodate corporate interests, that decision may violate the minimum standards of informed consent, in the same way that a crooked used car salesman might swindle my 15 year old son. Both my son and some third world leaders are incompetent businessmen, and therefore both deserve to be paternalistically protected from corporate predation. Hence, the rise of international law.

Utilitarians reason based on the greatest happiness principle. They might counter argue by saying that "even if the choice is coerced, the greatest happiness principle would be best served and that country would be better off with a polluting company than no company at all." But sometimes we're not certain whether, on balance, the actions of a company really do more good than harm. Sometimes we're not even sure about the harms involved. Do fossil fuels contribute to global warming? Do power lines increase the incidence of cancer? Obviously there are many moral issues that arise out of the conflict between diverse moral traditions in the conduct of international business. I would now like to briefly focus on two general areas: labor issues and environmental issues. However, it is important to acknowledge that self-interested multinational corporations, in fact, tend to set up operations in countries where there is minimal governmental interference in the conduct of their business. Hence, corporations that tend to utilize vast quantities of natural resources, pollute the environment (such as chemical plants) prefer to do business where there are weak or non-existent laws governing the extraction of natural resources and weak or non-existent pollution laws; and corporations that require large labor forces tend to locate in countries with weak or non-existent labor laws. Is there anything morally wrong when multinational corporations set up business in third world countries, deplete that countries natural resources, pollute the environment, or pay workers low wages under unsafe working conditions in order to earn a profit?
GLOBAL WAGES AND WORKING CONDITIONS

How should we think about the wages corporations pay workers in other countries? How should we think about working conditions? As I pointed out earlier in this essay, in the United States we take a welfare liberal approach to both wages and working conditions: that is, we have minimum wage laws which set lower limits on wages, and we have laws protecting workers from unsafe working environments. Although, it's not exactly clear how our politicians, in fact, set these social minimums, Rawls would argue that these lines ought to be set based on liberal principles, especially the dignity of persons.

The basic Kantian position is that all human beings (persons) are rational beings endowed with free will, and therefore deserve to be treated with dignity. One version of Kant's *categorical imperative* states that we should *"always treat a person as an end and never as a means."* This would seem to imply that workers, regardless of their geographical location, should be paid at least enough to survive with dignity. Unfortunately, the moral concept of *dignity* is rather vague and our standard of dignity may not be the same as the standard in other countries. In some third world countries, large segments of the population are live under extraordinarily dangerous living conditions ravaged by poverty, famine, disease, pestilence, and war. Therefore, they are often more than willing to work under dangerous conditions, for long hours, for a few cents an hour. Does it make sense to require workers to wear hard hats at work when the streets are so dangerous that they are lucky to get home alive? I think there are three possible philosophical beliefs that might guide international policy.

a.) There are universal, rationally objective procedures which might set minimum wages and working conditions on a global basis.

b.) There are rationally objective procedures which might set minimum wages and working conditions within particular cultural settings. Or,

c.) Regardless of a.) or, b.) These limits ought to be set by indigenous cultural forces without external interference from either national or international governmental structures.

Obviously, all three perspectives pose serious philosophical problems. Do impoverished countries governed by corrupt, totalitarian military regimes that harm their citizens, have a right to exist free from external moral condemnation? If so, is it morally acceptable for multinational corporations to take advantage of the resulting economic opportunities presented by those countries, such as: low wages, unregulated working conditions, and unregulated pollution. What do you think?

Stockholder theory says that both wages and working conditions are to be set by the market forces present within any given society and that it’s impossible to arrive at anything that resembles a universal “living wage.” That’s because the
concept “living wage” is enormously vague. It is contingent upon “what level” we’re talking about. Most of us in the U.S. would not be satisfied with a third-world minimum wage.

The same with working conditions: how can we set a minimal safety standard in a country where they are already safer at work than at home? How safe is safe? Of course, the higher the wage, the fewer employees a company can hire, and the higher the safety standards the more costly the operation. Stockholder theory says, let the individual workers decide how much they are willing to work for, and how safe the workplace. Some stakeholder theorists seek to set the minimum standards at a national level, while others seek global standards.

**BRIBERY AND CORRUPTION**

Another problem associated with the global market is the widespread use of bribery and kickbacks in other countries. In most Western countries, offering a bribe and paying a bribe are considered immoral, but the legal systems tend to treat the offerers different from the payers. In other parts of the world, bribery is regarded as a business expense: the cost of doing business. Many cultures regard gift-giving as a necessary part of establishing working relationships. So, one of the initial puzzles is how to differentiate between a “gift” and a “bribe.”

In many countries bribery is regarded as a socioeconomic tradition. Public officials in many countries are routinely under-paid relative to market forces, and therefore the supplement their income by taking bribes. Of course, there are small time petty “bribes” by lower level public officials, and big time “BRIBES,” by higher level officials.

The most serious problem with bribery is that it is almost impossible to monitor and enforce laws against it. It takes place in private. Bribes are often perceived by both offerers and payers as a business opportunity, and therefore tend to perpetuate the tradition.

Conceptually, bribery is a problem for both stockholder and stakeholder theorists. Stockholder theorists tend to “Do as the Romans do.” But on the other hand, bribery does tend to raise the cost of doing business, without adding to the value of the product or service. Stakeholder theorists seek international laws that insist on corporate “transparency” and laws that make it more difficult to pay bribes, especially laws against money laundering. Stockholder theorists argue that some of these laws violate the right to privacy.

**PORNOGRAPHY**

With the growth of the internet, sexually-oriented businesses involving the sale and distribution of sexually explicit pictures, videos, and sex toys have grown exponentially. The economic success of these businesses suggests that there is a huge market of both buyers and sellers. But are there any moral limits to this kind of economic activity and do these moral limits justify legal limits? There are two fundamental positions: Stockholder and Stakeholder Theories.
Stakeholder theory’s perspective on sexually-oriented businesses is rooted primarily in the **liberty principle** and the **harm principle**. In order to justify laws regulating the market in sexually-oriented material liberals must show that the material in question involves either coercion or harm to others. The underlying assumption is that individuals operating in the **private sphere** have a right to pursue happiness in any way they choose so long as they do not force others to participate or harm others. In the **public sphere**, individuals have an almost absolute right of free speech. Libertarians, however, draw a sharp line between speech (which rarely harms others: "But don't yell fire in a crowded theatre!") and acts, which are more likely to harm others and therefore are subject to potential regulation. Although, the liberal point of view generally acknowledges that private "consenting adults" have a moral and legal right to indulge in a wide variety of sexual acts, there has still been much debate.

The main issue seems to be who is in charge of public places. So the first question must be whether the business of sex takes place in the private or public sphere. Libertarians argue that all markets ought to operate in the private sphere, and therefore all places ought to be immune to collectivist or governmental regulation. Indeed, libertarians will not intervene in any market unless there is personal coercion or harm to others involved. Hence, even libertarians might be willing to pass laws restricting child pornography because a.) children are too young to consent and/or b.) sexual activity between adults and children sometimes harms children. However, libertarians are not likely to regulate sexually oriented business transactions between consenting adults, such as prostitution because a.) adult men and women are capable of making their own self-interested choices in respect to sex and b.) any harms that result from these transactions are "self-inflicted."

Some stakeholder theorists have sought to outlaw pornography and prostitution because they believe that a.) economically deprived women are coerced into the market and/or b.) prostitution harms others (the public) by threatening the public institution of marriage, and by spreading sexually transmitted diseases etc.. Of course, libertarians disagree and say that marriage is really a private contract between individuals, and that the spread of STDs can be avoided without using government to regulate the sex life of individuals. Some welfare liberals and utilitarians expand the concept of the **public good** to include the regulation of some businesses. Welfare liberals might seek legislation to protect women and children from the alleged harms associated with sexually oriented businesses. Some utilitarians might argue that prostitution, pornography, and other sexually oriented businesses lead to drugs, alcoholism, sex crimes and other social costs that outweigh the economic benefits. Other utilitarians say that it is impossible to regulate sexual businesses because those efforts lead to **black markets** on those products and activities. Do you think it is possible to effectively outlaw prostitution, pornography, drugs, and alcohol without the black market effect?

All communitarians tend to manipulate markets in order to advance their own particular concepts of the good life. Therefore, there is no one single communitarian view on sex markets because there are many different
communities and cultures that uphold various traditions. Of course, many sub-communities argue that their own views are universally true and that all opposing views are false. These groups, therefore, seek the coercive power of government to enforce their traditions. Arab countries, for example, which do not have strong social and political traditions based on liberalism and democracy, have practiced the Islamic faith for hundreds of years and therefore have strict laws forbidding all sexually oriented businesses. Other countries, with very strong liberal traditions, such as the Netherlands, have almost no governmental regulation of sexually-oriented businesses, including child pornography.

In the United States pornography and other sexually-oriented businesses always face controversy. I think that's because we have so many sub-communities harboring different traditions. On the one hand, our constitution is widely acknowledged as the model of liberalism and democracy. In respect to that tradition, we have historically tended to defend personal liberty and free markets. On the other hand, many of our earliest settlers emigrated from countries with strong religious traditions. Upon arriving to the "New World" they formed religious sub-communities. During the seventeenth century it was Christian protestants (Puritans, Pilgrims, and Quakers), then, in the nineteenth century it was Roman Catholics and East European Jews, then followed by a huge variety of other religious groups. Since these groups tended to settle in specific geographical locations, they gained influence in local governments. That's why our laws in regard to sexuality vary from one community to the next. In Cincinnati, where there are strong Roman Catholic religious traditions, sexually oriented businesses typically face strict governmental regulation. Check this stuff out: http://www.cincypost.com:80/opinion/edita040898.html

The basic problem with regulating pornography is that different countries have different cultural traditions in respect to the sociopolitical status of women and children. Even libertarians will agree that it’s wrong to force women and children to work in the sex industry. Sex slavery is always wrong.