

# **PART THREE**

## **Business and Its External Exchanges: Ecology and Consumers**

**THE PROCESS OF PRODUCING GOODS FORCES BUSINESSES TO ENGAGE IN EXCHANGE WITH TWO MAIN EXTERNAL ENVIRONMENTS: THE NATURAL ENVIRONMENT AND A CONSUMER ENVIRONMENT. IT IS FROM THE NATURAL ENVIRONMENT THAT BUSINESS ULTIMATELY DRAWS THE RAW MATERIALS THAT IT TRANSFORMS INTO ITS FINISHED PRODUCTS. THESE FINISHED PRODUCTS ARE THEN EXTERNALLY PROMOTED AND SOLD TO CONSUMERS. THUS, THE NATURAL ENVIRONMENT PROVIDES THE RAW MATERIAL INPUT OF BUSINESS, WHEREAS THE CONSUMER ENVIRONMENT ABSORBS ITS FINISHED OUTPUT.**

**THE NEXT TWO CHAPTERS EXPLORE THE ETHICAL ISSUES RAISED BY THESE EXCHANGES AND INTERACTIONS.**

**CHAPTER 5 DISCUSSES THE TWO BASIC ISSUES RELATED TO THE NATURAL ENVIRONMENT: POLLUTION AND RESOURCE DEPLETION.**

**CHAPTER 6 DISCUSSES SEVERAL CONSUMER ISSUES, INCLUDING PRODUCT SAFETY AND ADVERTISING.**

# Chapter Five

## Ethics and the Environment

### Questions to be Answered:

- What are the **two main threats** to the environment and how serious are they?
- What ethical issues are raised by **pollution** from commercial and industrial enterprises?
- What obligations, if any, do we have to **conserve our resources**?

# Pollution and Resource Depletion

• ظهر الفساد في البر والبحر بما كسبت ايدي الناس (30/41)

((Corruption has appeared on land and sea because of what the hands of men have earned))

Threats to the environment come from **two sources**:

- **Pollution:** The undesirable and unintended contamination of the environment (**Air, water, land**) by human activity such as manufacturing; **waste disposal** (e.g. sewage); **burning fossil fuels**; **deforestation**; **eutrophication** (enrichment of lakes with nutrients) through use of the fertilizers; and pesticides and agro-chemicals , etc.
- **Resource Depletion:** The consumption of finite or scarce resources. (In a certain sense **pollutions is really a type of resource depletion**, because contamination of air, water and land diminishes their beneficial qualities.)

# Major Types of Air Pollution

- **Global Warming:** The **increase in temperatures** around the globe due to **rising levels of greenhouse gases**, causing **climate changes**; melting glaciers and Arctic and Antarctic ice sheets; **rising sea levels**; **increased frequency and severity of hurricanes** etc.
  - **Greenhouse Gases (GHG):** Carbon dioxide, methane, nitrous oxide and chlorofluorocarbons—gases that **absorb and hold heat from the Sun, preventing it from escaping back into space**, much like a greenhouse absorbs and holds the sun's heat.
- **Ozone Depletion:** The gradual breakdown of ozone gas in the **stratosphere** above us caused by the release of chlorofluorocarbons (CFCs) into the air.
  - Ozone gas prevents **Sun's harmful ultra violet radiation**, which causes skin cancer; injury to major crops and plankton, reaching to the Earth.
  - Chlorofluorocarbons (CFCs) are used in **refrigerators and air-conditioning systems**.

# Major Types of Air Pollution

- **Acid rain:** Occurs when **sulfur oxides** and **nitrogen oxides** are combined with water vapor in clouds to form sulfuric acid and nitric acid. These acids are then carried down in rainfall. Acid rain causes **damage to metals**, **contaminates drinking water** **killing fish** and **destroys many plants and crops**.
- **Airborne toxics:** Benzene, formaldehyde, toluene, trichloroethylene, and 329 others. **These gases are major cause of cancer**.
- **Common air pollutants:** The most prevalent forms of air pollution are the **six kinds of gases** and particulates spewed out by **autos and industrial processes** causing health problems for people. The **six “common pollutants”** are: **carbon monoxide**, **sulfur oxides**, **nitrogen oxides**, **airborne lead**, **ozone (or “smog”)**, **particulates** (airborne mixture of extremely small particles and liquid droplets).
- These pollutants are **cause of breathing problems**, **skin diseases** and **overall health deterioration**.

# Major Types of Water Pollution

- **Organic wastes:** Largely untreated **human waste**, **sewage**, and **industrial waste** from processing various food products, from the **pulp and paper** industry and from **animal feedlots**; **animal wastes**; **bacteria**; **oil**.
- **Inorganic pollutants:** **salt brines**, **acids**, **phosphates**, **heavy metals**, **asbestos**, **PCBs** (polychlorinated biphenyls), **radioactive chemicals**.
- Both types of water pollutants are major cause of harm to crops, animal and human diseases and overall deterioration of living condition.

# Major Types of Land Pollution

- **Toxic substances:** Like acids, heavy metals, solvents, pesticides, herbicides, phenols and explosives, that cause irreversible incapacitating illnesses and increase in mortality rate.
- **Solid wastes:** Residential garbage including recyclable and non-recyclables, industrial wastes, agricultural wastes, and mining wastes, rendering the soil useless and even hazardous for health and well being of the people.
- **Nuclear wastes:** From nuclear reactors producing electricity or weapons. Nuclear Disasters like Three Mile Island (1979) in US, Chernobyl (1986) in Ukraine and Fukushima (2011) in Japan.
  - **High-level wastes** like cesium137, strontium 90, and plutonium that emit gamma rays which can penetrate all but thickest shield.
  - **Transuranic wastes** (diluted high-level wastes) found in spent radio-active fuel and in military weapons processes.
  - **Low-level wastes** like contaminated clothing and reactor equipments, uranium mine tailings.

# Depletion of Non-Renewable Resources

- والسماء رفعها ووضع الميزان ﴿﴾ ان لا تطغوا في الميزان ﴿﴾ واطيموا الوزن بالقسط ولا تخسروا الميزان ﴿﴾

(55/7-9)

((And the Firmament has He raised high, and He has set up the balance, In order that ye may not transgress (due) balance. So establish weight with justice and fall not short in the balance.))

- والذين اذا انفقوا لم يسرفوا ولم يقتروا وكان بين ذلك قواما (25/67)

((And those who, when they spend, are not extravagant and not niggardly, but hold a just (balance) between those (extremes))

- **Extinction of several animal species** through **destruction of their natural habitats**. (Out of 47,978 known life forms (in 2010) including birds, animals, plants, insects, fungi, mollusks, etc., 17,315 were threatened with extinction and 840 are now extinct)
- **Natural resources** are depleted at **peaked rate**, if not at **exponential rate**.
- Fossil fuel depletion:
  - Coal likely peaks in 150 years
  - Natural gas in 30–40 years
  - Oil between 2010 and 2040
- **Mineral depletion**:
  - Copper and mercury peak in about 2100
  - Aluminum during 21st century
  - Indium and antimony in 10 years
  - Tantalum in 20–116 years.



# The Ethics of Pollution Control

- **Ecological System:** An interrelated and interdependent set of living organisms and their environment.

• وما من دابة في الارض ولا طائر يطير بجناحيه الا امم امثالكم (6/38)

((There is not an animal (that lives) on the earth, or a being that flies on its wings, but are communities like you.))

- **Ecological Ethics:** The ethical view that **nonhuman parts of the environment** (animals, plants, rivers, lakes, forests, pastures, etc.) deserve to be preserved for their own sake, regardless of whether this benefits human beings.
  - **Arabic thinkers** discussed air and water pollution and how these were linked with human health.
  - **Islam laid great emphasis** not only on cleanliness; rather it went one step ahead of clean environment, and declared Taharah ((طهارة i.e. **purification which is one step ahead of cleanliness, or in other words it is the advanced form of cleanliness**)) in certain conditions and situations as mandatory.

# Markets and Pollution

- **Three ethical deficiencies can clearly be noted:**
  1. Allocation of Resources: Uncontrolled use of the resources, that belong to the community, by the manufacturers for production of commodities.
  2. Manufacturers ignore their responsibilities towards pollution control and avoid paying for external costs.
  3. Imposition of external costs on third parties who are not able to buy the products.
- **Remedies:** It is the duty of the firms to Internalize the external costs by taking pollution-reducing measures through installation of filtration plants and thus paying for polluting air, water and land with toxic substances .
- **Total costs** of making a product include a seller's internal private costs and the external costs of pollution that were paid by society in the form of cleaning bills, bills of painting their houses and medical bill etc. now paid by the firms.

## Internalization of the Costs of Pollution

- When sellers' costs include only **private costs** (i.e. costs of raw materials, machinery and its maintenance, energy bills, salaries and transportation charges ) , too much is produced and **price is too low**
- As compared to when all costs (i.e. private plus social or external costs) are included, which if not internalized lowers **utility** and violates **rights** and **justice**.
- As **external costs violate utility, rights, and justice**; therefore, **they should be internalized**.

# Internalization of the Costs of Pollution and Justice

- **Internalization of External Costs:** Absorption of external costs by the producer, who then takes them into account when determining the price of goods. Internalization of external costs seems consistent with retributive justice which requires that those who are responsible for and benefit from an injury should bear the burdens of rectifying the injury, and with compensatory justice which requires that those who have been injured should be compensated by those who injure them. This is consistent with Islamic Golden Rule of :

(( الخراج بالضمان ❀ والغرم بالغنم ))

(( Entitlement to profits and liability for losses must go hand-in-hand))

- **Environmental Injustice:** if the external costs of pollution are borne largely by those who do not enjoy a net benefit from the activity that produces the pollution, it may lead to environment based injustice, for the poor who cannot afford to buy the costly products, but keep suffering from the effects of pollution to their health and life which are not quantifiable in the form of material benefits, is nothing but clear and gross injustice.

# Optimal Level of Pollution Removal in Utilitarian Approach

- **Optimal level** of removal of pollutants is the point where its costs equal its benefits.
- Costs of removing pollutants after their **optimal level** (removing traces of pollutants) rise as benefits of removal fall.
- But the **utilitarian approach fails when costs and benefits are not measurable**, such as costs and benefits of saving people's **health and life**, or costs and benefits of safeguarding the **rights of the future generations**.
- When costs and benefits are not measurable some use the **precautionary principle**, others the **maximin** rule of probability.

# Precautionary Principle & “*Maximin Rule*” of Probability Theory

## ❑ **Precautionary Principle:**

- The principle that if a practice carries an **unknown risk of catastrophic and irreversible consequences**, but it is uncertain how large that risk is, then the practice should be rejected until it is certain that the risk is **nonexistent or insignificant**.




## ❑ **“*Maximin Rule*” of Probability :**

- When **risks cannot be measured**, the most rational procedure is to **first assume that the worst (Maximum Harm / Loss / Damage) will happen and then choose the option that leaves us best off when the worst happens**.
- ((Maximin: Maximize minimum losses/harms/injuries;  
Minimax: Minimize maximum gains/profits/advantages))

• **درء المفاسد اولى من جلب المنافع .**

**To ward off the evils (losses) is better than the acquisition of the advantages (benefits)**

# Alternative Approaches to Pollution

- **Social Ecology:** The environmental crises we face are rooted in the **social systems of hierarchy and domination** that characterize our society. So get rid of social systems of hierarchy and domination to change this mind set and **stop dominating the nature**. (From  conquer the nature  be nature friendly  conserve the nature)
- **Ecofeminism:** Belief that the root cause of our ecological crisis lies in a pattern of domination of nature that is tightly linked to the social practices and institutions through which **women have been subordinated to men**. **Changing destructive, objective and active male pattern of dominating women and nature with caring, subjective and passive nature of women will solve this problem.**
- **Demands of Caring:** According to other feminists like **Karen Warren** it is important to extend the ethic of care toward nature, as **utilitarianism, rights and justice have limited role to play** in environmental ethics. So an adequate environmental ethics must also take into account in a central manner the **perspectives of the ethics of care**.

# Conservation Based on Ethics

- **Conservation:** The saving or rationing of natural resources for later use. Limit consumption now to have resources available for tomorrow. Reducing pollution is a form of conservation. Pollution *“Consumes”* pure air and water and reducing pollution *“Conserves”* these *“renewable”* resources for future.
- **Resource depletion**, however, is concerned with **finite nonrenewable resources** that **need conservation for future generations.**



# Rights of Future Generations

• ﴿الْم نَجْعَلِ الْأَرْضَ كِفَاتًا﴾ ❁ أحياء وأَمْواتاً ( 77/25-26)

((Haven't We made the Earth sufficient enough, for both the living and the dead alike?))

• ﴿وَالْأَرْضَ مَدَدْنَاهَا وَأَلْقَيْنَا فِيهَا رَوَاسِيَ وَأَنْبَتْنَا فِيهَا مِنْ كُلِّ شَيْءٍ مَّوْزُونٍ﴾ ❁ وَجَعَلْنَا لَكُمْ فِيهَا مَعَايِشَ وَمَنْ لَسْتُمْ لَهُ بِرَازِقِينَ ❁ وَإِنْ مِنْ شَيْءٍ إِلَّا عِنْدَنَا خَزَائِنُهُ وَمَا نُنْزِلُهُ إِلَّا بِقَدَرٍ مَعْلُومٍ ❁  
{15/19-22} وَأَرْسَلْنَا الرِّيَّاحَ لَوَاقِحَ فَأَنْزَلْنَا مِنَ السَّمَاءِ مَاءً فَأَسْقَيْنَاكُمُوهُ وَمَا أَنْتُمْ لَهُ بِخَازِنِينَ

((And the earth We have spread out (like a carpet); set thereon mountains firm and immovable; and produced therein all kinds of things **in due balance**. And **We have provided therein means of subsistence -- for you and for those for whose sustenance ye are not responsible**. And there is not a thing but its (sources and) treasures (inexhaustible) are with Us; but **We only send down thereof in due and ascertainable measures**. And We send the fecundating winds, then cause the rain to descend from the sky, therewith providing you with water (in abundance), though ye are not the guardians of its stores.))

- The Prophet Said: “if anyone of you was about to plant a sapling of date-palm tree and the Trumpet for the Domsday is blown, if he has enough time to plant it, he should plant it.”
- (Example of an old man getting his reward three times from the Caliph for planting a sapling of date-palm tree).

## Rights of Future Generations

Some of the scholars are of the view that we have an obligation to conserve resources for future generations because they have an equal right, similar to that of our own generation, to the limited resources of this planet.

And by depleting these resources we are taking what actually belongs to them and thus we are violating their right to these resources.

We, at least, must stop the wasteful use of finite resources or else it will be even our own generation who will have to face the music.

# Rights of Future Generations

- Some writers, however, have objected to **the idea of attributing rights to future generations** saying that:
  - Future generations **do not now exist** and **may never exist**. They exist only in imagination and **imaginary entities have no rights**.
  - If future generations have rights then the **entire present civilization must be sacrificed for the future**. For example if an infinite number of future generations have a right in the **world's supply of oil**, then we should divide the oil equally among all and our share would be **a few quarts** at the most.
  - Because we don't know **what interests future generations will have**, we cannot say **what rights they have**.

## Rights of Future Generations (Continued)

- Future generation **might develop cheap and plentiful substitutes** for present resources.
- ❑ Who would have guessed 80 years ago **that uranium rocks** would one day be considered a “source” in which people would have interest?
- ❑ Fossil fuel (petrol and natural gas) was discovered after methods of its use (engines and machines) were invented, though they were created millions of years ago
- **We may have obligations that are based not on rights, but on other kind of moral considerations, such as SUSTAINABILITY.**

# SUSTAINABILITY

- **Sustainability** is defined as “the capacity something has to continue to function into the future”. There are **three pillars** on which sustainability depends, and they are: 1) our economic activities, 2) our social activities and 3) our environmental activities.
- We must deal with the environment, society, and economy so that they have the capacity to continue to meet the needs of present generations without compromising the ability of future generations to meet their own needs.
- Environmental sustainability, economic sustainability, and social sustainability are interdependent.

# Environmental Sustainability

- Not depleting renewable resources faster than their replacement.
- Not creating more pollution than environment can absorb.
- Not depleting non-renewable resources faster than we find replacements.
- Technology pessimists say science will not find substitutes for all non-renewable resources so we must conserve resources and reduce consumption to achieve sustainability
- Technology optimists say science will find such substitutes, so sustainability requires neither conservation nor reducing consumption.

# Economic Growth and Sustainability

- E. F. Schumacher: We must **abandon the goal of economic growth** if we are to allow future generations to live as we do.
- Others: We must achieve a “steady state” where births equal deaths and production equals consumption and these remain constant at their lowest feasible level.
- **Club of Rome Projections:** Based on a **computer model** suggest that continued economic growth will deplete resources and increase pollution until industrial output, food production, and services decline, causing **catastrophic population loss** sometime during the twenty-first century.
- **Moral Questions Related to Economic Growth:** It is troubling that, current economic growth policies have led to **high rates of energy and resource consumption in developed nations** while **developing nations are left to consume at very low rates**. It is against all **four ethical principles of utility, right, justice and care ethics**.

# Chapter Six

## The Ethics of Consumer, Production and Marketing

### Questions to be Answered:

- How far must manufacturers go to **make their products safe**?
- Is the relationship between a business and its customers **merely a contract**, or is there more to it than that?
- Does the fact that **companies know more about their products than customers** impose on them a duty to protect customers from injury and harm?
- What responsibility do businesses have for customer injuries no one could reasonably have **foreseen or prevented**?
- On the whole, does **advertising** help or harm consumers?
- Do companies have a duty to protect their **customers' privacy**?



# Problems Consumers Face

- Dangerous and risky products (hazardous toys, cosmetics and drugs etc.)
- Deceptive selling practices (hiding defects, not sharing product info etc.)
- Poorly constructed products (use of substandard material and faulty designs)
- Failure to honor warranties (lame excuses, shifting the blame on consumers)
- Deceptive and unpleasant advertising (repetitive, strident and misleading ads.)

# Market Approach to Consumer Protection

- **Product Safety** (i.e. making the product more safe or providing safety related info to the customers) **is a commodity** that should not be mandated by government.
- **Safety should instead be provided through the market against a price**
- As a commodity in a market, sellers will provide **safety** if consumers demand it.
- In a market, the **price of safety** and **the amount sellers provide** will be determined by the costs of providing it and the value consumers place on it.
- Government intervention in consumer markets makes them unfair, **inefficient**, and **coercive**. (**Laissez faire Ideology: No or minimal interference from government in economic activities**)

# Problems with the Market Approach

- Assumes markets are perfectly competitive, but they are not because:
  - Buyers do not have adequate information when products are complex and information is costly and hard to find.
  - Buyers are often not rational about product risk or probabilities and are often inconsistent.
  - Many consumer markets are monopolies or oligopolies.

## Ethical Duties of Manufacturers

- Three different theories on ethical duties of manufacturers have been developed, each of which strikes a difference balance between consumers' duty to protect themselves and the manufacturers duty to protect consumers:
  1. The contract view
  2. The "due care" view
  3. The social cost view

# 1-Contract View of Business Firm's Duties to Customer

- The view that the relationship between a business firm and its customers is **essentially a contractual relationship**, and the firm's moral duties to the customer are those created by this contractual relationship.
- A contract is essentially a **free agreement** struck between two parties wherein:
  - Both the parties must have **full knowledge** of the nature of agreement
  - Neither party must intentionally **misrepresent** the facts to the other party.
  - Neither party must be **forced** to enter into the contract under **duress** or **undue influence**.

# Moral Duties to Consumers under Contractual Theory

• لا تأكلوا أموالكم بينكم بالباطل إلا أن تكون تجارة عن تراض منكم (4/29)

((O ye who believe! consume not your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual consent.))

• المسلمون على شروطهم إلا شرطاً أحل حراماً أو حرم حلالاً (الحديث)

((Muslims are bound to fulfill their contractual obligations, except any condition that has made some illegal thing permissible or a permissible thing illegal.))

- The duty to comply with express and implied claims of:

- **Reliability:** The probability that a product will function as the consumer is led to expect that it will function
- **Service life:** The period of time during which the product will function as effective as the consumer is led to expect it to function
- **Maintainability:** The ease with which the product can be repaired and kept in operating condition
- **Product Safety:** The degree of risk associated with using a product. A manufacturer is responsible in case the risk is not “reasonable” or “acceptable” i.e. when it is not made known to the buyer in clear and explicit terms

- The duty of disclosure: The agreement cannot bind unless both parties to the agreement know what they are doing and freely choose to do it. Free choice depends on knowledge. **It implies that seller must disclose to the buyer any characteristic of the product that can affect customers' decision.**

# Moral Duties to Consumers under Contractual Theory

- **The duty not to misrepresent:** (لا خلافة) Misrepresentation renders freedom of choice impossible. **Deception whether it is created by a verbal lie or any gesture is equally wrong.**
  - ليس منا من غشنا. (الحديث) (He who deceive us is not one of us)
- **The duty not to coerce:** A decision made under the influence of **fear** or **emotional stress** is against basic **principle of “free rational choice”**. Similarly undue influence, such as gullibility, **immaturity** and **ignorance**, etc. renders “free rational choice” invalid.
  - (رفع عن امتي الخطأ والنسيان وما استكرهوا عليه. (الحديث) )  
((My Ummah has been absolved of anything done by mistake, due to forgetfulness or under duress))
- ( رفع القلم عن ثلاث: الصبي حتى يحتلم المجنون حتى يفيق النائم حتى يستيقظ (الحديث) )  
((Three categories of people have no obligations: 1- a child until he/she becomes adult; 2- a lunatic until he/she recovers from lunacy; 3- a sleeping person until he/she wakes up.))

# Problems with Contractual Theory

- Assumes makers of products deal directly with consumers but they do not; however, manufacturer's **advertisements do form a kind of direct promise to consumers.** (Manufacturer → Wholesaler → retailer → Consumer)
- Sellers can remove all their duties to buyers by getting them to agree to **disclaimers** of responsibility.

(Caveat Emptor = بيع البراءة = مشتری ہوشیار باش)

- Assumes **consumer and seller meet as equals**, but seller has more knowledge so **consumer must rely on the seller.**



## 2-Due Care Theory of Manufacturer's Duties to Customer

- The view that because manufacturers are in a more advantaged position and **consumers must rely on them**, they have a duty to take special care to ensure that consumers' interests are not harmed by the products that they offer them.
- As **consumers and sellers do not meet as equals** and the **consumers' interests are vulnerable to harms by manufacturers**, "due care" theory requires that the strong version of "**Caveat Emptor**" be replaced with its weak version of "**Caveat Vendor**", which means that it is the **duty of the seller to be aware of his responsibilities towards buyer** and "let the seller beware".
- According to **Edgar Schein** "it is the vulnerability of the client that has necessitated the development of moral and ethical codes surrounding the relationship" between a professional and his client. A **professional**—like a **lawyer**, a **doctor**, a **real estate agent** or an **engineer**—enjoys the trust of his clients only because he has **more knowledge and expertise than the client**.

# Manufacturer's Duties in Due Care Theory

- A producer's responsibilities would extend to the following **three areas**:
  - **When designing product:** research its risks in conditions of use; design it so that risks are minimized; take capacities of users into account.
  - **In production:** use strict quality control to eliminate defects; ensure materials and manufacturing do not add defects or risk.
  - **In marketing:** provide users with information about using product safely; warn of all dangers; do not market to those unable to avoid risk.

# Problems with Due Care Theory

- Every product involves at least some small risk of injury. Due care theory does not determine the level of risk and does not limit what producer must spend to eliminate risk.
- Does not indicate who should pay for product injuries that cannot be foreseen.
- Puts manufacturer in paternalistic position of deciding how much risk is best for consumers, (as it the consumer who ultimate will pay for eliminating the risk).

### 3-Social Costs View of the Manufacturer's Duties to Consumers

- The view that a manufacturer should pay the costs of any injuries caused by defects in the product, even if the manufacturer exercised all due care in designing, making, and marketing it, and the injury could not have been foreseen.
- This theory of social costs is the basis of the legal doctrine of “*strict liability*” (a legal doctrine that holds that manufacturers must bear the costs of injuries resulting from product defects, regardless of fault), and is founded on utilitarian arguments.
- Product injuries are external costs that should be internalized as a cost of bringing the product to market; this maximizes utility and distributes costs more fairly.

# Criticisms of the Social Costs View

- Unjust to manufacturers since compensatory justice says one should compensate injured parties only if the injury was foreseeable and preventable.
- Falsely assumes that the social cost view prevents accidents; Instead, it encourages consumer carelessness by relieving them of responsibility for their injuries.
- Has increased the number of successful consumer lawsuits, which imposes heavy losses on insurance companies and makes insurance too expensive for small firms.
- Response: studies show only small increase in lawsuits and insurance firms remain profitable.

# Advertising Ethics: (ولا تتاجشوا)

- **What is an advertisement?** A public communication aimed at a large social group intended to **inform** the members of this group about the product and **attract** them to get it.
- **Commercial advertisements:** Communication between a seller and potential buyers that is publicly addressed to a mass audience and is **intended to induce** members of this audience to buy the sellers product.
- **Advertising has become a massive industry due to print and electronic media.** But who pays for the billions and billions spent on advertising by the manufacturers? **It is obvious that advertising costs are covered by prices consumers pay for the goods they buy, but in return they get very little.**

# Characteristics of Advertising

- Advertisements **insult intelligence of consumers** as they do not present the truth; instead, they **mislead** and **misguide** them through **misrepresentation**.
- Advertisement succeeds by creating:
  - First **a desire** for the seller's product
  - And second **a belief** that a product will satisfy that preexisting desire.
- For the **ethical aspect of advertisement** its following features are to be discussed:
  1. Its **social effects**
  2. Its creation of **consumer desires**
  3. Its effects on **consumer belief**.

# 1- Social Effects of Advertisement

- Critics of advertising claim that it has several adverse effects on society:
  1. It **degrades and debases the tastes of the public**. Most of the ads are **irritating, aesthetically unpleasant**. They are **intrusive, strident and boring**. Some of the ads are even **vulgar, offensive** and **disgusting**.
  2. It gradually and subtly **inculcates materialistic values** and ideas that are in conflict with ethical and moral values.
  3. Its **costs are selling costs** that, unlike production costs, **do not add to the utility of products** and so **waste resources**. **Ads do not improve the quality of the products but merely persuade the people to buy them.**
  4. It is used by big firms to **create brand loyalties** which let them become monopolies or oligopolies.



## 2- Advertising and the Creation of Consumer Desires

- **Nicholas Kaldor** was of the opinion that massive advertisements lead to higher consumer prices on the one hand and reduce competition on the other hand raising barriers to entry into markets. Thus ads have given **manipulative market power** to manufacturers in the creation of monopolies and oligopolies.
- **John K. Galbraith** argued that advertising is highly manipulative as advertising **creates psychic desires** which, unlike physical desires, are pliable (easily adaptable) and unlimited.
- **Psychic desires** are created so that firms can **use us to absorb their output**.
- Using us this way treats us as means and not as ends and so is unethical.

### 3- Advertising and its Deceptive Effects on Beliefs

- Deceptive advertisements **misrepresent** the nature of the product by using **deceptive mock-ups**, **untrue paid testimonials**, inserting the word “**guarantee**” where nothing is **guaranteed** and announcements about the “**sale of goods**” that later prove not to be available or to be defective.
- Deception involves **three necessary conditions**:
  - An **author** who (unethically) intends to make the audience believe what he or she knows is false, by means of an intentional act or utterance. **Here the “author” includes the “head” of an advertising agency, the person who “create” it and those who “endorse” it**
  - **Media or intermediaries who communicate the false message of the advertisement, and so are also responsible for its deceptive effects.**
  - An **audience** who is **vulnerable to the deception and who lacks the capacity to recognize the deceptive nature of the advertisement, such as children who are still learning to distinguish between fantasy and reality.**

# Consumer/Client Privacy

يَا أَيُّهَا الَّذِينَ آمَنُوا اجْتَنِبُوا كَثِيرًا مِّنَ الظَّنِّ إِنَّ بَعْضَ الظَّنِّ إِثْمٌ وَلَا تَجَسَّسُوا وَلَا يَغْتَب بَّعْضُكُم بَعْضًا  
أَيُّحِبُّ أَحَدُكُمْ أَنْ يَأْكُلَ لَحْمَ أَخِيهِ مَيْتًا فَكَرِهْتُمُوهُ وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ تَوَّابٌ رَّحِيمٌ (49/12)

((...Avoid much of the suspicion, for some of the suspicion is sin, and **spy not on each other**, nor **speak ill of each other behind their backs**...))

- Advances in **computer processing power**, database software and communication technology has enabled us to **collect, manipulate disseminate personal information about consumers on an unprecedented scale**. While **filling-up a form** we are required to provide such information that might be used adversely against us by others creating lots of problems.
- Right to privacy means the right of persons to determine what, to whom, and how much information about themselves will be disclosed to other parties. This right is of two types:
  - **Psychological privacy: Privacy with respect to a person's inner life (views, ideas, thoughts, aptitudes, desires, ambitions)**
  - **Physical privacy: Privacy with respect to a person's physical appearance (covering private body parts) and activities (eating, drinking, smoking and private life-style)**

# Importance of Privacy

(ثلاث عورات لكم (58/24) : Three times of your privacy)

• لا تدخلوا بيوتا غير بيوتكم حتى تستأثروا وتسلموا على أهلها (24/27)

((O ye who believe! enter not houses other than your own, until ye have **asked permission** and saluted those in them.))

- Protects individuals from **disclosures** that can **shame**, can encourage **interference** in one's private life, can **hurt loved ones**, and lead to **self-incrimination**.
- Enables the **intimacy** that **develops personal relationships**, the **trust** and **confidentiality** that underlies client-professional relationships, the ability to **maintain distinct social roles**, and the ability to determine how others will see us.

# Balancing Right to Privacy and Business Needs

- The right to privacy needs to be balanced against the rights and legitimate needs of others.

Here are some **suggested keys to balancing** legitimate business needs with the right to privacy:

- Is the **purpose** of collecting information a legitimate business need that benefits the consumer?
- Is the information that is collected **relevant** to the business need?
- Is the consumer **informed** that the information is being collected and what is the purpose?
- Did the consumer **consent** to the information disclosure?
- Is the information **accurate**?
- Is the information **secure** and not disclosed to **recipients** or **used** in ways to which the consumer did not consent?

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**The price of greatness is “ETHICAL” responsibility.**

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**Rawalpindi**

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