

Chapter 22 Ethical Issues Regarding the Natural Environment

INTRODUCTION

We are in an environmental crisis:

The earth is getting warmer, primarily because of human emissions of hydrocarbons

Overfishing: e.g., the Atlantic cod has been overfished so that they are now less than 5% of their historical maximum

Other examples: Chilean sea bass, swordfish, and orange roughy, are near extinction.

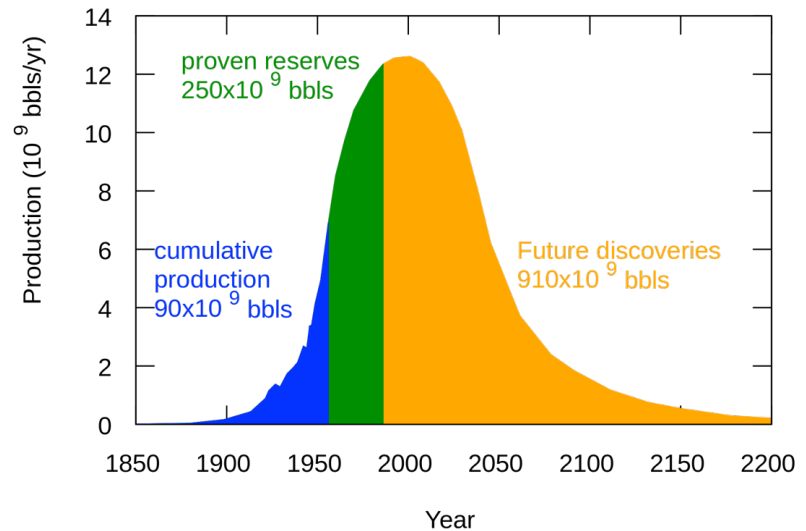
Prediction: If current fishing practices continue, every fishery will collapse

Loss of old growth forests and dependent species

Declining freshwater

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Peak Oil?



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EU Policy: Environmentally sustainable business practices are mandated as a moral norm

American Business activity on the environment: In 2007, 27 corporations and environmental organizations founded the United States Climate Action Partnership (USCAP) to help motivate national legislation requiring significant reductions in greenhouse gas emissions

USCAP includes Alcoa, BP America, General Electric, DuPont, PepsiCo and Shell

(2007) The *Economist* magazine (normally accepts Friedman's view that businesses only have obligations to shareholders) noted that "very few serious businessmen will say publicly either that climate change is not happening or that it is not worth tackling." (278)

ENVIRONMENTAL MORAL OBLIGATIONS OF BUSINESS

In the 1990s, some business leaders came to see waste as a cost

Recycling and alternative products could increase current and future profitability and be more environmentally friendly

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- run escalators only when a sensor detects someone approaching
- turn off lights in hallways and other public areas until people are actually present
- replace incandescent bulbs with long-lasting compact fluorescent bulbs

THREE VIEWS ON BUSINESS AND ENVIRONMENTAL OBLIGATIONS

Morality, Money, and Motor Cars Norman E. Bowie

THESIS: "Business does not have an obligation to protect the environment over and above what is required by law; however, it does have a moral obligation to avoid intervening in the political arena in order to defeat or weaken environmental legislation." (280)

Businesses have often violated the law by, e.g., dumping toxic wastes

But it's better to understand this as a violation of the law, rather than the violation of a special obligation to the environment

"Environmentalists do not need a special obligation to the environment to protect the environment against illegal business activity; they need only insist that business obey the laws" (280)

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Even when apparent lack of due care has led to environmental disasters, such as the Exxon Valdez in Alaska, Exxon's moral negligence was in not taking due care



There was no special duty to the environment

Environmentalists only need "expect that business firms and officials have moral obligations to obey the law, avoid negligent behavior, and tell the truth" (281)

Business only has greater duties than the public, when it has greater expertise

Different Actions Regarding Harm (from most to least strictly required)

1. Avoiding causing harm (The Moral Minimum)

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2. Preventing harm (being a "good Samaritan"):

Factors determining moral obligation: "capability, need, proximity, and last resort" (282)

Example of the drowning child

3. Do Good: e.g. make social contributions

"An injunction to assist in solving societal problems makes impossible demands on a corporation because, at the practical level, it ignores the impact that such activities have on profit" (281)

Does minimal harm preclude *environmental* harm?

Original definition of *moral minimum*: "[harm] particularly including activities which violate or frustrate the enforcement of rules of domestic or institutional law intended to protect individuals against prevention of health, safety or basic freedom." (282)

Even if we do ignore the legal aspect and accept that damage to the environment causes harm, this doesn't prove that harming the environment is governed by the moral minimum

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After all, "50,000 persons per year will die and than nearly 250,000 others will be seriously injured in automobile accidents in the United States alone" (282)

- 2200 deaths; 12,000 serious injuries (2009 Canada)

But we also believe that, while automobile injuries are strictly *avoidable*, their benefits outweigh their costs

"a fundamental principle of ethics that 'ought' implies 'can'" (282)

So car makers can only be faulted for those injuries caused by known or knowable unsafe design

But the "standards for safety must leave the product's cost within the price range of the consumer ('ought implies can' again)....A company that builds a maximally safe car at a cost that puts it at a competitive disadvantage and hence threatens its survival is building a safe car that lies beyond the capability of the company" (282)

"Ford Motor Company made a morally incorrect choice in placing Pinto gas tanks where it did. Consumers were uninformed, the record of the Pinto in rear-end collisions was worse than that of competitors, and Ford fought government regulations" (283)

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By analogy with the car safety case:

Important claim: "As long as business obeys the environmental laws and honours other standard moral obligations, most harm done to the environment by business has been accepted by society" (283)

Examples of consumer resistance to environmentally friendly products:

- "Wendy's tried to replace foam plates and cups with paper, but customers in the test markets balked"
- Consumers didn't buy concentrated Downey fabric softener, because it has to be mixed with water
- "Europeans will take the trouble; Americans will not" (Comment?)
- McDonald's tested mini-incinerators "that convert trash into energy [and "are less offensive than a barbecue"] but often meets opposition from community groups that fear the incinerators will pollute the air"
- Exxon spent approximately \$9,200,000 to "save" 230 otters (\$40,000 for each otter). Otters in captivity cost \$800. Fishermen in Alaska are permitted to shoot otters as pests.

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Public response of this sort suggests that corporations have no responsibility to do more than is legally required

“Business will respond to the market. It is the consuming public that has the obligation to make the tradeoff between cost and environmental integrity.” (283)

Responses by environmentalists

1. **Public attitudes are changing:** Even during the Reagan years, the public continued to support environmental laws.
2. **Environmentally friendly products are seen as public goods.** But people tend to desire that *others* pay the cost for these desirable goods, while they themselves get the lower cost and more convenient things.
“[But since] everyone reasons this way, the real demand for environmentally friendly products cannot be registered in the market. Everyone is understating the value of his or her preference for environmentally friendly products” (283)

Even so, Bowie claims, business is not itself responsible for making up for “market failures,” since government has that responsibility, and people can express their true “preferences in the political arena”

Bowie recognizes that corporations are often at fault, because they “use their influence and money to defeat or water down regulations designed to conserve and protect the environment. They argue that consumers should decide how much conservation and protection the environment should have, and then they try to interfere with the exercise of that choice in the political arena” (284)

As a formal argument:

1. Business argues that it escapes special obligations to the environment because it is willing to respond to consumer preferences in this matter
2. Because of externalities and public goods considerations, consumers cannot express their preferences in the market.
3. The only other viable forum for consumers to express their preferences is in the political arena.
4. Business intervention interferes with the expression of these preferences.
5. ...business should not intervene in the political process. (285)

Deep worry about the role of politics in the environmental crisis: The costs of environmental clean up are huge and immediate, but the benefits are mostly in the future

But a politician’s self-interests in getting re-elected are short-term

This implies that business has an even stronger obligation to avoid political interference

Business response: Political decisions can put them at a competitive disadvantage with foreign companies and e.g. different forms of energy production

Bowie’s tentative answer: “Legislative bodies and regulatory agencies need to expand their staffs to include technical experts, economists, and engineers so that the political process can be both neutral and highly informed about environmental matters” (286)

One possible business obligation: Businesses often have greater knowledge about how to prevent and cleanup the environment, and so should share that knowledge

After all, business is not shy about leading consumer preferences through advertising

“An educational campaign aimed at consumers would likely enable many businesses to do good while simultaneously doing very well” (286)

Business, Ethics, and Global Climate Change

Denis G. Arnold and Keith Bustos

GLOBAL CLIMATE CHANGE

Global Climate Change (GCC): Caused by trapping infrared radiation by “atmospheric greenhouse gases (GHGs) (such as water vapour, carbon dioxide, methane, and others)” (287)

Human activity has greatly increased the concentration of GHGs beyond their natural level

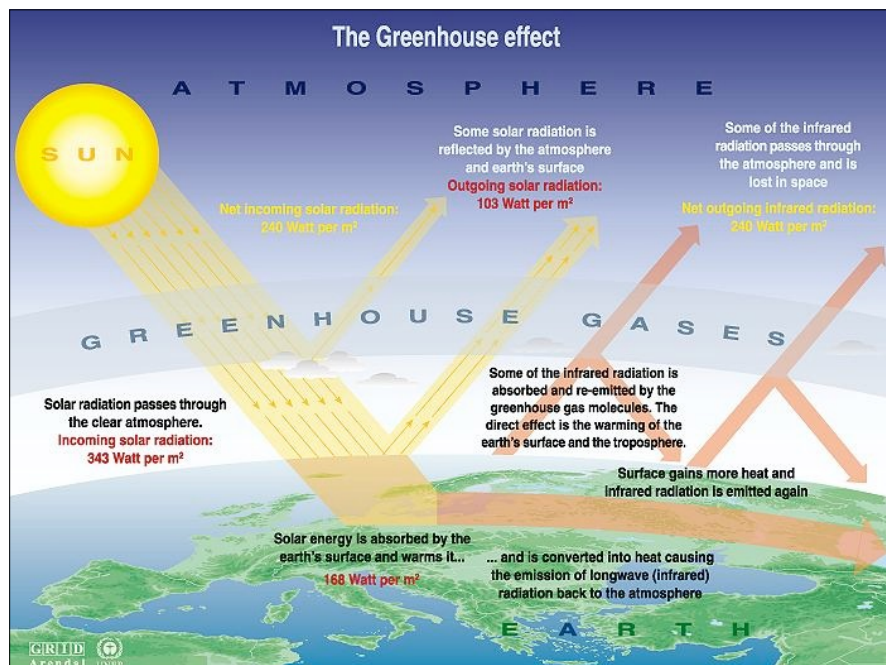
CO₂ is the most difficult to remove, since it takes from 50 to 200 years to decompose

As a result, even if “anthropogenic” CO₂ emissions drop, it will take a long time to bring down the atmospheric level

The US produces about 20.3% of the world’s CO₂ emissions (Canada: 1.7%; China: 20%)

75% caused by burning fossil fuels, and 25% by deforestation

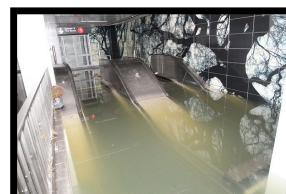
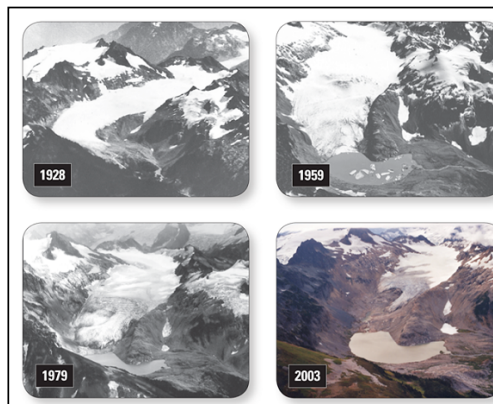
GCC has raised the average global surface temperature by $0.6 \pm 0.2^{\circ}\text{C}$ in the 20th century and is projected to “warm 1.4 to 5.8°C by 2100 relative to 1990.”



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Currently visible changes: shrinking glaciers, increased high-latitude growing seasons, "poleward migration of plant and animal ranges, and declines of some plant and animal populations" (288)

Increase in global temperatures will likely cause more droughts, floods, and increased sea levels by "0.09 to 0.88 meters by 2100"



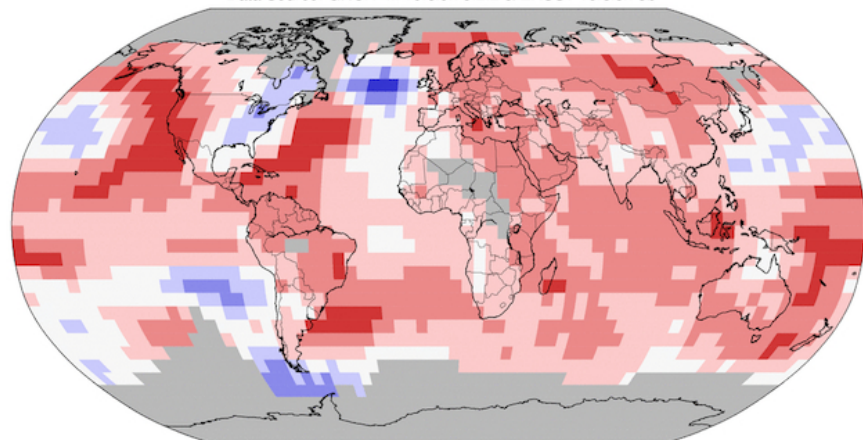
Coral reefs, mangroves, boreal and tropical forests, and prairie wetlands are sensitive to environmental changes

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Land & Ocean Temperature Percentiles Dec 2014–Feb 2015

NOAA's National Climatic Data Center

Data Source: GHCN-M version 3.2.2 & ERSST version 3b



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Human systems affected: "water resources, agriculture, forestry, fisheries, energy production, industry, insurance and other financial services, and human health (particularly a net increase in the geographic range of malaria and dengue)"

Poorer nations will have the greatest problems coping with these changes



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CONTRA BOWIE'S MARKET "SOLUTION"

FIVE SUBSTANTIAL OBJECTIONS:

Objection One: The Absence of Democracy

1. Many nations in which MNCs do business are not democratic; so Bowie's political mechanism can't work there
2. Even if US citizens tolerate high Green House Gas (GHG) emissions, their effects will be felt by everyone on the planet

Objection Two: The Roles of Consumers

- Business typically knows more about the complexities of GCC and how to deal with it than consumers
- Although many environmentally friendly products will fail (as will many other business initiatives), many will also succeed
- It "is worth noting that despite modest initial resistance from consumers, Wendy's and nearly all fast-food restaurants have successfully switched from foam plates and cups to paper" (291)

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Objection Three: Consumer Choice

- Business often does not provide environmentally friendly consumer choices (e.g. very few electric vehicles)
- Consumers often can't choose about where to get their energy

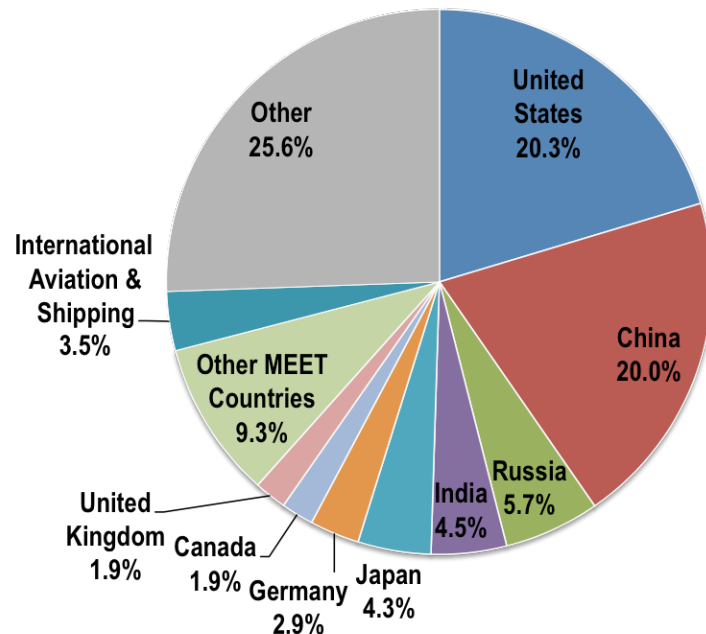
Objection Four: Harm to Others

- US (and Canadian, etc.) consumer preferences can cause harm to every person on earth
- Will Kymlicka and Henry Shue: To satisfy preferences = taking resources, and current groups can take more of their current share, and also not leave a sufficient amount for future generations
- So we are morally responsible for the effects of our preferences (and so is business, by attempting to satisfy them)

Objection Five: Responsibility for the Past

"A basic principle of justice holds that it is unfair to require others to pay for the costs of benefits one has secured for oneself without their uncoerced consent. Those who enjoy the benefits resulting from burning fossil fuels, and thereby contribute to GCC, ought to pay more for such benefits than those who do not enjoy such benefits."

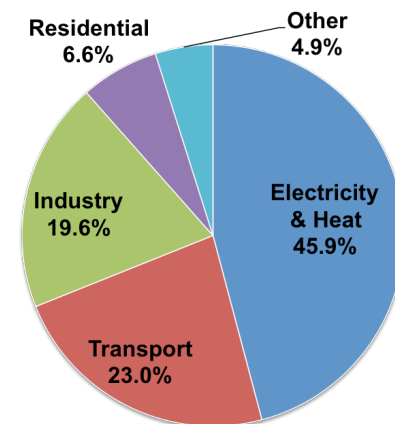
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Sectors: Transportation and electric power are the two greatest generators of CO₂ (US)

So these sectors should be proportionately responsible for historical harm to the atmosphere.



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Tools for Policy Makers

Eric Neumayer's defence of historical accountability for GHG emissions

1. Burning fossil fuels is causing GCC
2. The "polluter-pays principle (PPP) helps to justify the historical accountability approach"

Otherwise, we would reward those who first emitted GHGs

3. Historical accountability will leave the "global atmospheric commons" for use by present and future people

The authors don't follow Neumayer in assigning responsibility beginning in 1896, when Svante Arrhenius first detected evidence of global warming

Instead, they choose 2001, since at that time the evidence was sufficiently conclusive

POLICY IMPLICATIONS

The Goldilocks problem:

- (1) do too little, and cause substantial harm to future generations; or
- (2) take drastic action too soon thus incurring unnecessary costs

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"We need to reduce CO₂ emissions below 1990 levels within a few decades, and then continue to decrease CO₂ steadily thereafter," (294) because of the long-term stability of CO₂ in the atmosphere

So business organizations "have a moral obligation to be engaged in aggressive proactive measures to abate their CO₂ emissions, and that this obligation has been effective since 2001" (294)

Businesses ought to do better than they are legally required to do, since current US law will not mitigate GCC

Writing in *Foreign Affairs*, Lord Browne, Group Chief Executive of British Petroleum, points out that "BP found that it was able to reach its initial target of reducing emissions by 10 percent below its 1990 levels without cost. Indeed, the company added around \$650 million of shareholder value, because the bulk of the reductions came from the elimination of leaks and waste." (295)

One hotly debated method: Carbon tax

Penalties: "If the carbon tax were set at \$450/toc (ton of carbon) for 2005, business organizations that only began abating their carbon emissions this year would be required to pay \$450 per year that has passed," plus an interest of 10%

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Sustainability: Business's New Environmental Obligation

Joseph DesJardins will argue against Bowie's *philosophical framework*

A philosophical framework/paradigm in a domain is a set of assumptions about how best to understand that domain

THE NEED FOR A NEW BUSINESS PARADIGM

1. A large percentage of the world lacks "clean drinking water, nutritious food, health care, education, work, shelter, clothing," etc.
 - Population growth will only make this worse
2. To solve this problem, the economy will need to fill these needs
3. In the global economy, business is affected by events in other parts of the world
4. Meeting these growing human needs "must rely on the productive capacity of the earth's biosphere"

This (point 4) is complicated by two facts:

- (a) The world's economy is a subsystem of the biosphere
- (b) The activities of the world's economy are severely stressing the biosphere

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Three conclusions:

- (i) Believe that there aren't really any biological limits to growth, and that the economy can safely continue to expand to meet the needs of the earth's population
 - If China used resources at the level of the US, they would "consume 80 million barrels of oil each day, which alone is more than the world's total production of 74 million barrels a day"
- (ii) The world's poor can't, won't or shouldn't try to improve their lot
 - Delusional
- (iii) "[A]lternative economic institutions must be created to meet world demand without further destroying the biosphere" (297)

Most current models of corporate environmental responsibility(e.g. Bowie's) assume a conflict between profitability and environmental responsibility

Such models require consumer choice or government regulation to keep environmental firms competitive

"But this background assumption underestimates the range of managerial discretion" (298)

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But business managers can seek to be profitable in many different ways, and these can be “environmentally prudent and sensible”

SUSTAINABLE BUSINESS

A sustainable society needs to be “*economically* vibrant enough to address the real needs of billions of people, yet *ecologically* informed so that the earth’s capacity to support life is not diminished by that activity and *ethically* sensitive enough that fundamental human needs are met in the process” (298)

We need to replace the notion of unguided economic *growth* with that of targeted economic *development*

1. **Biomimicry model:** “Just as the detritus of decomposed material is turned back into fertile soil within biological systems, sustainable business must be designed so that its by-products are themselves the resources for new productivity” (299)
2. **Shift from products to services:**
 - People need very few products: food, water and air
 - People need many services: “education, health care, shelter, security”
 - e.g. leasing shows that we want convenient transportation, not necessarily our own car

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people “want easy access to software, Internet, and e-mail, not ownership of a soon-to-be-outdated piece of computer hardware or software”

Implications: Stronger business incentive “to create longer-lasting, more durable products that are easily recycled back into the product stream” (299)

3. The Earth’s productive capacity is natural capital (not an “unending resource stream”)

Capital: “something capable of generating revenue in the form of interest but not something that should be spent to the point where it is incapable of continuing to be a source of income” (299)

Non-renewable resources: We should reduce our use of these to a minimum level

Renewable resources:

THE BUSINESS CASE FOR SUSTAINABILITY

Business often creates consumer demand: e.g. Toyota “helped create the market for hybrid cars” (300)

Those businesses that lead in sustainability will be the successful businesses of the future; those that don’t will “simply cease to exist”

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There is a huge potential market in those billions who currently need “food, clothing, shelter, medical care, jobs”

“The 4 billion people comprising the base of the pyramid (the phrase changed by Stuart Hart to avoid the pejorative-sounding “bottom”) provide a market so large and diverse that it can be addressed only in ways that are environmentally sustainable.” (301)

Learning how to use waste is also a huge opportunity

e.g. new manufacturing plants (Herman Miller)

Herman Miller helped create the United States Green Building Council (USGBC) in 1993.

The company now produces about 8 kg. of landfill per year

Looming government environmental regulations will also be more easily met by companies who have already made sustainability a priority



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“In the past, many companies waited until environmental regulations coerced them into action. At that point, many were overwhelmed by the costs of cleanup and compensation” (302)

“The legal concepts of negligence and foreseeability are just waiting to be exploited in holding business liable for the entire life cycle of its products” (303)

In Europe, “take-back” or “extended producer responsibility” laws require business to cover the costs of disposing or recycling their products

Japan, South Korea, and Taiwan have similar legislation

(Utilitarian-based “social-costs view” of business responsibility)

SUMMARY

1. The new *sustainability* business paradigm will be built on economic, ecological and ethical foundations
2. Rather than treating the environment as an external constraint, the new paradigm is built around it

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Discussion questions:

1. Bowie argues that business is simply the instrument of the public's wishes, and so only needs to follow the law on the environment. Explain how Bowie believes his view is able to adequately protect the environment, without requiring business to be directly obligated to protecting the environment.
2. Denis G. Arnold and Keith Bustos give five "substantial objections" to Bowie's view. Briefly explain each objection. Do Arnold and Bustos successfully refute Bowie? Explain carefully.
3. What false assumption does Bowie's model of corporate environmental responsibility make about "managerial discretion" (according to Desjardins)? Why is this assumption false (if Desjardins is right?)