

Introduction

Why study business ethics?

- Law helps enforce moral codes
 - Most common ethical lapses lead to wrongdoings
 - [Fraud, bribery](#), and [insider trading](#)
 - Mismanaged environmental disasters
 - Sexual misconduct
 - Inflated resumes
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Ethical Systems

We will study three main ethical systems to help structure and formalize moral intuitions.

Deontology

Important

Definition 7.1: Deontology

A principles-oriented approach to moral reasoning

- Formulates moral obligations/duties in terms of **mandatory, universal rules**
- Morality is about what individuals “owe to each other” and “treat each other”

Under deontology, morality is **law-like**, i.e. there should be mandatory rules mandating people's moral codes. Deontologists try to find rules to live by.

Moral rules tell us

- [Kant's “Categorical Imperative”](#)
- [The “Golden Rule”](#)

Consequentialism

Important

Definition 7.2: Consequentialism

The principal that the goal of morality is to **maximize the good outcomes** (utility) while minimizing the bad ones.

The rule carries an impartiality: to evaluate utility for everyone, not just the impact of your actions on yourself.

- Global utility
- Finding imperfect solution for utilitarian causes

It focuses on **consequences of actions**, instead of **reasons of actions**.

Virtue Ethics

Important

Definition 7.3: Virtue Ethics

Follows that morality as a search for “**the good life**”.

A virtuous action (according to Aristotle) is one that is:

1. Knowingly done
2. For its own sake, and
3. Consistent with, or because of, one's **good character**

Ethical Heuristics

- The “Golden Rule”
 - Treating others as one would want to be treated by them
- The Role Reversal Test
- The 10/10/10 Rule
 - 10 minutes from now, how will I feel about this decision? 10 months from now, how will I feel about this decision? 10 years from now, how will I feel about this decision?

- The Front-Page Test
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Rights

A right is an **entitlement to perform** (or abstain from) certain actions, AKA **privileges**, or to **prevent others from performing** (or abstaining from) certain actions, AKA **claims**.

- Examples include civil rights, aspirational rights, and procedural rights
- Example of privileges: driver's license
- Example of claims: property rights

In this section we will focus on the one of the utmost important rights, constitutional rights.

Constitutional Rights

The US Constitution is primarily concerned with the

- 1. Design and structure of the federal government, and
- 2. Relationship between state/federal governments

Note

Many amendments to US Constitution are focused on ensuring legal protection for individual rights

- 1791: "Bill of Rights" (first 10 amendments) enacted
 - Offers individual rights protection
- 1868: 14th Amendment enacted, incorporates Bill of Rights' protections to state governments
 - Before the 14th Amendment the Bill of Rights only applies to the federal government

To nowadays, there are 26 amendments in total to the constitution.

The First Amendment

Important

Definition 7.4: The First Amendment

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or **abridging the freedom of speech**, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

In essence, the First Amendment is a legal right providing **private individuals** (and businesses) with immunities **against certain types of government regulation** impacting ability to express themselves.

- Applies to federal government (not just congress)
- Applies to state governments (via 14 th Amendment)

Important

The First Amendment **DOES NOT** apply to **private actors**.

That being said, a private employer can restrict free speech within their company however they want, and a social media site may have the power to display the content they want.

Protection

The First Amendment only protects a certain range of speeches. Unprotected speech receives **NO** constitutional protection. These include things that are immediate threats to the society:

- Criminal speech acts (e.g., perjury, fraud, bribery)
 - Inciting or producing imminent lawless actions
- Speech acts presenting a “clear and present danger”
- False/misleading commercial speech (e.g., advertising)
- Obscenity
 - Really **HARD** to establish: has to be prurient, sordid, has no serious merit and on the whole offensive to the average person in a society

Note

The word "speech" in this context can mean any expression of idea, or implied message, or a speech in general.

Degree of constitutional protections given to all other speech varies depending on several factors, the most important of which is the **type or nature of restriction** the government is trying to impose.

- E.g. content/viewpoint discrimination, prior restraint, time/place/manner regulations

Strict Scrutiny

Important

Definition 7.5: Strict Scrutiny

Strict scrutiny is a form of judicial review that courts use to determine the **constitutionality of certain laws**. Strict scrutiny is often used by courts when a plaintiff sues the government for discrimination.

Strict scrutiny applies when a plaintiff sues the government for infringement on freedom of speech. Government's action is **unconstitutional UNLESS**

1. The government has a **compelling state interest** in regulation, and
2. The rule is **narrowly tailored** to satisfy such interest while **being the least restrictive means** for achieving that interest

Commercial Speech

Unlike political speech, commercial speech, especially advertising, has always been **subject to reasonable regulations regarding time, place, and manner**. In addition, the state may flatly prohibit false commercial speech, as well as explicitly or inherently misleading commercial speech.