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## Chapter 3

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# Theories of Consequence Ethics: Traditional Tools for Making Decisions in Business when the Ends Justify the Means

### Chapter Overview

Chapter 3 "Theories of Consequence Ethics: Traditional Tools for Making Decisions in Business when the Ends Justify the Means" examines some theories guiding ethical decisions in business. It considers ethics that focuses on the consequences of what is done instead of prohibiting or allowing specific acts.

## 3.1 What Is Consequentialism?

### LEARNING OBJECTIVE

1. Define consequentialism in ethics.

### Consequentialism Defined

What's more important in ethics—what you do or what happens afterward *because* of what you did? People who believe ethics should be about what happens afterward are labeled **consequentialists**<sup>1</sup>. They don't care so much about your act; they want to know about the consequences.

If someone asks, "Should I lie?," one answer is, "No, lying's wrong. We all have a duty not to lie and therefore you shouldn't do it, no matter what." That's not the consequentialist answer, though. Consequentialists will want to know about the effects. If the lie is about Bernie Madoff assuring everyone that he's investing clients' money in stocks when really he plans to steal it, that's wrong. But if a defrauded, livid, and pistol-waving client tracks Madoff down on a crowded street and demands to know whether he's Bernie Madoff, the ethically recommendable response might be, "People say I look like him, but really I'm Bill Martin." The question, finally, for a consequentialist isn't whether or not I should lie, it's *what happens if I do and if I don't?*

Since consequentialists are more worried about the outcome than the action, the central ethical concern is *what kind of outcome should I want?* Traditionally, there are three kinds of answers: the **utilitarian**, the **altruist**, and the **egoist**. Each one will be considered in this chapter.

### KEY TAKEAWAY

- Consequentialist ethicists focus on the results of what you do, not what you do.

1. An ethics focused on the results of actions, not the actions themselves.

### REVIEW QUESTIONS

1. Under what scenario could a consequentialist defend the act of stealing?
2. Could a consequentialist recommend that a toy company lie about the age level a toy is designed for? What would be an example?

## 3.2 Utilitarianism: The Greater Good

### LEARNING OBJECTIVES

1. Define utilitarian ethics.
2. Show how utilitarianism works in business.
3. Distinguish forms of utilitarianism.
4. Consider advantages and drawbacks of utilitarianism.

### The College Board and Karen Dillard

“Have you seen,” the blog post reads, “their parking lot on a Saturday?” “CB-Karen Dillard Case Settled-No Cancelled Scores,” College Confidential, accessed May 15, 2011, <http://talk.collegeconfidential.com/parents-forum/501843-cb-karen-dillard-case-settled-no-cancelled-scores.html>. It’s packed. The lot belongs to Karen Dillard College Prep (KDCP), a test-preparation company in Dallas. Like the Princeton Review, they offer high schoolers courses designed to boost performance on the SAT. Very little real learning goes on in these classrooms; they’re more about techniques and tricks for maximizing scores. Test takers should know, for example, whether a test penalizes incorrect answers. If it doesn’t, you should take a few minutes at each section’s end to go through and just fill in a random bubble for all the questions you couldn’t reach so you’ll get some cheap points. If there is a penalty, though, then you should use your time to patiently work forward as far as you can go. Knowing the right strategy here can significantly boost your score. It’s a waste of brain space, though, for anything else in your life.

Some participants in KDCP—who paid as much as \$2,300 for the lessons—definitely got some score boosting for their money. It was unfair boosting, however; at least that’s the charge of the College Board, the company that produces and administers the SAT.

Here’s what happened. A KDCP employee’s brother was a high school principal, and he was there when the SATs were administered. At the end of those tests, everyone knows what test takers are instructed to do: stack the bubble sheets in one pile and the test booklets in the other and leave. The administrators then wrap everything up and send both the answer sheets and the booklets back to the College Board for scoring. The principal, though, was pulling a few test booklets out of the stack and sending them over to his brother’s company, KDCP. As it turns out, some of these pilfered tests were “live”—that is, sections of them were going to be used again in

future tests. Now, you can see how getting a look at those booklets would be helpful for someone taking those future tests.

Other stolen booklets had been “retired,” meaning the specific questions inside were on their final application the day the principal grabbed them. So at least in these cases, students taking the test-prep course couldn’t count on seeing the very same questions come exam day. Even so, the College Board didn’t like this theft much better because they sell those retired tests to prep companies for good money.

When the College Board discovered the light-fingered principal and the KDCP advantage, they launched a lawsuit for infringement of copyright. Probably figuring they had nothing to lose, KDCP sued back. Paulina Mis, “College Board Sues Test-Prep Company, Countersuit Filed,” *Scholarships.com*, February 26, 2008, accessed May 15, 2011, <http://www.scholarships.com/blog/high-school/college-board-sues-test-prep-company-countersuit-filed/161>.

College Board also threatened—and this is what produced headlines in the local newspaper—to cancel the scores of the students who they determined had received an unfair advantage from the KDCP course. As *Denton Record-Chronicle* reported (and as you can imagine), the students and their families freaked out. Staci Hupp, “SAT Scores for Students Who Used Test Prep Firm May Be Thrown Out,” *Denton Record Chronicle*, February 22, 2008, accessed May 15, 2011. The scores and full application packages had already been delivered to colleges across the country, and score cancellation would have amounted to application cancellation. And since many of the students applied only to schools requiring the SAT, the threat amounted to at least temporary college cancellation. “I hope the College Board thinks this through,” said David Miller, a Plano attorney whose son was apparently on the blacklist. “If they have a problem with Karen Dillard, that’s one thing. But I hope they don’t punish kids who wanted to work hard.”

Predictably, the episode crescendoed with everyone lawyered up and suits threatened in all directions. In the end, the scores weren’t canceled. KDCP accepted a settlement calling for them to pay \$600,000 directly to the College Board and provide \$400,000 in free classes for high schoolers who’d otherwise be unable to afford the service. As for the principal who’d been lifting the test booklets, he got to keep his job, which pays about \$87,000 a year. The CEO of College Board, by the way, gets around \$830,000. “AETR Report Card,” Americans for Educational Testing Reform, accessed May 15, 2011, <http://www.aetr.org/college-board.php>. KDCP is a private company, so we don’t know how much Karen Dillard or her employees make. We do know they could absorb a million-dollar lawsuit without going into

bankruptcy. Finally, the Plano school district in Texas—a well-to-do suburb north of Dallas—continues to produce some of the nation’s highest SAT score averages.

### One Thief, Three Verdicts

**Utilitarianism**<sup>2</sup> is a consequentialist ethics—the outcome matters, not the act. Among those who focus on outcomes, the utilitarians’ distinguishing belief is that we should pursue *the greatest good for the greatest number*. So we can act in whatever way we choose—we can be generous or miserly, honest or dishonest—but whatever we do, to get the utilitarian’s approval, the result should be more people happier. If that is the result, then the utilitarian needs to know nothing more to label the act ethically recommendable. (Note: **Utility**<sup>3</sup> is a general term for usefulness and benefit, thus the theory’s name. In everyday language, however, we don’t talk about creating a greater utility but instead a greater good or happiness.)

In rudimentary terms, utilitarianism is a happiness calculation. When you’re considering doing something, you take each person who’ll be affected and ask whether they’ll end up happier, sadder, or it won’t make any difference. Now, those who won’t change don’t need to be counted. Next, for each person who’s happier, ask, how much happier? Put that amount on one side. For each who’s sadder, ask, how much sadder? That amount goes on the other side. Finally, add up each column and the greater sum indicates the ethically recommendable decision.

Utilitarian ethics function especially well in cases like this: You’re on the way to take the SAT, which will determine how the college application process goes (and, it feels like, more or less your entire life). Your car breaks down and you get there very late and the monitor is closing the door and you remember that...you forgot your required number 2 pencils. On a desk in the hall you notice a pencil. It’s gnawed and abandoned but not yours. Do you steal it? Someone who believes it’s an ethical duty to not steal will hesitate. But if you’re a utilitarian you’ll ask: Does taking it serve the greater good? It definitely helps you a lot, so there’s positive happiness accumulated on that side. What about the victim? Probably whoever owns it doesn’t care too much. Might not even notice it’s gone. Regardless, if you put your increased happiness on one side and weigh it against the victim’s hurt on the other, the end result is almost certainly a net happiness gain. So with a clean conscience you grab it and dash into the testing room. According to utilitarian reasoning, you’ve done the right thing ethically (assuming the pencil’s true owner isn’t coming up behind you in the same predicament).

Pushing this theory into the KDCP case, one tense ethical location is the principal lifting test booklets and sending them over to his brother at the test-prep center. Everything begins with a theft. The booklets do in fact belong to the College Board;

2. The ethical belief that an act is recommendable if it brings the greatest good to the greatest number, if it increases net happiness—or decreases net unhappiness—when everyone is taken into account.

3. A general term for usefulness and benefit that serves as the root for the theory named utilitarianism.

they're sent around for schools to use during testing and are meant to be returned afterward. So here there's already the possibility of stopping and concluding that the principal's act is wrong simply because stealing is wrong. Utilitarians, however, don't want to move so quickly. They want to see the *outcome* before making an ethical judgment. On that front, there are two distinct outcomes: one covering the live tests, and the other the retired ones.

Live tests were those with sections that may appear again. When students at KDCP received them for practice, they were essentially receiving cheat sheets. Now for a utilitarian, the question is, does the situation serve the general good? When the testing's done, the scores are reported, and the college admissions decisions made, will there be more overall happiness than there would've been had the tests not been stolen? It seems like the answer has to be no. Obviously those with great scores will be smiling, but many, many others will see their scores drop (since SATs are graded on a curve, or as a percentile). So there's some major happiness for a few on one side balanced by unhappiness for many on the other. Then things get worse. When the cheating gets revealed, the vast majority of test takers who didn't get the edge are going to be irritated, mad, or furious. Their parents too. Remember, it's not only admission that's at stake here but also financial aid, so the students who didn't get the KDCP edge worry not only that maybe they should've gotten into a better school but also that they end up paying more too. Finally, the colleges will register a net loss: all their work in trying to admit students on the basis of fair, equal evaluations gets thrown into question.

Conclusion. The theft of live tests fails the utilitarian test. While a few students may come out better off and happier, the vast majority more than balances the effect with disappointment and anger. The greater good isn't served.

In the case of the theft of "retired" tests where the principal forwarded to KDCP test questions that won't reappear on future exams, it remains true that the tests were lifted from the College Board and it remains true that students who took the KDCP prep course will receive an advantage because they're practicing the SAT. But the advantage doesn't seem any greater than the one enjoyed by students all around the nation who purchased prep materials directly from the College Board and practiced for the exam by taking old tests. More—and this was a point KDCP made in their countersuit against the College Board—stealing the exams was the ethically *right* thing to do because it assured that students taking the KDCP prep course got the same level of practice and expertise as those using official College Board materials. If the tests hadn't been stolen, then wouldn't KDCP kids be at an unfair disadvantage when compared with others because their test practices hadn't been as close to the real thing as others got? In the end, the argument goes, stealing the tests assured that as many people as possible who took prep courses got to practice on real exams.

Conclusion. The theft of the exams by the high school principal may conceivably be congratulated by a utilitarian because it increases general happiness. The students who practiced on old exams purchased from the College Board can't complain. And as for those students at KDCP, their happiness increases since they can be confident that they've prepared as well as possible for the SAT.

The fact that a utilitarian argument can be used to justify the theft of test booklets, at least retired ones, doesn't end the debate, however. Since the focus is on outcomes, *all* of them have to be considered. And one outcome that might occur if the theft is allowed is, obviously, that maybe other people will start thinking stealing exam books isn't such a bad idea. If they do—if everyone decides to start stealing—it's hard to see how anything could follow but chaos, anger, and definitely not happiness.

This discussion could continue as more people and consequences are factored in, but what won't change is the basic utilitarian rule. What ought to be done is determined by looking at the big picture and deciding which acts increase total happiness at the end of the day when everyone is taken into account.

### **Should the Scores Be Canceled?**

After it was discovered that KDCP students got to practice for the SATs with live exams, the hardest question facing the College Board was, should their scores be canceled? The utilitarian argument for *not* canceling is straightforward. Those with no scores may not go to college at all next year. This is real suffering, and if your aim is to increase happiness, then counting the exams is one step in that direction. It's not the last step, though, because utilitarians at the College Board need to ask about *everyone else's happiness* too: what's the situation for all the others who took the exam but have never heard of KDCP? Unfortunately, letting the scores be counted is going to subtract from their happiness because the SAT is graded comparatively: one person doing well means everyone getting fewer correct answers sees their score drop, along with college choices and financial aid possibilities. Certainly it's true that each of these decreases will be small since there were only a handful of suspect tests. Still, a descent, no matter how tiny, is a descent, and all the little bits add up.

What's most notable, finally, about this decision is the imbalance. Including the scores of KDCP students will weigh a tremendous increase in happiness for a very few against a slight decrease for very many. Conversely, a few will be left very sad, and many slightly happier. So for a utilitarian, which is it? It's hard to say. It is clear, however, that this uncertainty represents a serious practical problem with the ethical theory. In some situations you can imagine yourself in the shoes of the

different people involved and, using your own experience and knowledge, estimate which decision will yield the most total happiness. In this situation, though, it seems almost impossible because there are so many people mixed up in the question.

Then things get still more difficult. For the utilitarian, it's not enough to just decide what brings the most happiness to the most individuals right now; the future needs to be accounted for too. Utilitarianism is a true **global ethics**<sup>4</sup>; you're required to weigh everyone's happiness and weigh it as best as you can as far into the future as possible. So if the deciders at the College Board follow a utilitarian route in opting to include (or cancel) the scores, they need to ask themselves—if we do, how will things be in ten years? In fifty? Again, these are hard questions but they don't change anything fundamental. For the utilitarian, making the right decision continues to be about attempting to predict which choice will maximize happiness.

### Utilitarianism and the Ethics of Salaries

When he wasn't stealing test booklets and passing them on to KDCP, the principal in the elite Plano school district was dedicated to his main job: making sure students in his building receive an education qualifying them to do college-level work. Over at the College Board, the company's CEO leads a complementary effort: producing tests to measure the quality of that preparation and consequently determine students' scholastic aptitude. The principal, in other words, is paid to make sure high schoolers get an excellent education, and the CEO is paid to measure how excellent (or not) the education is.

Just from the job descriptions, who should get the higher salary? It's tempting to say the principal. Doesn't educating children have to be more important than measuring how well they're educated? Wouldn't we all rather be well educated and not know it than poorly educated and painfully aware of the fact?

Regardless, what's striking about the salary that each of these two actually receives isn't who gets more; it's how much. The difference is almost ten times: \$87,000 for the principal versus the CEO's \$830,000. Within the doctrine of utilitarianism, can such a divergence be justified?

Yes, but only if we can show that this particular salary structure brings about the greatest good, the highest level of happiness for everyone considered as a collective. It may be, for example, that objectively measuring student ability, even though it's less important than instilling ability, is also much harder. In that case, a dramatically higher salary may be necessary in order to lure high-quality measuring talent. From there, it's not difficult to fill out a utilitarian justification

4. An ethics taking into account everyone affected by an act, now and in the future.

for the pay divergence. It could be that inaccurate testing would cause large amounts of unhappiness: students who worked hard for years would be frustrated when they were bettered by slackers who really didn't know much but managed to score well on a test.

To broaden the point, if tremendous disparities in salary end up making people happier, then the disparities are ethical. Period. If they don't, however, then they can no longer be defended. This differs from what a libertarian rights theorist might say here. For a libertarian—someone who believes individuals have an undeniable right to make and keep whatever they can in the world, regardless of how rich or poor anyone else may be—the response to the CEO's mammoth salary is that he found a way to earn it fair and square, and everyone should quit complaining about it. Generalized happiness doesn't matter, only the individual's right to try to earn and keep as much as he or she can.

### **Can Money Buy Utilitarian Happiness? The Ford Pinto Case**

Basic questions in business tend to be quantitative, and money is frequently the bottom line: *How many dollars is it worth? What's my salary? What's the company's profit?* The basic question of utilitarianism is qualitative: *how much happiness and sadness is there?* Inevitably, it's going to be difficult when businesses accustomed to bottom-line number decisions are forced to cross over and decide about general happiness. One of the most famous attempts to make the transition easier occurred back in the 1970s.

With gas prices on the rise, American car buyers were looking for smaller, more efficient models than Detroit was manufacturing. Japanese automakers were experts in just those kinds of vehicles and they were seizing market share at an alarming rate. Lee Iacocca, Ford's president, wanted to rush a car into production to compete. His model was the Pinto. Case facts taken from Manuel Velasquez, *Business Ethics, Concepts and Cases*, 6th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2006), 60–61.

A gas sipper slated to cost \$2,000 (about \$12,000 today), Ford rushed the machine through early production and testing. Along the way, unfortunately, they noticed a design problem: the gas tank's positioning in the car's rump left it vulnerable to rear-end collisions. In fact, when the rear-end hit came faster than twenty miles per hour, not only might the tank break, but gasoline could be splattered all the way up to the driver's compartment. Fire, that meant, ignited by sparks or anything else could engulf those inside.

No car is perfectly safe, but this very scary vulnerability raised eyebrows. At Ford, a debate erupted about going ahead with the vehicle. On the legal end, the company stood on solid ground: government regulation at the time only required gas tanks to remain intact at collisions under twenty miles per hour. What about the ethics, though? The question about whether it was *right* to charge forward was unavoidable because rear-end accidents at speeds greater than twenty miles per hour happen—every day.

The decision was finally made in utilitarian terms. On one side, the company totaled up the dollar cost of redesigning the car's gas tank. They calculated

- 12.5 million automobiles would eventually be sold,
- eleven dollars would be the final cost per car to implement the redesign.

Added up, that's \$137 million total, with the money coming out of Pinto buyers' pockets since the added production costs would get tacked onto the price tag. It's a big number but it's not that much per person: \$11 is about \$70 today. In this way, the Pinto situation faced by Ford executives is similar to the test cancellation question for the College Board: one option means only a little bit of suffering for specific individuals, but there are a lot of them.

On the other side of the Pinto question—and, again, this resembles the College Board predicament—if the decision is made to go ahead without the fix, there's going to be a *lot* of suffering but only for a very few people. Ford predicted the damage done to those few people in the following ways:

- Death by burning for 180 buyers
- Serious burn injuries for another 180 buyers
- Twenty-one hundred vehicles burned beyond all repair

That's a lot of damage, but how do you *measure* it? How do you compare it with the hike in the price tag? More generally, from a utilitarian perspective, is it better for a lot of people to suffer a little or for a few people to suffer a lot?

Ford answered both questions by directly attaching monetary values to each of the injuries and damages suffered:

- At the time, 1970, US Government regulatory agencies officially valued a human life at \$200,000. (That would be about \$1.2 million today if the government still kept this problematic measure.)
- Insurance companies valued a serious burn at \$67,000.
- The average resale value on subcompacts like the Pinto was \$700, which set that as the amount lost after a complete burnout.

The math coming out from this is  $(180 \text{ deaths} \times \$200,000) + (180 \text{ injuries} \times \$67,000) + (2,100 \text{ burned-out cars} \times \$700) = \$49 \text{ million}$ . The result here is \$137 million worth of suffering for Pinto drivers if the car is redesigned and only \$49 million if it goes to the streets as is.

Ford sent the Pinto out. Over the next decade, according to Ford estimates, at least 60 people died in fiery accidents and at least 120 got seriously burned (skin-graft-level burns). No attempt was made to calculate the total number of burned vehicles. Shortly thereafter, the Pinto was phased out. No one has final numbers, but if the first decade is any indication, then the total cost came in under the original \$49 million estimate. According to a utilitarian argument, and assuming the premises concerning dollar values are accepted, Ford made the right decision back in 1970.

If every Pinto purchaser had been approached the day after buying the car, told the whole Ford story, and been offered to change their car along with eleven dollars for another one without the gas tank problem, how many would've handed the money over to avoid the long-shot risk? The number might've been very high, but that doesn't sway a utilitarian conclusion. The theory demands that decision makers stubbornly keep their eye on overall happiness no matter how much pain a decision might cause certain individuals.

### Versions of Utilitarian Happiness

5. The reduction of happiness and sadness to monetary values within a utilitarian ethics.

6. Utilitarianism seeking to maximize any and all sensations of happiness and pleasure.

7. Utilitarianism seeking to maximize sensations of happiness and pleasure connected with intellectual life and culture.

**Monetized utilitarianism**<sup>5</sup> attempts to measure happiness, to the extent possible, in terms of money. As the Ford Pinto case demonstrated, the advantage here is that it allows decisions about the greater good to be made in clear, objective terms. You add up the money on one side and the money on the other and the decision follows automatically. This is a very attractive benefit, especially when you're dealing with large numbers of individuals or complex situations. Monetized utilitarianism allows you to keep your happiness calculations straight.

Two further varieties of utilitarianism are **hedonistic**<sup>6</sup> and **idealistic**<sup>7</sup>. Both seek to maximize human happiness, but their definitions of happiness differ. Hedonistic utilitarians trace back to Jeremy Bentham (England, around 1800). Bentham was a wealthy and odd man who left his fortune to the University College of London along

with the stipulation that his mummified body be dressed and present at the institution. It remains there today. He sits in a wooden cabinet in the main building, though his head has been replaced by a wax model after pranking students repeatedly stole the real one. Bentham believed that pleasure and happiness are ultimately synonymous. Ethics, this means, seeks to maximize the pleasures—just about any sensation of pleasure—felt by individuals. But before dropping everything and heading out to the bars, it should be remembered that even the most hedonistic of the utilitarians believe that getting pleasure right now is good but not as good as maximizing the feeling *over the long term*. (Going out for drinks, in others words, instead of going to the library isn't recommendable on the evening before midterms.)

A contemporary of Bentham, John Stuart Mill, basically agreed that ethics is about maximizing pleasure, but his more idealistic utilitarianism distinguished low and highbrow sensations. The kinds of raw, good feelings that both we and animals can find, according to Mill, are second-rate pleasures. Pleasures with higher and more real value include learning and learnedness. These aren't physical joys so much as the delights of the mind and the imagination. For Mill, consequently, libraries and museums are scenes of abundant pleasure, much more than any bar.

This idealistic notion of utilitarianism fits quite well with the College Board's response to the KDCP episode. First, deciding against canceling student scores seems like a way of keeping people on track to college and headed toward the kind of learning that rewards our cerebral inclinations. Further, awarding free prep classes to those unable to pay seems like another step in that direction, at least if it helps get them into college.

### Versions of Utilitarian Regulation

A narrow distinction with far-reaching effects divides soft from hard utilitarianism. **Soft utilitarianism**<sup>8</sup> is the standard version; when people talk about a utilitarian ethics, that's generally what they mean. As a theory, soft utilitarianism is pretty laid back: an act is good if the outcome is more happiness in the world than we had before. **Hard utilitarianism**<sup>9</sup>, on the other hand, demands more: an act is ethically recommendable *only if* the total benefits for everyone are greater than those produced *by any other act*.

According to the hard version, it's not enough to do good; you must do the most good possible. As an example, think about the test-prep company KDCP under the microscope of utilitarian examination.

8. Frequently referred to simply as *utilitarianism*, it's the ethical belief that an act is recommendable if it increases net happiness (or decreases net unhappiness) when everyone is taken into account.

9. The ethical belief that an act is recommendable if it increases net happiness (or decreases net unhappiness) when everyone is taken into account and when the total benefit is more than any other possible act.

- When a soft utilitarian looks at KDCP, the company comes out just fine. High schoolers are learning test-taking skills and tricks that they'll only use once but will help in achieving a better score and leave behind a sense that they've done all they can to reach their college goals. That means the general happiness level probably goes up—or at worst holds steady—because places like KDCP are out there.
- When a hard utilitarian looks at KDCP, however, the company doesn't come off so well. Can we really say that this enterprise's educational subject—test taking—is the *very best* use of teaching resources in terms of general welfare and happiness? And what about the money? Is SAT prep *really* the best way for society to spend its dollars? Wouldn't a hard utilitarian have to recommend that the tuition money collected by the test-prep company get siphoned off to pay for, say, *college* tuition for students who otherwise wouldn't be able to continue their studies at all?

If decisions about businesses are *totally* governed by the need to create the most happiness possible, then companies like KDCP that don't contribute much to social well-being will quickly become endangered.

The demands of hard utilitarianism can be layered onto the ethical decision faced by the College Board in their courtroom battle with KDCP. Ultimately, the College Board opted to penalize the test-prep company by forcing it to offer some free classes for underprivileged students. Probably, the result was a bit more happiness in the world. The result *wasn't*, however, the most happiness possible. If hard utilitarianism had driven the decision, then the College Board would've been forced to go for the jugular against KDCP, strip away all the money they could, and then use it to do the most good possible, which might have meant setting up a scholarship fund or something similar. That's just a start, though. Next, *to be true to hard utilitarianism*, the College Board would need to focus *on itself* with hard questions. The costs of creating and applying tests including the SAT are tremendous, which makes it difficult to avoid this question: wouldn't society as a whole be better off if the College Board were to be canceled and all their resources dedicated to, for example, creating a new university for students with learning disabilities?

Going beyond KDCP and the College Board, wouldn't almost *any* private company fall under the threat of appropriation if hard utilitarians ran the world? While it's true, for example, that the money spent on steak and wine at expensive Las Vegas restaurants probably increases happiness a bit, couldn't that same cash do a lot more for the general welfare of people whose income makes Las Vegas an impossibly expensive dream? If it could, then the hard utilitarian will propose zipping up Las Vegas and rededicating the money.

Finally, since utilitarianism is about *everyone's* total happiness, don't hard questions start coming up about *world* conditions? Is it possible to defend the existence of McDonald's in the United States while people are starving in other countries?

Conclusion. In theory, there's not much divergence between soft and hard utilitarianism. But in terms of what actually happens out in the world when the theory gets applied, that's a big difference. For private companies, it's also a dangerous one.

Two further versions of utilitarian regulation are **act**<sup>10</sup> and **rule**<sup>11</sup>. Act utilitarianism affirms that a specific action is recommended if it increases happiness. This is the default form of utilitarianism, and what people usually mean when they talk about the theory. The separate rule-based version asserts that an action is morally right if it follows a *rule* that, when applied to everyone, increases general happiness.

The rule utilitarian asks whether we'd all be benefitted if everyone obeyed a rule such as "don't steal." If we would—if the general happiness level increases because the rule is there—then the rule utilitarian proposes that we all adhere to it. It's important to note that rule utilitarians aren't against stealing because it's intrinsically wrong, as duty theorists may propose. The rule utilitarian is only against stealing if it makes the world less happy. If tomorrow it turns out that mass stealing serves the general good, then theft becomes the ethically right thing to do.

The sticky point for rule utilitarians involves special cases. If we make the rule that theft is wrong, consider what happens in the case from the chapter's beginning: You forgot your pencil on SAT test day, and you spot one lying on an abandoned desk. If you don't take it, no one's going to be any happier, but you'll be a lot sadder. So it seems like rule utilitarianism verges on defeating its own purpose, which is maximizing happiness no matter what.

On the other hand, there are also sticky points for act utilitarians. For example, if I go to Walmart tonight and steal a six-pack of beer, I'll be pretty happy. And assuming I don't get caught, no one will be any sadder. The loss to the company—a few dollars—will disappear in a balance sheet so huge that it's hard to count the zeros. Of course if everyone starts stealing beers, that will cause a problem, but in practical terms, if one person does it once and gets away with it, it seems like an act utilitarian would have to approve. The world would be a happier place.

10. Frequently referred to simply as utilitarianism, it's the ethical belief that an act is recommendable if it increases net happiness (or decreases net unhappiness) when everyone is taken into account.

11. The ethical belief that a rule for action is recommended if collective obedience to the rule increases net happiness when everyone is taken into account.

## Advantages and Disadvantages of Utilitarian Ethics in Business

Basic utilitarianism is the soft, act version. These are the theory's central advantages:

- **Clarity and simplicity.** In general terms, it's easy to understand the idea that we should all act to increase the general welfare.
- **Acceptability.** The idea of bringing the greatest good to the greatest number coheres with common and popular ideas about what ethical guidance is supposed to provide.
- **Flexibility.** The weighing of individual actions in terms of their consequences allows for meaningful and firm ethical rules without requiring that everyone be treated identically no matter how different the particular situation. So the students whose scores were suspended by the College Board could see them reinstated, but that doesn't mean the College Board will take the same action in the future (if, say, large numbers of people start stealing test booklets).
- **Breadth.** The focus on outcomes as registered by society overall makes the theory attractive for those interested in public policy. Utilitarianism provides a foundation and guidance for business regulation by government.

The central difficulties and disadvantages of utilitarianism include the following:

- **Subjectivity.** It can be hard to make the theory work because it's difficult to know what makes happiness and unhappiness for specific individuals. When the College Board demanded that KDCP give free classes to underprivileged high schoolers, some paying students were probably happy to hear the news, but others probably fretted about paying for what others received free. And among those who received the classes, probably the amount of resulting happiness varied between them.
- **Quantification.** Happiness can't be measured with a ruler or weighed on a scale; it's hard to know exactly how much happiness and unhappiness any particular act produces. This translates into confusion at decision time. (Monetized utilitarianism, like that exhibited in the case of the Ford Pinto, responds to this confusion.)
- **Apparent injustices.** Utilitarian principles can produce specific decisions that seem wrong. A quick example is the dying grandmother who informs her son that she's got \$200,000 stuffed into her mattress. She asks the son to divide the money with his brother. This brother, however, is a gambling alcoholic who'll quickly fritter away his share. In that case, the utilitarian would recommend that the other

brother—the responsible one with children to put through college—just keep all the money. That would produce the most happiness, but do we really want to deny grandma her last wish?

- The **utilitarian monster**<sup>12</sup> is a hypothetical individual who *really* knows how to feel good. Imagine that someone or a certain group of people were found to have a much greater capacity to experience happiness than others. In that case, the strict utilitarian would have no choice but to put everyone else to work producing luxuries and other pleasures for these select individuals. In this hypothetical situation, there could even be an argument for forced labor as long as it could be shown that the servants' suffering was minor compared to the great joy celebrated by those few who were served. Shifting this into economic and business terms, there's a potential utilitarian argument here for vast wage disparities in the workplace.
- The **utilitarian sacrifice**<sup>13</sup> is the selection of one person to suffer terribly so that others may be pleased. Think of gladiatorial games in which a few contestants suffer miserably, but a tremendous number of spectators enjoy the thrill of the contest. Moving the same point from entertainment into the business of medical research, there's a utilitarian argument here for drafting individuals—even against their will—to endure horrifying medical experiments if it could be shown that the experiments would, say, cure cancer, and so create tremendous happiness in the future.

#### KEY TAKEAWAYS

- Utilitarianism judges specific decisions by examining the decision's consequences.
- Utilitarianism defines right and wrong in terms of the happiness of a society's members.
- Utilitarian ethics defines an act as good when its consequences bring the greatest good or happiness to the greatest number of people.
- There are a variety of specific forms of utilitarianism.
- Theoretically, utilitarianism is straightforward, but in practical terms it can be difficult to measure the happiness of individuals.

12. An individual capable of feeling disproportionately high sensations of pleasure and happiness, one who consequently requires many others to sacrifice their happiness in the name of maximizing net happiness.

13. An individual whose happiness is sacrificed in order to increase the happiness of others.

## REVIEW QUESTIONS

1. What is a utilitarian argument in favor of a college education? How does it differ from other reasons you might want to go to college or graduate school?
2. How could a utilitarian justify cheating on an exam?
3. What is a “global ethics”?
4. What practical problem with utilitarianism is (to some degree) resolved by monetized utilitarianism?
5. What are two advantages of a utilitarian ethics when compared with an ethics of duties?
6. What are two disadvantages of a utilitarian ethics when compared with an ethics of duties?
7. What’s an example from today’s world of a utilitarian monster?
8. What’s an example from today’s world of a utilitarian sacrifice?

### 3.3 Altruism: Everyone Else

#### LEARNING OBJECTIVES

1. Define altruistic ethics.
2. Show how altruism works in and with business.
3. Consider advantages and drawbacks of altruism.

#### TOMS Shoes

There is no Tom at TOMS Shoes. The company's name actually came from the title for its social cause: Shoes for Tomorrow. Tomorrow shoes—*TOMS Shoes*. The shoes are given away to needy children in Argentina at a one-to-one rate: for every pair bought in the United States, TOMS delivers a pair down there.

They're needed in Argentina's poverty-stricken regions to prevent the spread of an infectious disease, one that flourishes in the local soil and rises up through the feet. A pair of shoes is all that's needed to block the problem.

The project started when young Texan entrepreneur Blake Mycoskie vacationed in Argentina. Not the type to luxuriate in the hotel pool, he got out and learned about the country, good and bad, the food, the sweeping geography, the poverty and diseases. The foot infection, he discovered, was so devastating yet so easy to block that, according to his company's website, he decided he had to do something about it. TOMS Shoes, "One for One Movement," accessed May 15, 2011, <http://www.toms.com/our-movement>. Initially, he contemplated a charitable fund to buy shoes for the needy children, but that left his project subject to the ebb and flow of others' generosity. It'd be better and more reliable, he determined, to link the community-service project with private enterprise and use revenues from a company to fund the charity. Quickly, Mycoskie determined that he could make the whole machine work most efficiently by starting a shoe company. Simultaneously, he could produce shoes for donation and shoes for sale to finance the effort. So we have TOMS Shoes.

Next, a kind of shoe to produce and sell was required. Mycoskie found inspiration in Argentina's traditional *alpargata*. This is a cheap, workingman's shoe, a slip-on made from canvas with rope soles. TOMS Shoes, accessed May 15, 2011, <http://cdn2.tomsshoes.com/images/uploads/2006-oct-vogue.jpg>. For the American adaptation, Mycoskie strengthened the sole, styled and colored the canvas, and

added a brand label. The price also got jacked up. The originals cost a few dollars in Argentina; the adaptations cost about forty dollars here.

They're a splashy hit. You find TOMS Shoes at trendy footwear shops, at Whole Foods grocery stores, and all over the Internet. At last check, about half a million pairs have been sold and an equal number donated. Total sales in seven figures isn't far off, and the company was recently featured on a CNBC segment as an American business success story. Notably, TOMS achieved recognition on national TV sooner after its inception than almost any other enterprise in the program's history. It all happened in fewer than four years.

Question: how did it get so big so fast? How did some guy transform from a wandering tourist to a captain of the shoe industry in less time than it takes to get a college degree? Answer: celebrities.

Blake Mycoskie's got a warm, round face and a perfect smile. He's got money from his preshoe projects and he's smart too. He's also got that contemporary bohemian look down with his bead necklace and wavy, shoulder-length hair. There's no letdown beneath the chin line either; he's fit (he was a tennis pro until nineteen). You get the idea. He commands attention from even Hollywood women, and he ended up coupled with the midrange star Maggie Grace. He introduced her to his TOMS Shoes concept, gave her a few pairs to wear around and show friends, and the ball started rolling. sharon\_b, December 14, 2008 (5:24 p.m.), "Blake Mycoskie—he's handsome, rich and helps children in the Third World," Gossip Rocks, accessed May 15, 2011, <http://www.gossiprocks.com/forum/news/90958-blake-mycoskie-hes-handsome-rich-helps-children-third-world.html>.

A few parties later, Scarlett Johansson, Jessica Biel, Benicio Del Toro, Tobey Maguire, Sienna Miller, and Karl Lagerfeld were parading around in TOMS Shoes. There was no stopping it. Lesley M. M. Blume, "You Are What You Wear," *Huffington Post*, July 30, 2008, accessed May 15, 2011, [http://www.huffingtonpost.com/lesley-m-m-blume/you-are-what-you-wear\\_b\\_65967.html](http://www.huffingtonpost.com/lesley-m-m-blume/you-are-what-you-wear_b_65967.html).

Today, when Blake Mycoskie introduces himself, it's not as the CEO of his company; he says he's the *Chief Shoe Giver* at TOMS Shoes, reflecting the idea that charity drives the thriving business, not the other way around.

### Is TOMS Shoes Altruistic?

An action is morally right according to the altruist, and to the ethical theory of **altruism**<sup>14</sup>, if the action's consequences are more beneficial than unfavorable for

14. Defining an act as morally right if the action's consequences increase net happiness (or decrease net unhappiness) when everything is taken into account *except* the actor's increased or diminished happiness.

everyone except the person who acts. That means the actor's interests aren't considered: the altruist does whatever can be done so that *others* will be happier.

It's common to imagine the altruist as poverty stricken and self-sacrificing. When you live for everyone else as the altruist does, it's no surprise that you can end up in pretty bad shape. You might get lucky and run into another altruist like yourself, but if you don't, there's not going to be anyone particularly dedicated to your well-being. On the positive side there's nobility to the idea of dedicating everything to everyone else, but the plain truth is not many of us would choose to live like Gandhi or Mother Teresa.

It doesn't *have* to be that way, though. A suffering life may be an effect of altruism, but it's not a requirement. Living for others doesn't mean you live poorly, only that there's no guarantee you'll live well. You might, however, live well. Blake Mycoskie demonstrates this critical element at the heart of altruism: it's not about suffering or sacrificing; it's about making clear-eyed decisions about the best way to make as many others as happy as possible. If you happen to live the good life along the way—partying with Maggie Grace, Sienna Miller, and friends because that's the fastest route to publicize the TOMS Shoes enterprise—that doesn't count against the project. It doesn't count in favor either. All that matters, all that gets tallied up when the question gets asked about whether the altruist did good, is how things ended up for everyone else.

In the case of TOMS Shoes, the tallying is easy. The relatively wealthy shoe buyers in the United States come off well; they get cool, politically correct footwear to show friends along with a psychological lift from knowing they're helping the less fortunate. On the other side, the rural Argentines obviously benefit also.

### Some Rules of Altruism

Altruism is a consequentialist ethics. Like utilitarianism, no specific acts are prohibited or required; only outcomes matter. That explains why there aren't lifestyle requirements for the altruist. Some live stoically like Gandhi while others like Mycoskie get the high life, but they're both altruists as long as the goal of their lives and the reason for their actions is bringing happiness to others. Similarly, the altruist might be a criminal (Robin Hood) or a liar (see Socrates's noble lie).

Like the utilitarian, most of the hard questions altruists face concern happiness. They include:

- The happiness definition. Exactly what counts as happiness? In the case of TOMS donating shoes to rural Argentines, the critical benefit is alleviation of disease and the suffering coming with it. Happiness, in other words, is defined here as a release from real, physical pain. On the other hand, with respect to the shoes sold in the States, the happiness is completely different; it's a vague, good feeling that purchasers receive knowing their shopping is serving a social cause. How do we define happiness in a way that ropes in both these distinct experiences?
- Once happiness has been at least loosely defined, another question altruists face is the happiness measure: how do we know which is worth more, the alleviation of suffering from a disease or the warm happiness of serving a good cause? And even if the answer to that question is clear, *how great* is the difference, how can it be measured?
- Another altruism difficulty is happiness foresight. Even if donating shoes helps in the short term, are the recipients' lives really going to be happier overall? Conditions are hard in the abandoned regions of the third world, and alleviation of one problem may just clear the way for another. So TOMS Shoes saves poverty-stricken Argentines from suffering a debilitating foot disease, but how much good are you really doing if you save people only so that they're free to suffer aching hunger, miserable sickness in places lacking antibiotics, and hard manual labor because there's no other work?

Altruism is a variety of **selflessness**<sup>15</sup>, but it's not the same thing; people may deny themselves or they may sacrifice themselves for all kinds of other reasons. For example, a soldier may die in combat, but that's not altruism; that's loyalty: it's not sacrificing for everyone else but for a particular nation. The same may go for the political protestor who ends up jailed and forgotten forever. That's self-sacrifice, but she did it for the cause and not for all the others. The fireman may lose his life rescuing a victim, but this is because he's doing his job, not because he's decided to live for the sake of others. All altruists, finally, are selfless, but not all those who sacrifice themselves are altruists.

15. Acting without regard for one's own well-being. This does not necessarily imply acting in favor of the well-being of others.

16. Practicing an altruistic ethics without regard for what others are doing or should do.

17. The belief that everyone should practice an altruistic ethics.

**Personal**<sup>16</sup> versus **impersonal altruism**<sup>17</sup> distinguishes two kinds of altruists: those who practice altruism on their own and leave everyone else alone, and those who believe that *everyone* should act only to benefit others and without regard to their own well-being.

### The Altruist in Business and the Business That Is Altruistic

TOMS Shoes shows that a business can be mounted to serve the welfare of others. A company aiming to serve an altruistic purpose doesn't have to be organized

altruistically, however. An individual truly dedicated to everyone else could start a more traditional company (a real estate firm, for example), work like a dog, turn massive profits, and in the end, donate everything to charity. It may even be that during the profit-making phase the altruist CEO is ruthless, exploiting workers and consumers to the maximum. All that's fine as long as the general welfare is served in the end when all the suffering is toted up on one side and the happiness on the other. A business operation that isn't at all altruistic, in other words, can be bent in that direction by an altruistic owner.

Going the other way, the business operation itself may be altruistic. For example, this comes from the College Board's website, the *About Us* page: The College Board is a not-for-profit membership association whose mission is to connect students to college success and opportunity. "About Us," College Board, accessed May 15, 2011, <http://about.collegeboard.org>.

That sounds like a good cause. The company doesn't exist to make money but to implement testing that matches students with their best-fit colleges. It is, in other words, an altruistic enterprise, and the world, the argument could be made, is a better place because the College Board exists. But—and this is the important distinction—that doesn't mean everyone who *works* at the College Board is selfless. Far from it, the CEO takes home \$830,000 a year. That money would buy a lot of shoes for the poverty-stricken in Argentina. So, there can be altruistic business organizations driven by workers who aren't altruists.

A church is also a business organization with cash flows, budgets, and red and black ink. The same goes for Goodwill. Here's their mission statement: "Goodwill Industries International enhances the dignity and quality of life of individuals, families and communities by eliminating barriers to opportunity and helping people in need reach their fullest potential through the power of work." "Our Mission," Goodwill Industries International, Inc., accessed May 15, 2011, <http://www.goodwill.org/about-us/our-mission>. So, the Salvation Army fits into the group of altruistic enterprises, of organizations that exist, like the College Board, to do public good. It's distinct from the College Board, however, in that a very healthy percentage of those working inside the organization are *themselves* altruists—they're working for the cause, not their own welfare. Think of the Salvation Army red kettle bell ringers around Christmas time.

Conclusion. Altruism connects with business in three basic ways. There are altruists who use normal, profit-driven business operations to do good. There are altruistic companies that do good by employing nonaltruistic workers. And there are altruistic organizations composed of altruistic individuals.

## Advocating and Challenging Ethical Altruism

The arguments for and against an altruistic ethics overlap to a considerable extent with those listed under utilitarianism. The advantages include:

- **Clarity and simplicity.** People may disagree about exactly how much good a company like TOMS Shoes is really doing, but the overall idea that the founder is working so that others can be happier is easy to grasp.
- **Acceptability.** The idea of working for others grants an ethical sheen. No matter what you might think of someone as a person, it's very difficult to criticize them in ethical terms if they really are dedicating themselves to the well-being of everyone else.
- **Flexibility.** Altruists have many ways of executing their beliefs.

The disadvantages of altruism include:

- **Uncertainty about the happiness of others.** Even if individuals decide to sacrifice their own welfare for the good of others, how do they know for sure what makes others happy?
- **Shortchanging yourself.** Even though altruism doesn't require that the altruist live a miserable life, there doesn't seem to be any clear reason why the altruist shouldn't get an at least equal claim to happiness as everyone else (as in a utilitarian approach). Also, some critics suspect that altruism can be a way of *escaping* your own life: if you spend all your time volunteering, could it be that deep down you're not a good soul so much as just afraid of going out into the competitive world and trying to win a good place for yourself?

### KEY TAKEAWAYS

- Altruism defines ethically good as any act that ends up increasing net happiness (or decreasing net unhappiness) when everything is taken into account except the actor's increased or diminished happiness.
- Altruism doesn't require living a miserable life.
- Altruism intersects with the business world in various ways.

## REVIEW QUESTIONS

1. Theoretically, could the most devoted altruist in a society also be its richest and happiest member? How?
2. Does Blake Mycoskie have to be an altruist for TOMS Shoes to be considered an altruistic enterprise?
3. Does TOMS Shoes have to be an altruistic enterprise for Mycoskie to be considered an altruist?
4. What are some other motives that may lead someone to live the life of an altruist?

## 3.4 Egoism: Just Me

### LEARNING OBJECTIVES

1. Define ethical egoism.
2. Show how egoism works in and with business.
3. Consider advantages and drawbacks of egoism.

### Ethical Egoism

Ethical **egoism**<sup>18</sup>: whatever action serves my self-interest is also the morally right action. What's good for me in the sense that it gives me pleasure and happiness is also good in the sense that it's the morally right thing to do.

Ethical egoism mirrors altruism: If I'm an altruist, I believe that actions ought to heighten the happiness of others in the world, and what happens to me is irrelevant. If I'm an egoist, I believe that actions ought to heighten my happiness, and what happens to others is irrelevant.

Could someone like Blake Mycoskie—someone widely recognized as an altruistic, social-cause hero—actually be an egoist? Yes. Consider things this way. Here's a young guy and he's out looking for money, celebrity, good parties, and a jaw-dropping girlfriend. It wouldn't be the first time there was a guy like that.

Put yourself in his shoes and imagine you're an ethical egoist: whatever's good for you is good. Your situation is pretty clear, your moral responsibility lists what you should be trying to get, and the only question is *how* can I get it all?

That's a tall order. Becoming a rock star would probably work, but there are a lot of people already out there going for it that way. The same goes for becoming a famous actor. Sports are another possibility; Mycoskie, in fact, made a run at pro tennis as a younger man, but like most who try, he couldn't break into the upper echelon. So there are paths that may work, but they're hard ones, it's a real fight for every step forward.

If you're smart—and Mycoskie obviously is—then you might look for a way to get what you want that doesn't force you to compete so brutally with so many others. Even better, maybe you'll look for a way that doesn't present any competition at all,

18. The belief that an action is morally right if the action's consequences are more beneficial than unfavorable for the person who acts.

a brand new path to the wish list. The idea of a celebrity-driven shoe company that makes a profit but that also makes its founder a star in the eyes of the Hollywood stars is a pretty good strategy.

Obviously, no one can look deep into Mycoskie's mind and determine exactly what drove him to found his enterprise. He may be an altruist or an egoist or something else, but what's important is to outline how egoism can actually work in the world. It can work—though of course it doesn't work this way every time—just like TOMS Shoes.

### Egoism and Selfishness

When we hear the word *egoist*, an ugly profile typically comes to mind: self-centered, untrustworthy, pitiless, and callous with respect to others. Some egoists really are like that, but they don't *have* to be that way. If you're out to maximize your own happiness in the world, you might find that helping others is the shortest and fastest path to what you want. This is a very important point. Egoists aren't against other people, they're for themselves, and if helping others works for them, that's what they'll do. The case of TOMS Shoes fits right here. The company improves the lives of many; it raises the level of happiness in the world. And *because* it does that, the organization has had tremendous success, and because of that success, the Blake Mycoskie we're imagining as an egoist is getting what he wants: money, great parties, and everyone loving him. In short, sometimes the best way to one's own happiness is by helping others be happier.

That's not always the way it works. Bernie Madoff destroyed families, stole people's last dimes, and lived the high life all the way through. For an ethical egoist, the only blemish on his record is that he got caught.

Madoff *did* get caught, though, and this too needs to be factored into any consideration of egoists and how they relate to others. Just as egoists may help others because that serves their own interests, so too they may obey social customs and laws. It's only important to note that they obey not out of deference to others or because it's the morally right thing to do; they play by the rules because it's the *smart* thing to do. They don't want to end up rotting in jail.

A useful contrast can be drawn in this context between egoism and selfishness. Where egoism means putting your welfare above others', selfishness is the refusal to see beyond yourself. Selfishness is the inability (or unwillingness) to recognize that there are others sharing the world, so it's the selfish person, finally, who's callous and insensitive to the wants and needs of others. For egoists, on the other

hand, because working with others cooperatively can be an excellent way to satisfy their own desires, they may not be at all selfish; they may be just the opposite.

### Enlightened Egoism, Cause Egoism, and the Invisible Hand

**Enlightened egoism**<sup>19</sup> is the conviction that benefitting others—acting to increase their happiness—can serve the egoist’s self-interest just as much as the egoist’s acts directly in favor of him or herself. As opposed to altruism, which claims that it’s our ethical responsibility to serve others, the enlightened egoist’s generosity is a rational strategy, not a moral imperative. We don’t help others because we ought to: we help them because it can make sense when, ultimately, we only want to help ourselves.

One simple and generic manifestation of enlightened egoism is a **social contract**<sup>20</sup>. For example, I agree not to steal from you as long as you agree not to steal from me. It’s not that I don’t take your things because I believe stealing is morally wrong; I leave you alone because it’s a good way to get you to leave me alone. On a less dramatic level, all of us form mini social contracts all the time. Just think of leading a group of people through one of those building exits that makes you cross two distinct banks of doors. If you’re first out, you’ll hold the door for those coming after, but then expect someone to hold the next door for you. Sure, some people hold the door because it’s good manners or something like that, but for most of us, if no one else ever held a door open for us, pretty soon we’d stop doing them the favor. It’s a trivial thing, of course, but in the real world people generally hold doors open for others because they’ve agreed to a social contract: everyone else does it for me; I’ll do it for them. That’s enlightened egoism, and it frequently works pretty well.

19. The belief that benefitting others—acting to increase their happiness—can serve the egoist’s self-interest just as much as the egoist’s acts directly in favor of him or herself.

20. An agreement made between people to act in certain ways not because the acts are themselves good or bad, but because the rules for action are mutually beneficial.

21. Giving the *false appearance* of being concerned with the welfare of others in order to advance one’s own interests.

TOMS Shoes can be understood as a more sophisticated version of the same mentality. It’s hard to discern exactly what the contract would look like if someone tried to write it down, but it’s not hard to see the larger notion of enlightened egoism. Shoes are donated to others not because of a moral obligation but because serving the interests of others helps Blake Mycoskie serve his own. As long as shoe buyers keep holding up their end of the bargain by buying his product, Mycoskie will continue to help them be generous and feel good about themselves by donating pairs to people who need them.

**Cause egoism**<sup>21</sup> is similar to, but also distinct from, enlightened egoism. Enlightened egoism works from the idea that helping others is a good way of helping myself. Cause egoism works from the idea that giving the *appearance* of helping others is a promising way to advance my own interests in business. As opposed to the enlightened egoist who will admit that he is out for himself but

happy to benefit others along the way, the cause egoist claims to be mainly or only interested in benefiting others and then leverages that good publicity to help himself. Stated slightly differently, enlightened egoists *respect* others while pursuing their own interests, while cause egoists just fake it.

Adam Smith (1723–90) is known for making a connected point on the level of broad economic trade and capitalism. In the end, it usually doesn't matter whether people actually care about the well-being of others, Smith maintains, because there exists an **invisible hand**<sup>22</sup> at work in the marketplace. It leads individuals who are trying to get rich to enrich their society as well, and that enrichment happens regardless of whether serving the general welfare was part of the original plan. According to Smith, the person in business generally

intends only his own gain, but is led by an invisible hand to promote an end which was no part of the original intention. By pursuing his own interest he frequently promotes that of the society, and does so *more effectively* than when he directly intends to promote it. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (London: Strahan and Cadell, 1776), bk. 4, chap. 2.

What's the invisible hand? It's the force of marketplace competition, which encourages or even requires individuals who want to make money to make the lives of others better in the process.

The invisible hand is a central point defenders of egoism in business often make when talking about the virtues of a me-first ethics. Egoism is good for me, but it frequently ends up being good for everyone else, too. If that's right, then even those who believe the utilitarian ideal of the general welfare should guide business decisions may be forced to concede that we should all just become egoists.

Here's a quick example. If you open a little takeout pizza shack near campus and your idea is to clear the maximum amount of money possible to pay your tuition, what kind of business are you going to run? Does it make sense to take a customer's twelve dollars and then hand over an oily pie with cheap plastic cheese and only three pepperonis? No, in the name of pursuing your own happiness, you're going to try to charge a bit less than Domino's and give your customers something slightly better—maybe you'll spread richer cheese, or toss on a few extra pepperonis.

Regardless, you're not doing this for the reason an altruist would; you're not doing it because you sense an ethical obligation to make others' lives better. As an egoist, you don't care whether your customers are happier or not. But if you want your business to grow, you better care. And because you're ethically required to help your business grow in order to make tuition money and so make yourself happier, you're going to end up improving the pizza-eating experience at your school. Better

22. In business ethics, the force of marketplace competition that encourages or even requires individuals who want to make money to make the lives of others better in the process.

food, less money. Everyone wins. We're not talking Mother Teresa here, but if ethical goodness is defined as more happiness for more people, then the pizza place is ethically good. Further, *anybody* who wants to start up a successful pizza restaurant is, very likely, going to end up doing good. If you don't, if you can't offer some advantage, then no one's going to buy your slices.

Going beyond the quality-of-life benefits of businesses in society, Smith leaned toward a second claim that's far more controversial. He wrote that the entrepreneur trying to do well actually *promotes society's well-being more effectively than when directly intending to promote it*. This is startling. In essence, it's the claim that for the most dedicated altruist the most effective strategy for life in business is...to act like an egoist. Within the economic world at least, the best way for someone who cares only about the well-being of others to implement that conviction is to go out and run a successful profit-making enterprise.

Clearly, this is a very powerful argument for defenders of ethical egoism. If it's true that egoists beat altruists at their own game (increasing the happiness of everyone else), then egoism wins the debate by default; we should all become egoists. Unfortunately, it's impossible to prove this claim one way or the other. One thing is clear, however: Smith's implicit criticism of do-gooders can be illustrated. Sometimes individuals who decide to act for the good of others (instead of seeking profit for themselves) really do end up making the world a worse place. Dr. Loretta Napoleoni has shown how attempts by Bono of U2 to help the destitute in Africa have actually brought them more misery. Can Tran, "Celebrities Raising Funds for Africa End Up Making Things 'Worse,'" *Ground Report*, May 14, 2008, accessed May 15, 2011, <http://www.groundreport.com/World/Celebrities-Raising-Funds-For-Africa-End-Up-Making/2861070>. Bono threw a benefit concert and dedicated the proceeds to Africa's most needy. The intention was good, but the plan wasn't thought all the way through and the money ended up getting diverted to warlords who used it to buy guns and bullets.

Still, the fact that some altruistic endeavors actually make things worse doesn't mean they're all doomed. Just as surely as some fail, others succeed.

The same mixed success can be attributed to businesses acting only for their own welfare, only for profit. If it's true that the pizza sellers help improve campus life, what about the entrepreneurial honor student who volunteers to write your term paper for a price? It's hard to see how a pay-for-grades scheme benefits students in general, even though the writer may make a tidy profit, and that one student who paid for the work may come out pretty well.

The invisible hand is the belief that businesses out in the world trying to do well for themselves tend to do good for others too. It may even be that they do more good than generous altruists. It's hard to know for sure, but it can be concluded that there's a distance between ethical egoism in reality and the image of the egoist as a ruthless destroyer of broad social happiness.

### Some Rules of Egoism

Egoism, like altruism, is a consequentialist ethics: the ends justify the means. If an egoist were at the helm of TOMS Shoes and he cared only about meeting beautiful people and making huge money, he'd have no scruples about lying all day long. There'd be no problem with smiling and insisting that the reason TOMS Shoes exists is to generate charitable shoe donations to the poor. All that matters for the egoist is that the lie works, that it serves the goal of making TOMS as attractive and profitable as possible. If it does, then deviating from the truth becomes the ethically recommendable route to follow.

**Personal egoism**<sup>23</sup> versus **impersonal egoism**<sup>24</sup> distinguishes these two views: the personal egoist in the business world does whatever's necessary to maximize his or her own happiness. What others do, however, is considered their business. The impersonal egoist believes *everyone* should get up in the morning and do what's best for themselves and without concern for the welfare of others.

An impersonal egoist may find comfort in the invisible hand argument that the best way for me to do right with respect to society in general is to get rich. Of course it's true that there's something crude in shameless moneygrubbing, but when you look at things with rational eyes, it is hard to avoid noticing that the kinds of advances that make lives better—cars affordably produced on assembly lines; drugs from Lipitor to ChapStick; cell phones; spill-proof pens; whatever—often trace back to someone saying, "I want to make some money for myself."

**Rational egoism**<sup>25</sup> versus **psychological egoism**<sup>26</sup> distinguishes two reasons for being an ethical egoist. The rational version stands on the idea that egoism makes sense. In the world as it is, and given a choice between the many ethical orientations available, egoism is the most reasonable. The psychological egoist believes that, for each of us, putting our own interests in front of everyone else isn't a choice; it's a reality. We're made that way. Maybe it's something written into our genes or it's part of the way our minds are wired, but regardless, according to the psychological egoist, we all care about ourselves before anyone else and at their expense if necessary.

23. Practicing an ethics of egoism without regard for what others are doing or should do.

24. The belief that everyone should practice ethical of egoism.

25. Subscribing to ethical egoism because it's the most reasonable of the ethical theories, the one a perfectly rational person would choose.

26. The belief that we're all necessarily egoists; it's an inescapable part of what it means to be human.

Why would I rationally choose to be an egoist? Maybe because I figure that if I don't look out for myself, no one will. Or maybe I think almost everyone else is that way, too, so I better play along or I'm going to get played. (The Mexicans have a pithy phrase of common wisdom for this, "O te chingas, o te chingan," which means "either you screw everyone else, or they'll screw you.") Maybe I believe that doing well for myself helps me do good for others too. The list could be drawn out, but the point is that there are numerous reasons why an intelligent person may accept ethical egoism as the way to go.

As for those who subscribe to the theory of psychological egoism, obviously there's no end of examples in business and history to support the idea that no matter how much we may want things to be otherwise, the plain truth is we're made to look out for number one. On the other hand, one problem for psychological egoists is that there *do* seem to be examples of people doing things that are irreconcilable with the idea that we're all only trying to make ourselves happier:

- Parents sacrificing for children. Any mom or dad who works overtime at some grinding job for cash to pay their children's college tuition seems to be breaking the me-first rule. Here, the psychological egoist responds that, when you really think about it, there may be something there for the parents after all: it could be the pride in telling friends that their children are getting their degrees.
- Mother Teresa or similar religious-based advocates for the needy. Anyone spending their time and energy making things better for others, while living painfully modestly, seems like a good candidate to break the rule of psychological egoism. Here, the psychological egoist responds that perhaps they see a different reward for themselves than earthly pleasures. They may believe, for example, that their suffering on this earth will be more than compensated by paradise in heaven.

### **The Four Relations between Egoism and Business**

Structurally, there are four possible relations between ethical egoism and business life:

1. You can have egoists in egoist organizations. This is mercenary capitalism. Individuals do whatever work is required so long as it benefits them to the maximum. Naturally, this kind of person might find a good home at a company entirely dedicated to maximizing its own health and success, which can mean one looking to maximize profits without other considerations. A good example is executives at the Countrywide mortgage firm. They OK'ed thousands of mortgages to

clients who had no way to repay the money. Then they bundled and sold these mortgages to banks and other financial institutions, making a quick profit. When the loans later collapsed, those institutions fell into bankruptcy. The Countrywide executives quickly formed a new company to buy those same loans back at pennies on the dollar, thus once again turning millions in profits. Eric Lipton, "Ex-Leaders of Countrywide Profit from Bad Loans," *New York Times*, March 3, 2009, accessed May 15, 2011, <http://www.nytimes.com/2009/03/04/business/04penny.html>.

2. You can have egoists in nonegoist organizations. Possibly, the CEO of the College Board fits into this category. His salary of just under a million dollars annually sounds pretty good, especially when you consider that he gets it working for a nonprofit company that exists to help high school students find the college best fitted to them. It's also possible that Blake Mycoskie of TOMS Shoes fits this profile: he lives an extremely enviable life in the middle of a company set up to help people who almost no one envies.
3. You can have nonegoists in egoist organizations. Somewhere in the Countrywide mortgage company we could surely find someone who purchased shoes from TOMS because they wanted to participate in the project of helping the rural poor in Argentina.
4. You can have nonegoists in nonegoist organizations. Think of the red kettle bell ringers popping up outside malls around the holiday season.

## Advocating and Challenging Ethical Egoism

The arguments for an egoistic ethics include the following:

- **Clarity and simplicity.** Everybody understands what it means to look out for themselves first.
- **Practicality.** Many ethical theories claim to protect our individual interests, but each of us knows ourselves and our own interests best. So doesn't it make sense that we as individuals take the lead? Further, with respect to creating happiness for ourselves, there's no one closer to the action than us. So, again, doesn't it make sense that each of us should be assigned that responsibility?
- **Sincerity.** For those subscribing to psychological egoism, there's a certain amount of honesty in this ethics not found in others. If our real motive beneath everything else is to provide for our own happiness first, then shouldn't we just recognize and say that? It's better to be sincere and admit that the reason we don't steal is so that others don't steal from us instead of inventing some other explanations which sound nice but are ultimately bogus.

- **Unintended consequences.** In the business world, the concept of the invisible hand allows egoists to claim that their actions end up actually helping others and may help them more than direct charity or similar altruistic actions.
- Finally, there's a broad argument in favor of egoism that concerns dignity. If you're out in the world being altruistic, it's natural to assume that those benefiting from your generosity will be grateful. Sometimes they're not, though. Sometimes the people we try to help repay us with spite and resentment. They do because there's something *condescending* about helping others; there's a message wrapped up in the aid that those who receive it are incapable of taking care of themselves and need someone superior to look out for them. This is especially palpable in the case of panhandlers. If you drop a dollar into their hat, it's hard to not also send along the accusation that their existence is base and shameful (you refuse to look them in the eye; you drop the money and hurry away). To the extent that's right, an egoism that expects people to look out for themselves and spurns charity may actually be the best way to demonstrate respect for others and to acknowledge their dignity.

Arguments against ethical egoism include the following:

- **Egoism isn't ethics.** The reason we *have* ethics is because there are so many people in the world and in business who care only about themselves. The entire idea of ethics, the reasoning goes, is to set up some rules for acting that rescue us from a cruel reality where everyone's just looking out for number one.
- **Egoism ignores blatant wrongs.** Stealing candy from a baby—or running a company selling crappy baby food—strikes most of us as unacceptable, but the rules of egoism dictate that those are recommendable actions as long as you can be assured that they'll serve your interests.
- **Psychological egoism is not true.** The idea that we have no choice but to pursue our own welfare before anything else is demonstrated to be false millions of times every day; it's wrong every time someone makes an anonymous contribution to a cause or goes out of their way to help another without expecting anything in return.

### KEY TAKEAWAYS

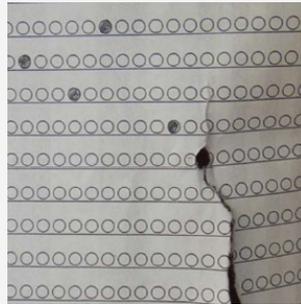
- Egoism defines ethically good as any act that raises the actor's overall happiness (or decreases unhappiness) without counting anyone else's increased or diminished happiness.
- Egoism does not mean ignoring the existence and welfare of others, though they are not necessarily advocated either.
- Though egoists act in the name of their own happiness, others may benefit.
- Egoism intersects with the business world in various ways.

### REVIEW QUESTIONS

1. What's the difference between egoism and selfishness?
2. In what situation would an egoist decide that a lie is morally wrong?
3. In the real world, is there any way to distinguish an enlightened egoist from a cause egoist?
4. What are some reasons someone may become a rational egoist?
5. What is the *invisible hand*?
6. If you were starting a small business, would you prefer that your partner is a utilitarian, an altruist, or an egoist? Why?

## 3.5 Case Studies

### Cheaters



Source: Photo courtesy of S. Brusseau.

KDCP is Karen Dillard's company specialized in preparing students to ace the Scholastic Aptitude Test. At least some of the paying students received a solid testing-day advantage: besides teaching the typical tips and pointers, KDCP acquired stolen SAT tests and used them in their training sessions. It's unclear how many of the questions that students practiced on subsequently turned up on the SATs they took, but some certainly did. The company that produces the SAT, the College Board, cried foul and took KDCP to court. The lawsuit fell into the category of copyright infringement, but the real meat of the claim was that KDCP helped kids cheat, they got caught, and now they should pay.

The College Board's case was very strong. After KDCP accepted the cold reality that they were going to get hammered, they agreed to a settlement offer from the College Board that included this provision: KDCP would provide \$400,000 worth of free SAT prep classes to high schoolers who couldn't afford to pay the bill themselves. missypie, April 29, 2008 (2:22 p.m.), "CB-Karen Dillard case settled-no cancelled scores," College Confidential, accessed May 15, 2011, <http://talk.collegeconfidential.com/parents-forum/501843-cb-karen-dillard-case-settled-no-cancelled-scores.html>.

## QUESTIONS

1. Can you form a quick list of people who'd benefit because of this decision and others who'd end up on the losing side? Then, considering the situation globally and from a utilitarian perspective, what would need to be true for the settlement offer to be ethically recommendable?
2. As for those receiving the course for free—it's probably safe to assume that their happiness increases. Something for nothing is good. But what about the students who still have to pay for the course? Some may be gladdened to hear that more students get the opportunity, but others will see things differently; they'll focus on the fact that their parents are working and saving money to pay for the course, while others get it for nothing. Some of those who paid probably actually earned the money *themselves* at some disagreeable, minimum wage McJob. Maybe they served popcorn in the movie theater to one of those others who later on applied and got a hardship exemption.
  - Starting from this frustration and unhappiness on the part of those who pay full price, can you form a utilitarian case against the settlement's free classes?
  - From a utilitarian perspective, could the College Board have improved the settlement by adding the stipulation that the settlement's terms (and therefore the free classes) not be publicly disclosed?
  - Once word got out, could a utilitarian recommend that the College Board lie or that it release a statement saying, "No free classes were part of the settlement"?
3. There was talk about canceling the scores of those students who took the SAT after benefitting from the KDCP classes that offered access to the stolen exam booklets. The students and their parents protested vigorously, pointing out that they'd simply signed up for test prep, just like students all across the nation. They knew nothing about the theft and they presumably didn't know they were practicing on questions that might actually appear on their exam day. From the perspective of *rule utilitarianism*, what's the case for canceling their scores? From the perspective of *act utilitarianism*, what's the case for reinstating the scores?
4. The College Board CEO makes around \$830,000 a year.

- What is a utilitarian case for radically lowering his salary?
  - If you were a utilitarian and you had the chance—and you were sure you wouldn't get caught—would you steal the money from the guy's bank account? Why or why not?
5. It could be that part of what the College Board hoped to gain through this settlement requiring free classes for the underprivileged was some positive publicity, some burnishing of their image as the good guys, the socially responsible company, the ones who do the right thing.
- Outline the case for this being an act of an altruistic company.
  - Outline the case for this being an act of an egoistic company.

**UFC**



Source: Photo courtesy of Kaloozer, <http://www.flickr.com/photos/kalooz/3942634378/>.

Ultimate Fighting Championship (UFC) got off to a crushing start. In one of the earliest matches, Tank Abbott, a six-footer weighing 280 pounds, faced John Matua, who was two inches taller and weighed a whopping four hundred pounds. Their combat styles were as different as their sizes. Abbott called himself a pitfighter. Matua was an expert in more refined techniques: he'd honed the skills of wrestling and applying pressure holds. His skill—which was also a noble and ancient Hawaiian tradition—was the martial art called *Kuialua*.

The evening went poorly for the artist. Abbott nailed him with two roundhouses before applying a skull-cracking headbutt. The match was only seconds old and Matua was down and so knocked out that his eyes weren't even closed, just glazed and staring absently at the ceiling. The rest of his body was convulsing. The referee charged toward the defenseless fighter, but Abbott was closer and slammed an elbow down on Matua's pale face. Abbott tried to stand up and ram another, but the referee was now close enough to pull him away. As blood spurted everywhere and medics rushed to save the loser, Abbott stood above Matua and ridiculed him for being fat. David Plotz, "Fight Clubbed," *Slate*, November 17, 1999, accessed May 15, 2011, <http://www.slate.com/id/46344>.

The tape of Abbott's brutal skills and pitiless attitude shot through the Internet. He became—briefly—famous and omnipresent, even getting a guest appearance on the goofy, family-friendly sitcom *Friends*.

A US senator also saw the tape but reacted differently. Calling it barbaric and a human form of cockfighting, he initiated a crusade to get the UFC banned. Media executives were pressured to not beam the matches onto public TVs, and

doctors were drafted to report that UFC fighters (like professional boxers) would likely suffer long-term brain damage. In the heat of the offensive, even diehard advocates agreed the sport might be a bit raw, and the UFC's original motto—"There are no rules!"—got slightly modified. Headbutting, eye-gouging, and fish-hooking (sticking your finger into an opponent's orifice and ripping it open) were banned.

No matter what anyone thinks of UFC, it convincingly demonstrates that blood resembles sex. Both sell, and people like to watch. The proof is that today UFC events are among the most viewed in the world, among the most profitable, and—this is the one part that hasn't changed since the gritty beginning—among the most brutal.

## QUESTIONS

1. Two of the common arguments against ultimate fighting—and the two main reasons the US senator argued to get the events banned—are the following:
  - They're brutal; UFC celebrates violence and hatred and injury, and therefore, it's immoral.
  - Besides the bumps, bruises, and broken bones—which usually heal up—the fighters also suffer long-term and incurable brain damage. Therefore, the sport is immoral even though it might be true that in their prime, the fighters make enough money to compensate the physical suffering endured in the octagon.

How could a utilitarian defend the UFC against these two criticisms?

2. How could the concept of the *utilitarian sacrifice* apply to John Matua?
3. How would a hedonistic utilitarian's reaction to UFC differ from an idealistic utilitarian's reaction? Is there anything at all in UFC that might convince an idealistic utilitarian to promote the sport as ethically positive?
4. How could a proponent of monetized utilitarianism begin portioning up the experiences of Abbott, Matua, the UFC sponsors, and the spectators in order to construct a mathematical formula (like Ford did with the Pinto) to decide whether UFC should be banned?
5. Think of UFC as a business, one compared to a biotech company that pioneers cutting-edge, life-saving drugs. Now, how would a utilitarian decide which one of these two companies was the more ethically respectable?
6. Why might an altruist sign up to be a UFC fighter? Why might an egoist sign up to be a UFC fighter?

## Lottery



Source: Photo courtesy of Alan Levine, <http://www.flickr.com/photos/cogdog/81199624>.

In her blog *Majikthise*, Lindsay Beyerstein writes, “State lotteries are often justified on the grounds that they raise money for social programs, especially those that target the neediest members of society. However, the poorest members of society tend to spend (and, by design lose) the most on lottery tickets. Some state lottery proceeds fund programs that benefit everyone, not just the poor. Often state lottery money is being systematically redistributed upward—from lotto players to suburban schools, for example.” Lindsay Beyerstein, “Lotteries as Regressive Taxes,” *Majikthise* (blog), January 23, 2006, accessed May 15, 2011, [http://majikthise.typepad.com/majikthise\\_/2006/01/lotteries\\_as\\_re.html](http://majikthise.typepad.com/majikthise_/2006/01/lotteries_as_re.html).

## QUESTIONS

1. How is the lottery an example of the utilitarian monster?
2. How can you set yourself up to argue in favor of or against the ethical existence of the lottery in terms of monetized utilitarianism?
3. Lotteries are about money and about fun—that is, even for the losers, there’s a benefit in the thrill of watching the numbers turn up. Could the case be made that, from a hedonistic utilitarian standpoint, the lottery is ethically recommendable because it serves the welfare not only of the winner but also of the millions of losers?
4. One of Lindsay Beyerstein’s concerns is that the lottery tends to redistribute money from the poor toward the rich.
  - Does a utilitarian necessarily consider this redistribution unethical?
  - What kinds of things would a utilitarian have to look into to decide whether the inverse Robin Hooding is necessarily a bad thing?
5. The lotteries under discussion here are run by states, and Lindsay Beyerstein is not a big fan. She calls these lotteries “a tax on idiocy” meaning, presumably, that people are just throwing their money away every time they buy a ticket. Now, one of the arguments in favor of egoism as an ethical stance is that no one knows what makes each of us happy better than each of us. So, it follows, we should all just try to get what we want and leave other people alone. How can this view of egoism be fashioned to respond to the idea that the lottery is a tax on idiocy?

## **Honest Tea**



Source: Photo courtesy of Arnold Gatilao, <http://www.flickr.com/photos/arndog/1210077306/>.

Seth Goldman founded Honest Tea in 1998. He calls himself the TeaEO (as opposed to CEO) and his original product was a bottled tea drink with no additives beyond a bit of sugar. Crisp and natural—that was the product’s main selling point. It wasn’t the only selling point, though. The others aren’t in the bottle, they’re in the company making it. Honest Tea is a small enterprise composed of good people. As the company website relates, “A commitment to social responsibility is central to Honest Tea’s identity and purpose. The company strives for authenticity, integrity and purity, in our products and in the way we do business....Honest Tea seeks to create honest relationships with our employees, suppliers, customers and with the communities in which we do business.”“Our Mission,” Honest, accessed May 15, 2011, <http://www.honesttea.com/mission/about/overview>.

Buy Honest Tea, the message is, because the people behind it are trustworthy; they are the kind of entrepreneurs you want to support.

The mission statement also relates that when Honest Tea gives business to suppliers, “we will attempt to choose the option that better addresses the needs of economically disadvantaged communities.”“Our Mission,” Honest, accessed May 15, 2011, <http://www.honesttea.com/mission/about/overview>. They’ll give the business, for example, to the company in a poverty-stricken area because, they figure, those people really need the jobs. Also, and to round out this socially concerned image, the company promotes ecological (“sustainability”) concerns and fair trade practices: “Honest Tea is committed to the well-being of the folks along the value chain who help bring our products to market. We seek out suppliers that practice sustainable farming and demonstrate respect for individual workers and their families.”“Our Mission,”

Honest, accessed May 15, 2011, <http://www.honesttea.com/mission/about/overview>.

Summing up, Honest Tea provides a natural product, helps the poor, treats people with respect, and saves the planet. It's a pretty striking corporate profile.

It's also a profile that sells. It does because when you hand over your money for one of their bottles, you're confident that you're not fattening the coffers of some moneygrubbing executive in a New York penthouse who'd lace drinks with chemicals or anything else that served to raise profits. For many consumers, that's good to know.

Honest Tea started selling in Whole Foods and then spread all over, even to the White House fridges because it's a presidential favorite. Revenues are zooming up through the dozens of millions. In 2008, the Coca-Cola Company bought a 40 percent share of Honest Tea for \$43 million. It's a rampantly successful company.

Featured as part of a series in the *Washington Post* in 2009, the company's founder, Seth Goldman, was asked about his enterprise and his perspective on corporate philanthropy, meaning cash donations to good causes. Goldman said, "Of course there's nothing wrong with charity, but the best way for companies to become good citizens is through the way they operate their business." Here are two of his examples: "On Leadership: Seth Goldman," *Washington Post*, accessed May 15, 2011, <http://views.washingtonpost.com/leadership/panelists/2009/11/the-biggest-dollars.html>.

- Switching from Styrofoam to postconsumer waste might help a packaging company make a more meaningful contribution to sustainability than a token donation to an environmental nonprofit.
- Investing in a local production facility or even a community bank could help support a local economy more effectively than a donation to a nearby jobs program.

Organizations in the economic world, Goldman believes, can do the most good by doing good themselves as opposed to doing well (making money) and then

outsourcing their generosity and social responsibility by donating part of their profits to charities. That may be true, or it may not be, but it's certain that Goldman is quite good at making the case. He's had a lot of practice since he's outlined his ideas not just in the *Post* but in as many papers and magazines as he can find. Honest Tea's drinks are always featured prominently in these flattering articles, which are especially complimentary when you consider that Honest Tea doesn't have to pay a penny for them.

## QUESTIONS

1. Make the case that Seth Goldman founded Honest Tea as an expression of his utilitarian ethics.
  - What kinds of people are affected by the Honest Tea organization? Which groups might benefit from Honest Tea and how? Which groups might not benefit?
  - Would this be a hedonistic or idealistic utilitarianism? Why?
  - Would it be possible to construe Honest Tea within a framework of monetized utilitarianism?
  - Would this be a soft or hard utilitarianism?
2. Make the case that Seth Goldman founded Honest Tea as an expression of his ethical altruism.
  - Altruists serve the welfare of others. How does Honest Tea serve people's welfare?
  - What would have to be true about Goldman in terms of his particular abilities and skills for this enterprise to fall under the heading of altruism?
  - Does Goldman sound more like a personal or an impersonal altruist?
3. Make the case that Seth Goldman founded Honest Tea as an expression of his ethical egoism.
  - What are some of the benefits Goldman could derive from Honest Tea?
  - Before running Honest Tea, Goldman was a big-time mutual fund manager. What kind of benefits could Honest Tea have offered that he couldn't find in the world of finance?
  - Does Goldman sound more like a personal or an impersonal egoist?
  - In the real world, does it make any difference whether Goldman does enlightened egoism or cause egoism?
4. In this case study, two kinds of drink manufacturers are contrasted: Honest Tea and the hypothetical drink company run by some mercenary businessman lacing drinks with bad chemicals to maximize profits. Looking at this contrast, how could a defender of egoism claim that the *best* way for healthy drinks to make their way into the general public's

hands (in the medium and long term, anyway) is for Goldman *and* the mercenary businessman *and* everyone else to all be egoists?

5. Assume that Seth Goldman is a cause egoist, someone faking concern for the general welfare in order to provide for his own happiness and pleasure. How could the concept of the invisible hand be introduced to make the claim that Goldman is actually doing more good for the general welfare than he would if he were a utilitarian or even an altruist?

## Your Business



Source: Photo courtesy of Paul Sapiano, <http://www.flickr.com/photos/peasap/935756569>.

Think about something you do with passion or expertise—a dish you like to cook and eat, a sport you play, any unique skill or ability you’ve developed—and figure out a way to turn it into a small business. For example, you like baking cookies, so you open a bake shop, or you like hockey and could imagine an improved stick to invent and market.

## QUESTIONS

1. If your business is like most others, you're going to need some money to get it up and going, more money than you've got right now. That means you'll need to find a partner for your venture, someone to help you get the cash together and then run things afterward. Would you prefer a utilitarian, an altruist, or an egoist for your partner? Why?
2. Do you think the invisible hand would be in effect for your business? Just by trying to make money, do you imagine you'd end up improving people's lives? If this business works, is it even possible that you'd help others *more* than you would by volunteering time for a charity organization? Elaborate.
3. Assume that doing good in society and not just doing well (making money) is important to you. Within the business you have in mind, with which of these three options do you suspect you'd accomplish more general good?
  - Just making money and trusting the invisible hand to take care of the rest
  - Making money and donating part of it to charity—that is, to people specialized in serving the general welfare
  - Attempting to do good *within* your business by, for example, buying recycled materials or by paying wages slightly above what people could get for the same work at other companies
4. Is there a potential cause egoism angle to your business? Could you set it up to make it seem like the *reason* you're running your enterprise is to help others when really you're just trying to make money? For a consequentialist, is there anything wrong with that?