

ETHICS

EFFICIENCY AS ETHICS:

Greatest good for the greatest number.
(Utilitarianism)

Individualism via profit maximization.

Social good via cost minimization.

Efficiency IF
profit maximization AND cost minimization

WORDS WITH MEANING

| | |
|--------|-------------------|
| CAN | power |
| MAY | authorized by law |
| SHOULD | ethics |

POINTS OF REFERENCE IN ETHICS
deal with different levels of aggregation

INDIVIDUAL
SUBGROUP (s)
SOCIETY

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Each individual has multiple memberships.
These force questions of loyalty and obligations.

obligation: reasonably expected reciprocation
loyalty: freely given

Society can not avoid spillover costs.
Therefore, what appears profitable and ethical necessarily varies at each level of aggregation.

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PROFIT MAXIMIZATION
versus
SOCIAL RESPONSIBILITY

(primary) goal of business is profit maximization

IF action is profit maximizing,
THEN any ethical impetus is objectively invisible

must **objectively** pursue loss
[**internalize spillover cost**]
to be objectively acting ethically

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WHO IS ACTING?

- individual v. a group
 - » law designed for individuals

ENFORCEMENT OF ETHICAL STANDARDS

- typically by exclusion
- for business' exclusion of competitors is a felony
 - group boycott is a *per se* unreasonable antitrust violation

CORPORATIONS
CAN BE GOOD,
AND
CAN BE BAD

facilitate **capital accumulation**

facilitate **risk spreading**

facilitates greatly **increased output**
via large absolute MES

PROBLEMS WITH CORPORATE CONTROL

-separation of ownership and control

Who is acting?

- corporation
- shareholders
- directors
- officers
- employees
- customers

FOR ETHICAL RESULTS,
THE MARKET REQUIRES
REPEAT SALES

but, "Fly by night"

AND
INFORMATION FLOWS

but, "A sucker born every minute"

either may be missing
market judges results:

compensation versus prevention

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