Business Ethics Tutorial

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Session 2.

Rational Choice
Part I

Rational choice, Part I

- Rational Choice

- Caveats

- **Condition for rational choice:**
    - Have a consistent rationale
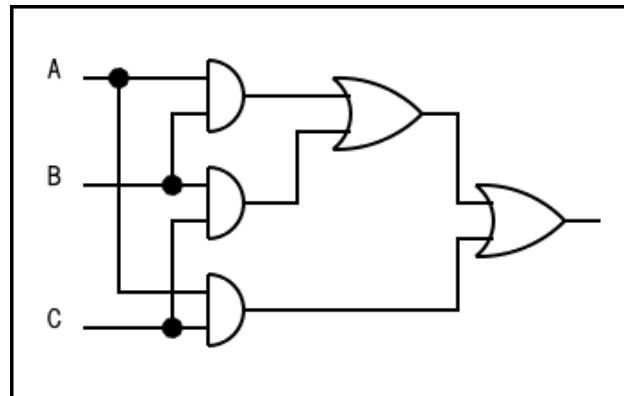
- Jennifer's job

Rational choice

- Ethics is about making the **right decision**.
  - **Not** about judging you, or saying you are good or bad.
 - It says that the **right** choice is a **rational** choice.

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Rational choice

- Neglecting the interests of others is **irrational**.
  - Not because it may eventually damage your own interests…
  - But because it is **logically inconsistent**.

Rational choice

- Necessary conditions for rational choice:
    - Have a consistent rationale.
    - Be consistent with your goals.
    - Be consistent with who you are.

Logical Consistency Report

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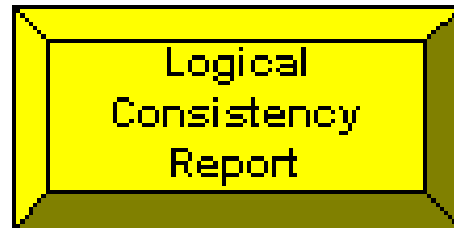
Caveats

- These conditions don't mean much until you start applying them.
  - It's like physics class.
  - You have to do the exercises.

$$\oint \mathbf{E} \cdot d\mathbf{A} = q / \varepsilon_0$$

$$\oint \mathbf{B} \cdot d\mathbf{A} = 0$$

$$\oint \mathbf{E} \cdot d\mathbf{S} = -d\Phi_{\mathbf{B}} / dt$$

$$\oint \mathbf{B} \cdot d\mathbf{S} = \mu_0 i + \mu_0 \varepsilon_0 d\Phi_{\mathbf{E}} / dt$$
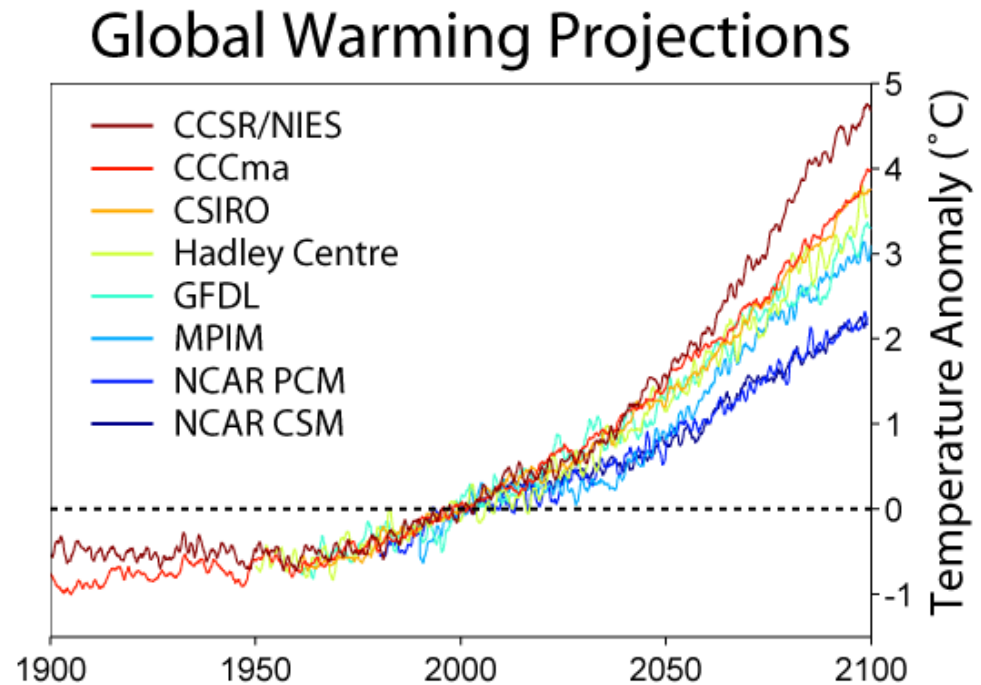
Caveats

- There are no instant answers.
  - As in any other field.
  - Training and experience are necessary.
    - You don't learn differential equations in a 20 minute session.

$$\frac{\partial N}{\partial t} = (b - d)N + \frac{c}{3\sigma}\left[\frac{\partial^2 N}{\partial x^2} + \frac{\partial^2 N}{\partial y^2} + \frac{\partial^2 N}{\partial z^2}\right] + \sqrt{(b + d)N}\frac{\partial^4 \widetilde{W}(t, x, y, z)}{\partial t \partial z \partial y \partial x}$$

$$- \frac{\partial}{\partial x}\left[\sqrt{J_x^+}\frac{\partial^3 W(t, y, z; x)}{\partial z \partial y \partial t}\right] + \frac{\partial}{\partial x}\left[\sqrt{J_x^-}\frac{\partial^3 \widehat{W}(t, y, z; x)}{\partial z \partial y \partial t}\right]$$

$$- \frac{\partial}{\partial y}\left[\sqrt{J_y^+}\frac{\partial^3 W^*(t, x, z; y)}{\partial z \partial x \partial t}\right] + \frac{\partial}{\partial y}\left[\sqrt{J_y^-}\frac{\partial^3 \widehat{W}^*(t, x, z; y)}{\partial z \partial x \partial t}\right]$$

$$- \frac{\partial}{\partial z}\left[\sqrt{J_z^+}\frac{\partial^3 W^{**}(t, x, y; z)}{\partial y \partial x \partial t}\right] + \frac{\partial}{\partial z}\left[\sqrt{J_z^-}\frac{\partial^3 \widehat{W}^{**}(t, z, y; x)}{\partial y \partial x \partial t}\right], \qquad (3.32)$$

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Caveats

- There is controversy in every field.

- This doesn't mean there is no right or wrong.
  - There are good arguments and bad ones.

Global Warming Projections

——	CCSR/NIES
——	CCCma
——	CSIRO
——	Hadley Centre
——	GFDL
——	MPIM
——	NCAR PCM
——	NCAR CSM

Temperature Anomaly (°C)

1900   1950   2000   2050   2100

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Caveats

- My advice: set aside what you may have heard about ethical theories.
  - Some of it is wrong.
  - Some of it is a historical snapshot.
    - Kant was historically important, but so was Copernicus.
    - We have moved beyond their work.
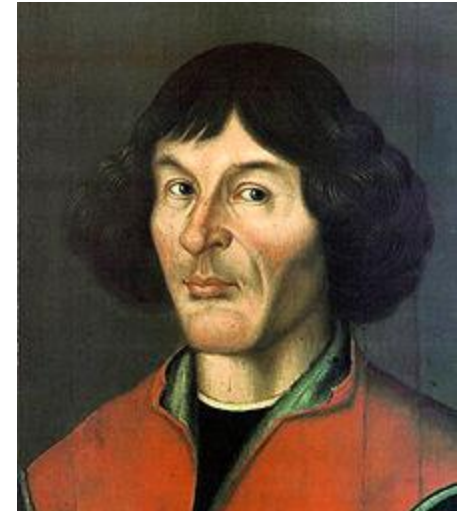
Caveats

- This is not a choice of different "frameworks."
  - Deontological
  - Consequentialist
  - Virtue ethics

- It is a single framework.
  - An ethical choice must meet multiple consistency tests.
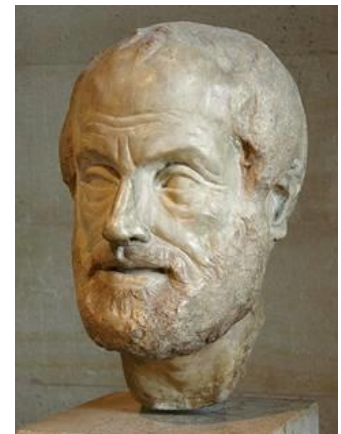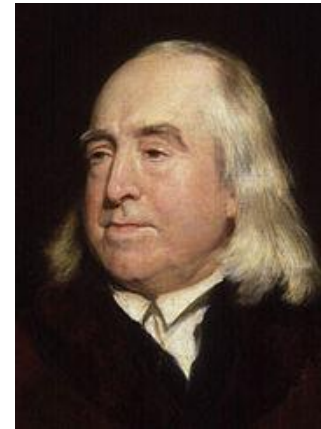
Have a consistent rationale

Basic idea

- Basic premise: we always act for a **reason**.
  - Every action has a rationale.

Basic idea

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  - Every action has a rationale.

- **Corollary:** If a reason justifies an action for **me**, it justifies the same action for **anyone** to whom the reasons apply.

Basic idea

- When I make a decision for myself, I make a decision for **anyone** to whom my reasons applies.

  - Otherwise they don't really justify the act.

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Basic idea

- I steal a watch because I would like to have it.

Basic idea

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- If this is sufficient reason for me, it is sufficient reason for anyone.

Basic idea

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- If this is sufficient reason for me, it is sufficient reason for anyone.

  - If not, then perhaps it is because some people think they will get caught.

  - Then part of my reason is that I don't think I will get caught.

    - Let's assume the security at this shop is relaxed.

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Generalization test

- So my reasons for stealing the watch are:
    - I want the watch.
    - I don't think I will get caught.
- Then I am deciding that all who want a watch and don't think they will get caught should steal one.

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Generalization test

- But if all these people steal watches, the reasons for stealing no longer apply.
    - The shop will stop selling watches, or perhaps go out of business.
    - Or it will tighten security, and people will get caught.

Generalization test

- I am not saying that all these people will actually steal watches.
    - But I am committed to saying that they should steal a watch.
    - If they do, then the reasons for stealing no longer apply.
    - The reasons for the theft are **inconsistent with the assumption that people act on them**.

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Generalization test

- Generalization test:
  - The reason for your action must be consistent with the assumption that everyone with the same reason acts the same way.

Generalization test

- What is the generalization test is **not**:
  - It is **not** whether I would **want** others to act the same way.
    - The test is **logical**, not psychological.

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Generalization test

- What is the generalization test is **not**:
  - It is **not** whether I would **want** others to act the same way.
    - The test is **logical**, not psychological.
  - It is **not** the "Golden Rule."
    - It is far more comprehensive.

Generalization test

- What is wrong with **cheating on an exam**?
- Assume:
  - My cheating benefits myself but doesn't hurt others (instructor doesn't "curve" grades).
  - I know how to cheat without getting caught.
- What are the reasons for cheating?
  - I will get a better grade.
  - I will benefit from the good grade.

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Generalization test

- Almost everyone has these same reasons to cheat.
  - But if everyone acts on these reasons, they will all get A+.
  - Grades will become meaningless.
  - No one will benefit from better grades.
  - The reasons to cheat will no longer apply.
- Cheating fails the generalization test.

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Corollary

- Avoid action that, if generally adopted, would **undermine** a practice it **presupposes**.

    - Generalized cheating undermines the grading system it presupposes.

    - Generalized theft undermines the lax security that makes theft possible.

    - Not every unethical act violates this corollary.

Corollary

- Don't be a **free rider** on the efforts of others.
    - Thief is a free rider on system supported by good behavior of others.
    - Cheater is a free rider on system supported by honesty of others.

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Corollary

- Avoid action that, if generally adopted, would **defeat the purpose** of the action.
    - If everyone who could benefit from better grades cheated, they would not be able to make better grades by cheating.
    - If everyone who wants a new watch stole one, they would not be able to steal one.

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What is the real reason?

- Gertrude Grosvenor says:
  - I'm stealing the watch because I want it, I can get away with it, and my name is Gertrude Grosvenor.
  - This is generalizable.
- Two problems with this:
  - It's not Gertrude's rationale.
  - It's not a rationale.

What is the real reason?

- The reasons must be necessary and sufficient.
  - "I am Gertrude Grosvenor" isn't **necessary**.
    - She would steal the watch if her name were different.
  - "I can get away with stealing a watch" isn't **sufficient**.
    - I must also want the watch.
- The **scope** of the action must be correctly identified.

Jennifer's job

- While interviewing for jobs, business student Jennifer learns about an attractive opening.

  – Glamour Finance Inc. in New York City.

  – The job is perfect for her.

  – The firm is enthusiastic about her.

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Jennifer's job

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  – Glamour Finance Inc. in New York City.

  – The job is perfect for her.

  – The firm is enthusiastic about her.

  – Shortly after her interview, there is a global credit freeze.

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Jennifer's job

- Meanwhile Jennifer receives other, less attractive offers.
  - Her classmates are bragging about their jobs.
  - Her parents are asking questions.

Jennifer's job

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    – Her classmates are bragging about their jobs.

    – Her parents are asking questions.

    – She accepts a job with Midwest Consulting in Cleveland, Ohio.

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Jennifer's job

- Several weeks later, Glamour Finance resumes hiring and offers Jennifer the job.

  – Jennifer hesitates.

  – Her friends urge her to get real and take the job.

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Jennifer's job

- Jennifer's reason for breaking the contract is to get a better job contract.

  - If everyone broke job contracts to get a better one, contracts would be pointless.

  - Jennifer wouldn't be able to get a job contract, better or otherwise.

  - Breaking the contract is **not generalizable**.

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Jennifer's job

- Think about it…
  - The whole point of having contracts is that we keep them when it **doesn't** benefit us to keep them.
  - If we only keep contracts when it benefits us, then there is no need for contracts.
  - We can just do what benefits us.

Jennifer's job

- A possible escape:
    - Employment contracts generally allow the employee to resign after giving notice.
    - Isn't it perfectly legal for Jennifer to give notice *now?*
- Or maybe the contract doesn't promise employment.
    - Contains "employment at will" language.

Jennifer's job

- There is more going on here than just a legal contract.

  – There is a **job market**.

  – Jobs are offered and accepted.

- This won't work if we never know when a job is offered or accepted.

  – Like an auction that never ends.

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Jennifer's job

- How long must Jennifer work for Midwest?
    - For **the time being**.
    - Similarly, Midwest promised to employ Jennifer for the time being.
    - Accepting a job means, "I have decided which job to take."
    - Hiring someone means, "We have decided whom to hire."

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Jennifer's job

- Suppose Midwest agrees to **release** Jennifer from her contract.
  - Perhaps they found someone else they like better.
  - Or they would rather not hire someone who wants to work somewhere else.
  - Nullifying contracts by **mutual agreement** is generalizable.

Jennifer's job

- Suppose Midwest agrees to **release** Jennifer from her contract.

  - Perhaps they found someone else they like better.

  - Or they would rather not hire someone who wants to work somewhere else.

  - Nullifying contracts by **mutual agreement** is generalizable.

  - But Midwest must **voluntarily** release Jennifer from the contract.

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Jennifer's job

- But suppose Jennifer can make a much more valuable contribution at Glamour.
  - Can this override the generalization test?
  - We will come back to this.

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Next

Rational Choice, Part II.