

# Chapter 2

## Ethical Valuation Approaches



### What Follows Why?

This lecture chapter explains the classical and modern ethical evaluation criteria for human action. They should serve as a basis for evaluating economic action.

### Learning Goals

Students should be able to apply the classical and modern ethics concepts to economic action.

How should one behave morally in the economy?

## 2.1 Classical Ethics

### Case Study: Relations and Recommendations

A works in a bank. B, who does not know A, asks him to give him a job in his bank. How would A behave morally, and how ethically? Discuss the right behavior.

1. A will help him and recommend him. B is lazy and also steals from the bank.
2. A will help him and recommend him. B will be a grateful and loyal employee. The bank is grateful to A.
3. A says no, because he does not know B and only stands up for something he believes in. B goes to the competition and becomes one of their best employees.
4. A says no, because A does not know B and is only willing to recommend what he is sure is a good person. A meets B in a year in the pub again. Because of his financial problems and the resulting bad mood, his wife left him.
5. A says no because A does not want to help B. What has A to do with B, B should help himself. A meets B in a year in the pub again. Because of his financial problems and the resulting bad mood, his wife left him.

How should one behave morally in this situation? What is right? The above example shows that one can see the same situation differently and can behave differently morally.

### 2.1.1 *Ethics of Conviction*

One can focus on the mind; the motivation or intention. Accordingly, it would have been sufficient to mention the prospective employee to the personnel department in order to help him. Not mentioning him to the personnel department would have been moral if it was intended to protect the bank. According to Immanuel Kant, the “good will” and not “the ability to achieve a purpose” is decisive for an ethical evaluation:

There is nothing in the world, or at all, to think outside of it, which, without limitation, can be considered a good intention...<sup>1</sup>

Good will is not determined by what it affects or effects, not by virtue of its suitability for the attainment of any superior purpose, but only by the will, in itself, good ...<sup>2</sup>

In Kant, the mind ultimately determines whether an action is to be classified as moral. If looking in on your old aunt it is a duty, but not a moral one, if you do so only to be considered in the inheritance:

I also set aside the actions which are really duty-bound, but which are not directly affecting men, but which they nevertheless exercise, because they are driven by a different inclination. For it is easy to distinguish whether the duty-related action has been done for duty or self-seeking.<sup>3</sup>

According to Kant, a good or good-maximizing deed would not be classified as moral if it is done for the sake of pleasure, instead of out of a pure commitment to duty. Kant offers the example:

A shopkeeper is honest with a naive, easily duped customer, not because it is his duty to be honest, but because it will help build his good reputation, and his business. He acts in accordance with duty (he is honest) but not from duty (ie not because honesty is right whether or not it helps his reputation and business)...<sup>4</sup>

For today’s society too, **ethics of conviction** is central. “Good will counts” and even courts of law distinguish between premeditation and negligence. **Ethics of conviction** also corresponds to conscience. If we have a clear conscience, we think we have done everything right, especially since we often cannot ignore the consequences of our actions. Thus, in cases 1 and 2, a good will exists, but the effects of the action are negative and thus unintended.

<sup>1</sup> See Kant, Immanuel (1797a), (C), p. 393.

<sup>2</sup> See Kant, Immanuel (1797a), (C), p. 394.

<sup>3</sup> See Kant, Immanuel (1785), (B), p. 397.

<sup>4</sup> Kant, Immanuel (1785), (B), p. 397.

But what about the consequences? Is it enough to want good? No, unfortunately not. Otherwise, every fanatic, every terrorist would be a morally acting man, even though he harms many people. It would depend only on the subjective assessment by the actor, his, in his opinion, positive attitude. Well meant is not well done.

There are people who are particularly convinced they always know what is good. This has the consequence that they also know better for others what is good for them. They thereby patronize others and impinge on their freedom. They accuse others of being immoral and yet it is often a point of view. Do they really know better? What is the right behavior? As a rule, the information on the consequences and, in particular, the impact and the assessment of the affected persons are missing. A basic problem with ethics is that one cannot look through people, what they have thought about their behavior, what their motivation was. Every judge has to deal with this problem if he is to decide whether an action with a negative effect for third parties was intentional. The intent distinguishes murder from manslaughter and thus also clearly the penalty changes. In addition, even the actor can often not determine the motives that have guided him, since he can also be influenced by the subconscious.<sup>5</sup>

People are very different and sometimes not rational, or rather emotional and irrational for many reasons, whether predisposition, indoctrination by religion or ideologies. Georg Wilhelm Friedrich Hegel (August 27, 1770 in Stuttgart, Wuerttemberg, 14 November 1831 in Berlin, Prussia) lends absurdity to ethics by saying that ultimately any crime can be justified as long as it was committed only with good intent or with good conscience.<sup>6</sup>

In principle, an **ethics of conviction** would suffice to produce good behavior for mankind if all men were to have the same perceptions and objective reason, in order to correctly assess the consequences of their actions. Kant doubts this, which is why in his work *Metaphysics of Morals* he develops a duty ethics for general human behavior (deontological ethics, from Greek to déon: the necessary, the duty). In addition, he developed imperatives or rules as an aid to the practical reasoning about human coexistence: a categorical imperative and a practical imperative as well as the publicity rule. The conviction of the agent to do good has to be added to the dutiful action.

## 2.1.2 *Kant's Rules for Ethical Reasoning*

### 2.1.2.1 The Practical Imperative

The practical imperative:

Act in the way that you use humanity, both in your person and in the person of each other, at any time not just as means but also as a purpose.<sup>7</sup>

<sup>5</sup> See Grünewald, B. (2010), pp. 99.

<sup>6</sup> See Hegel, Georg Wilhelm Friedrich (1820), § 140.

<sup>7</sup> Kant, Immanuel (1797a), (C), p. 429.

How do my actions affect people? The purpose of my action should be to do good, or at least not to harm anyone. We should therefore take into account the purpose, which means the effect on other people, and not regard humans as a means, i.e. without the effects of our actions, on our actions or behavior, which also includes allowing inaction. We should therefore take into account the purpose of an action, the effect it will have on other people, we should not regard humans as a means separate from the effects of our actions, including the decision not to act.

For example, customers should be seen not only as a means to gain profit by selling the products to them, but also to take into account the effect on them through the product, e.g. do not sell **rotten meat** to customers. Kant, however, also refers to the agent himself. He should not regard himself as a means, but also as a purpose, and therefore not harm himself. In current situations this would mean that a manager should not harm his health, just to further his career.

### 2.1.2.2 The Categorical Imperative

For Kant, maxims are guiding principles that people give themselves. In addition, there are still universal human laws, which are categorically valid.<sup>8</sup>

The categorical imperative:

Only act according to the maxim that you can make a universal law.<sup>9</sup>

This is to be the guiding principle for ethical action. This means that the actor should ask himself whether his behavior satisfies a principle that he also wishes to find generally applied in society. All human beings would behave in this way, and the agent would be exposed to the same behavior from other people. The first case corresponds to the question often heard as a child: “What if everyone did that?” If you would like to take a little stone as a souvenir from the Acropolis, this might be socially acceptable as a single action, but not if all people behave like this. Then there would soon be no more acropolis. So there can be no exception to the rule.

The second case corresponds to the popular saying: “What you do not want to done to you, do not do to anyone else.” Here, the agent is supposed to put themselves into the situation of the person affected by their behavior. If action leads to the person to be better, the action is not only socially problem-free, but also desirable.

Lying to other people for one’s own advantage would, for example, contradict the categorical imperative, since one does not want to be lied to. If someone in the workplace is rude to colleagues or even mobbing, he should ask himself whether he wants to be treated like this.

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<sup>8</sup> See Schmidt, Walter (1986), p. 47.

<sup>9</sup> See Kant, Immanuel (1797a), (C), p. 421.

### 2.1.2.3 Publicity Rule

Kant develops yet another rule to establish moral action:

All actions related to the right of other people, whose maxim is not compatible with publicity, is wrong.

That is, the behavioral rule is such that if the agent would fear the response of his community should his actions become public, we assume that the rights of others are unfairly, thus disproportionately, affected. One should ask oneself whether those affected by an action would approve of it. For example, if a pharmaceutical company conceals the side effects of a drug, the publicity rule would be violated because the patients would not understand the dangers to their health.

### 2.1.3 Ethics of Duties (*Deontological Ethics*)

The approach of regulating human coexistence via obligations is already found in the ten commandments of the Bible and has been repeatedly taken up within the framework of philosophical ethics research. The doctrine of duty, *doctrina de officiis* (Latin: “of duties” or “dutiful action”), was written by Marcus Tullius Cicero in 44 BC and is one of the standard works of ancient ethics.

*De officiis* consists of three books wherein the duties of daily life are identified, especially those of a statesman. The first deals with honorable behavior, while the second deals with the duties useful to man, and the third book deals with situations in which they may conflict. In the first and third books he also refers to the four cardinal virtues.

Cicero refers to the doctrine of the Stoic Panaetius (died 111 BC) (*peri tou kathêkontos*) and Panaitius of Rhodes, but also draws on other ancient philosophers such as Poseidonius and Plato. Kant subdivided his definition of duty “*Metaphysics of Morals*” into legal and virtue doctrines, according to the distinction between legal and virtuous duties.<sup>10</sup>

Duties are what should be done from the ethical point of view. They are the opposite of values as ethical principles of behavior, which man himself has voluntarily accepted. Duties are imposed by society and values are the voluntary ethical guidelines.

Depending on social orientation, Kantian universal duties become laws and norms or even parts of religions or ideologies. Duties in the narrower sense are also laws. Without a moral attitude, according to Kant, adherence to laws is not a moral act because the actor ultimately only wants to escape punishment.

Duties (definition) are rules of action that result from norms, be it as a sanctioned legal code of conduct or from morality and custom.

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<sup>10</sup>See Bührmann, Mario (2008), p. 126 and <http://www.zeno.org/Kirchner-Michaelis-1907/A/Pflichtenlehre> (15.04.2015).

If a society has many plural groups or sub-societies (pluralistic society), it will also have many different and contradictory norms, as each sub-society has its own. If a person moves in different sub-companies, he must inevitably violate the norms of the sub-companies with his behavior. Duties as coercion and values as goals are the basis of ethical action.

Religions consist of duties, binding norms of action. Ultimately, it is the goal of all religions to regulate human coexistence with the [claim to sole representation](#), so that the happiness of all is maximized. They differ with regard to background history as the basis of faith and the weighting of duties and values. Every religion has different duties, but those who regulate living together are similar because of their necessary functionality. Religions, however, also convey meaning for human existence. They answer questions of human existence in the world. They contain an explanation of the origin of all life, of the world's creation.

In religions there are ethical rules, which are intended to define the distinction between good and evil and thus prevent damage to third parties, to society. From this point of view, an ethical direction and morality as a society-dependent custom is the core of every religion. The religions thus fill important social functions. Conversely, one can conclude that in the absence of religions a social ethical vacuum is created. Values are no longer conveyed by the religious representatives, and duties are no longer prosecuted, controlled and sanctioned in case of disregard. Because of the diminution of the Church's influence on the ethical education of the human being, teaching ethics in schools is currently chosen as an alternative.<sup>11</sup>

Even if it is difficult to believe in religions, one must respect and support their social function. In all countries, they are an indispensable part of a functioning society and difficult to replace by teaching abstract ethics in public schools. The religions did not succeed in proving their myths or the existence of a god. On the other hand, science and atheists did not succeed in proving the opposite, that is, the absence of a god. Although scientists provide an explanation for the origin of all life, these are just plausible explanations. They have yet to offer a hard proof of the origin of all things, the existence of matter at all. Seen in this way, a creator can always be accepted in whatever form. Nor did Darwin's explanation of evolution provide the reason for the existence of life and its development, but only the explanation for the development. Why this is so, or where the blueprint for evolution, or the path for development, comes from, he could not explain. The same applies to the so-called decoding of the genetic codes.

According to Kant, the duty is "the action to which someone is connected."<sup>12</sup> Kant concretizes human duties. Man should respect himself. Self-mutilation and suicide are prohibited. Rather, the body and the mind should be cultivated and developed. Their own potentials are to be developed, including self-knowledge and conscience education. For this, a minimum of prosperity is needed, since poverty

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<sup>11</sup> See Göbel, Elisabeth (2010), p. 320.

<sup>12</sup> See Kant, Immanuel (1797a), (C), p. 222.

necessarily leads to vice.<sup>13</sup> All duties fulfill the criteria of the categorical imperative.

For Kant the duties to other people include respecting their dignity, helping them in need, being grateful and conciliatory, not deceiving them, not lying, nor mocking or slandering. As inner attitudes, he demands virtues such as benevolence, compassion, gratitude, truthfulness and integrity. Negative inner attitudes or characteristics (virtues), on the other hand, are envy, dislike, pleasure in the pain of others, arrogance, revenge and greed. Economic obligations are respect for the laws and the property of others, the observance of contracts and the payment of debts. As a principle of individual freedom, “the freedom of arbitrariness of everyone can co-exist with everyone’s freedom in accordance with a general law.”<sup>14</sup> This corresponds to the principle of modern democracy that the freedom of the individual stops where the freedom of the other begins. Individuals are not allowed to exercise their freedom without consideration or to the detriment of others.

Ethics needs freedom because only a free living being has the choice between different decision-making alternatives. “For since morality serves us merely as a rational being for the law, it must also be valid for all rational beings, and since it must be derived only from the quality of freedom ...”<sup>15</sup>

Kant’s overriding goal of human existence is the pursuit of one’s own perfection and alien happiness.<sup>16</sup> He sees it as the task of practical philosophy “to prevent the aberration of a still crude and untrained judgment.”<sup>17</sup> And “... the way to wisdom, which everyone must take, to make good and recognizable.” The morally judging reason is to work out obligations that enable a happy coexistence of human beings.<sup>18</sup>

For Kant, right action sequences are automatically derived from the ethics of conviction and the ethics of duties.<sup>19</sup> However, he does not see the consequences as a suitable evaluation basis for moral action. One reason for this attitude is that, in his opinion, the consequences are too often dependent on chance to be responsible for human beings.<sup>20</sup>

Kant formulates universal ethical principles using only logical reasoning without presupposing theological claims or a metaphysical conception of good, which establishes a rights ethics. He is stressing an account of justice and rights with cosmopolitan scope.

Let justice reign even if all the rascals in the world should perish from it. This appears in his 1795 “Perpetual Peace” (“*Zum ewigen Frieden. Ein philosophischer Entwurf*”), Appendix 1

<sup>13</sup> See Kant, Immanuel (1797a), p. 518 or A18.

<sup>14</sup> See Kant, Immanuel (1798), p. 337 or B33.

<sup>15</sup> Kant, Immanuel (1785), p. 82, BA 100.

<sup>16</sup> See Kant, Immanuel (1797a), p. 515 or A 13.

<sup>17</sup> See Kant, Immanuel (1788), p. A 292.

<sup>18</sup> See Kant, Immanuel (1785), (B), p. 398.

<sup>19</sup> See Göbel, Elisabeth (2010), p. 23.

<sup>20</sup> See Kant, Immanuel (1798), p. A 310.

Kant argues that there is *a priori* a natural system of private right, which is built on reason. There are natural moral principles that govern interaction between private persons, which can be deduced from logical reasoning. One person's private rights end where the rights of others are infringed upon, which is why we should use the categorical imperative to determine if the rights of others are affected. According to the categorical imperative everyone has the same rights and should be treated equally. This imperative is categorical thus universal law. These rights form a universal constant that does not change depending on circumstances. They form a universal rational morality.<sup>21</sup> If there is a natural system of rights and freedoms for people there must be an enlightenment to realize them: "Enlightenment is man's emergence from his self-incurred immaturity."<sup>22</sup>

Duty ethics helps where the ethics of conviction is not reliable, because the good is subjectively distorted, or simply because people are intellectually overburdened. In the latter case, the categorical and the practical imperative will overwhelm some people. Even if the ethics cannot be reasoned through it does not release one from fulfilling duty ethics in the narrow sense. Duties or standards provide clear instructions for action and can be memorized and practiced. But what helps when duties are contradictory and reasoning with the Kantian imperatives does not help? What if negative consequences arise from the duties? Let us take the duty "You shall not lie". Kant sees truthfulness as a top priority, for which there can be no exceptions, even if a murderer asks for the whereabouts of his victim, one must tell him the truth, even if the victim is then murdered. In such a case one is not responsible for the consequences.<sup>23</sup>

The greatest violation of the duty of man to himself, considered only as a moral being (mankind in his person), is the antithesis of truthfulness: the lie (*aliud lingua promtum, aliud pectore inclusum gerere*) ... Through them he makes himself in others, but through these, what is still more, in his own eyes the object of contempt, and violates the dignity of mankind in his own person ....<sup>24</sup>

In an extreme case, two duties can also contradict each other and lead to tragic dilemmas. Let us take the current euthanasia discussion as an example. The prohibition of killing and the cessation of assistance prohibit the physician's euthanasia, even if the patient explicitly wishes for it and suffers a great deal. This is a contradiction to the assistance offered and the principle of human dignity and the welfare of the physician against the patient.

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<sup>21</sup> See Arthur Ripstein (2009), pp. 145

<sup>22</sup> Kant, Immanuel (1784).

<sup>23</sup> See Kant, Immanuel (1797a), p. 425 and 428. Kant confessed to his statement, and in 1797 addressed an essay against the French philosopher Benjamin Constant, who had expressed the opinion: "The moral principle: it is a duty to tell the truth if one were to take it absolutely and singly, it would make every society impossible. We have the proof of this in the very immediate consequences which a German philosopher has drawn from this principle, which goes so far as to assert that the lie against a murderer who asked us whether our friend whom he had persecuted did not enter our house Escaped, would be a crime." Kant, Immanuel (1797b).

<sup>24</sup> See Kant, Immanuel (1797a), (C), p. 429.

### Case Study: Colleagues

Group work: Discuss in groups of 3 how to behave in cases 1 and 2.

1. Let's say A promises a 20% discount to a customer. The colleague B knows that the customer is compensated with a huge Christmas gift every year. Your boss asks B why the price is so low? B says the truth because B does not lie. Colleague A, a family father, is terminated. Here the consequence of the statements were catastrophic for A. From a sense of fellow humanity or compassion B would better have said nothing, right? But what if B had said nothing and because of this order the company goes into the insolvency?
2. You don't lie. Her colleagues claim they have acquired many new customers. Instead, they were mediated by the subsidiary. Colleagues are promoted, you are not.

### Solution

1. You have the choice between the alternatives, to protect the colleagues or lie to the superior. In these cases, it is important to weigh the results of the action. They might decide not to betray their colleagues because they want only good for them. Colleagues have to stick together. Ultimately, the consequences are not foreseeable. If the company could be at stake, you must inform the supervisor. They are not responsible for the consequences for A. A had to know that his behavior was not correct. A makes you his friend when you cover him. Then your job is at stake when it was bribery. However, it would also be conceivable that the 20% price reduction was necessary in order to acquire the business in competition, and the Christmas gifts were also customary in the industry. In any case, you must inform the supervisor.
2. Here not lying has negative consequences. Such a thing can tend to be more likely to occur in large companies, which also have poor controlling. The performance of employees is more transparent for smaller companies. In the normal case, it would be the task of the superior to take action against arrogance and unfair results manipulation. The response of the supervisor, however, depends on your relationship to him and his leadership style and character. If you complain about your colleagues it may be misunderstood as envy, or the boss sees in you a Job who causes him anger and you may get the sharp edge of his displeasure and end up worse than if you had accepted the injustice.

In the group discussions within the framework of the seminar events the reactions are very different. Some students report the injustice to the supervisor, but many seminar participants decide not to do anything. This is the best decision from the company's point of view and also brings considerable disadvantages to the employee. From the company's perspective, bad performance is rewarded and even a less productive and an immoral employee is promoted. The productivity and the operating climate suffer. This decision has a signal effect on other employees. Unethical behavior is worth more than the performance in the company. The employees will behave accordingly in the future, and the employees who cannot or will not keep up with such behavior will terminate internally. In addition, unproduc-

tive and unethical employees were promoted to supervisor, with a corresponding influence on the company. This will also have a negative impact on company productivity and employee satisfaction, as demonstrated in the chapter on leadership ethics. For the honest employee who has been silent, this can be a problem. The former colleague is now the boss and would like to get rid of his former colleague, if he has to fear that they have leverage over him. All in all, the affected employee should ask himself whether or not to inform the supervisor. If this is not feasible, the company appears to have a management problem and an ethical problem. In this case, it would be better to quit and switch to a better company than accept the disadvantages of one's own career and work satisfaction. But there is also a third solution. The employee can try indirectly to check the performance figures by controlling, for example, by launching a problem, which cannot be directly linked to his actual motivation.

### ***2.1.4 Ethics of Responsibility or Ultimate End (Teleological Ethics)***

Max Weber criticizes the ethics of conviction because of the limited rationality of the actors and unpredictable and thus possibly immoral consequences.

If the consequences of an action flowing out of pure conviction are evil, it is not the agent but the world that is responsible for it, the stupidity of the other men, or the will of the God who created it so. The **ethicist** of responsibility, on the other hand, reckons with just those average defects of men. He, as Fichte rightly said, has no right to prescribe his goodness and perfection; he can not shift the consequences on others of his own actions as far as he could foresee them.<sup>25</sup>

Like Mill,<sup>26</sup> Weber criticizes the Kantian duty ethics because of the unavoidable dilemma and conflict situations resulting from contradictory duties. He gives two examples of duty ethics that lead to immoral consequences. Thus, the Kantian duty of truthfulness would make the preservation of state secrets impossible, even if this would cause great damage to the country. The Christian commandment of non-violence would, consistently implemented, lead to the inability to counter violence, which would lead to further violent acts. Weber sees a danger that people, especially government decision-makers, will be responsible for their decisions by referring to appropriate duties. He demands that people have to bear responsibility for the foreseeable consequences of their decision, and also act morally.<sup>27</sup> This can also be transferred to politics and business. Responsibility for one's own actions is what Eucken has understood as an important prerequisite for a functioning market econ-

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<sup>25</sup> See Weber, Max (1919), p. 442.

<sup>26</sup> See Mill, John Stuart (1863), Chapter one.

<sup>27</sup> See Weber, Max (1919), pp. 441.

omy, when he spoke about the liability for economic decisions.<sup>28</sup> For example: A company runs a discount deal. However, a sales employee notes that the production costs have now risen and are above the sales price. However, it is not his responsibility to inform the supervisor about this. According to duty ethics in the strict sense, he does not have to. According to the ethics of responsibility, he is responsible for the consequences if he does not act.

Max Weber propagates his ultimate end as an ethics of responsibility, consequentialism (also called teleological ethics after the Greek *télos*, the goal, the purpose). The actions are moral when they achieve good. This principle is the basis of our jurisprudence “knowingly accepted” or “gross negligence” is interpreted by our courts as fault. Having followed an order (duty ethics in the narrower sense) is not accepted as an exculpation argument. Before the Nuremberg court many Nazis had used their orders to kill as excuses for their actions. In the current social norms, however, orders do not set a person free from responsibility for his actions as a person. Of course, a moral condemnation of murderers would be difficult if they had been killed themselves as they had disobeyed an order to kill.

In general, the ethics of responsibility is very demanding and therefore not always an applicable measure. It is not always possible to clearly assess the consequences of the actions. Either there are too many influencing factors or the result depends simply on chance. Furthermore, teleological ethics presupposes not only a high level of information, but also a high intellectual and moral capacity from the actor if the consequences of options for action are not only to be foreseen, but their results are also weighed against each other. How is the doctor to act when it comes to decision-making at a birth in which only the life of the child or the life of the mother can be saved? Does a doctor act morally when he provides euthanasia or when he refuses? Here, the action is already so deeply rooted in human life that even society as a normative does not appear to be adequately legitimized in order to prescribe an act as a norm. This is where we encounter ethical limits.

Ethics of responsibility is one of the most important ethical evaluation criteria. Much is legal, but can we accept the consequences for others ethically? The overfishing of the seas was legal, but the consequences for third parties are catastrophic and thus not legitimate. Without impact ethics society could not adequately address the challenges of new technological developments. Mobile phones lead to loud conversations, for example on trains where other passengers wanted to read. Courtesy or consideration as a social standard or as its own value would dictate that phone calls should be made at a distance from other passengers. Meanwhile, there are also areas where telephone calls are prohibited. Smartphones with a photo function connected to Facebook and WhatsApp bring new challenges to privacy. However, challenges are also created, for example, by air pollution and the noise generated by production. In some metropolitan areas, for example, a new conflict arises from a globally growing economy in transport. Air transport has risen very strongly in recent decades. Many residential areas in cities like London or Frankfurt are exposed to considerable noise and exhaust emissions.

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<sup>28</sup> See Eucken, Walter (1952).

Ethical dilemmas can also result from applying the ethics of responsibility. An ethical dilemma can be represented formalized as follows: It is necessary to do a, and it is necessary to do b, but we cannot do a and b at the same time.<sup>29</sup>

**Group Discussion: Ethical Dilemmas**

Discuss the familiar trolley dilemma (see below). Is there an ethically correct solution?

A tram has run out of control and threatens to overrun five people. By switching a switch, the tram can be diverted to another track. Unfortunately there is another person there. Can the death of a person be accepted (by moving the switch) in order to save the lives of five people?

One solution is offered by utilitarianism.

### ***2.1.5 The Utilitarianism of Jeremy Bentham***

In order to weigh the consequences of actions on others, one must evaluate them. An extreme approach in the form of a quantitative impact assessment is provided by so-called utilitarianism, one of whose founders is Jeremy Bentham (born February 15, 1748, near London, 6 June 1832, Westminster). It is a pure ethics of responsibility in which the conviction does not matter, but the greatest happiness of the greatest number, or the principle of the greatest happiness (principle) of all men. It is therefore about the determination of the net happiness resulting from actions and their maximization. Joy and suffering are offset against each other individually as well as in between all the people affected by the action. The action with the greatest net happiness is the most moral.<sup>30</sup> The answer of utilitarianism to the solution of the trolley dilemma would have been saving the five people at the expense of the one person.

Utilitarianism in economics has become known as benefit maximization. “Utility” has a different meaning than the word “happiness”. Happiness makes Bentham’s approach more equitable, since “pain and pleasure” meant pain and joy. It is only today that this is taken up again in the context of happiness research. For Bentham, for example, happiness comes from a sense of goodwill, a good reputation, wealth, power, charity but also negatively occupy characteristics such as disgrace. Suffering results from deprivation, a bad reputation, enmity, and pleasure can arise from charity, piety and misery. In the case of charity, one gives to others and feels happiness. In the case of malevolence, one feels pleasure when others are wrong.

**Group Discussion: Utilitarianism**

Discuss this approach. Is this consistent with your ethical ideas?

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<sup>29</sup> See Eberhardt, Joachim (2015), [19].

<sup>30</sup> See Bentham, Jeremy (1789).

Criticism about this approach is generally its hedonistic orientation, thus the strong ego and pleasure-seeking. This kind of morality does not correspond to the idea of good found in Plato, Aristotle, and Kant. Ultimately, everything that spreads joy is weighted equally. Is it possible, for example, to equate joy from malevolence and lustful pleasures with the joy of charity, and to calculate it for a net profit? John Stuart Mill, the son of James Mill, the co-founder of Utilitarianism, and his pupil Jeremy Bentham, cites critics with the term “Pig Philosophy”.<sup>31</sup>

The autonomous utility of the community or society is not considered here, but only the sum of the individual benefits. As we shall see later, this is not the same, since the benefit of all individuals is increased by the community (superordinate rules) (emergence). Autonomous utility results mainly from the division of labor.

Our democratic principle at least partially corresponds to this approach: the majority can always make decisions to the detriment of the minority, because it is assumed that their utility is greater than that of the minority.

A further point of criticism is the calculation of benefits for different people. This may be applicable in a welfare economy, for example in the consideration of external effects of large-scale projects, since these are not extreme benefit impairments. But what is the balance of one human life against another? Is it moral to sacrifice a few to save many? Ultimately, the use of soldiers in war is always justified by higher goals, which are often not rooted in truth.

Ultimately, one cannot calculate the amount of joy and suffering in an absolute and quantitative way. *Ad absurdum*, it would be possible to justify the torture of human beings with utilitarianism even if a sadist feels more joy than his victims. The sacrificing of slaves in the Circus Maximus of Rome would be justified if many thousands of spectators felt more joy than the few slaves felt pain. There would be a positive net-happiness. Utilitarianism in the narrower sense is not an ethical approach because the welfare of others is not the focus. The approach is ethical inasmuch as the greatest general happiness, as the happiness of all men, is striven for. In this case, damage to third parties is acceptable.

Rule utilitarianism provides an alternative approach to the act utilitarianism. Rule utilitarianism does not encourage the individual action that provides the greatest happiness, but rather the general rule that maximizes happiness. The difference lies in the overall happiness of the society, which is the outcome if general rules are followed. If we use rule utilitarianism in our example, the torture of human beings could not be justified, even if a sadist feels more joy than his victims. As a general rule torture would not maximize utility to society, since the utility becomes negative if everybody tortures others. The sacrificing of slaves in the Circus Maximus of Rome could not be justified, as there are not just thousands of spectators feeling happy, but also an infinite number of victims feeling pain that reduce happiness. Another advantage of rule utilitarianism is that there is not a special calculation for every decision or action needed, as with act utilitarianism. Either the actor can use his imagination to

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<sup>31</sup> See Mill, John Stuart (1992), p. 86. “the principle of utility, or as Bentham latterly called it, the greatest happiness principle” Mill, John Stuart (1863), Chapter one.

deduce the results of applying the rule or he can use a given set of rules that maximize social utility.<sup>32</sup>

Nonetheless, there is also an account of the pleasure and pain of different people in our Western democracies. When a judge decides on the expansion of an airport, he takes into account the interest of the general public in the form of jobs and a good traffic connection if he approves the complaints of the residents. In the case of aircraft catastrophes such as 9/11, there are launch orders, which are intended to minimize deaths in inner cities. Here the passengers of the machine are sacrificed to prevent more dead on the ground.

### 2.1.6 Millian Utilitarianism

John Stuart Mill (born May 20, 1806 in Pentonville, died May 8, 1873 in Avignon) engages with the undifferentiated fortune of Bentham. He supplements utilitarianism by differentiating the joys and sorrows of the higher and the lower and adopts the goal of classical philosophy to bring people to perfection and dignity. The pursuit of individual and social happiness is Mill's most important life goal. For this he considers the virtues of nobility especially important.<sup>33</sup> A striking quote from Mill is:

It is better to be a human being dissatisfied than a pig satisfied; better to be Socrates dissatisfied than a fool satisfied.<sup>34</sup>

He creates a new Millian utilitarianism by restricting the consequences of ethics to the cases where there are no appropriate duties or rules of action (the duties) produce contradictory results. For him, all actions that tend to increase happiness are moral. From this he develops Kant's rules (duties), so that Brandt speaks of a rule-utilitarianism<sup>35</sup> or per Smart of a limited utilitarianism. Mill's utilitarianism is therefore added to Kantian duties as a consequence of ethics, if these do not give a clear statement of action.<sup>36</sup> According to Mill, a lie is allowed, contrary to Kant, if, with all its consequences, it produces less harm than the truth.<sup>37</sup> Schopenhauer also contradicts Kant and regards the lie as justified in these circumstances.<sup>38</sup> We know this connection under the concept "emergency or white lie".

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<sup>32</sup> See George D. Chryssides, John H. Kaler (1993), *An Introduction to Business Ethics* Cengage Learning EMEA; 1 edition (November 11, 1993), Boston MA, pp. 125, Joycelyn M. Pollock (2015), *Ethical Dilemmas and Decisions in Criminal Justice*, 9th ed., Cengage Learning, Inc, Boston MA, pp. 39.

<sup>33</sup> See Mill, John Stuart (1992), p. 89 und 96.

<sup>34</sup> See Mill, John Stuart (1992), p. 89.

<sup>35</sup> See Brandt, Richard B (2003).

<sup>36</sup> See Göbel, Elisabeth (2010), pp. 26 and Smart, John J. C. (1992).

<sup>37</sup> See Mill, John Stuart (2006), *Original John Stuart Mill: Utilitarianism*, Chapter 2, 1861.

<sup>38</sup> See Schopenhauer, Arthur (1839), p. 264.

Let us take the example of the doctor, who must decide between the mother's life and the child's life, because he loses both. As a doctor and a Christian he can not kill, but non-treatment would otherwise produce worse consequences.<sup>39</sup> The doctor should choose between the life of the mother and the child in the case of birth. There is, however, a duty for the doctor to protect life. To do nothing would be the use a happiness-related worst alternative of action. It remains the choice between the death of the mother or the child. Suppose the mother already has a large family, then the death of the child could lead to less suffering than that of the mother. In the end, this solution is not satisfactory, but there is unfortunately no alternative. Mill's utilitarianism is therefore also generally used for the solution of ethical dilemmas.

The problem with this approach is that the assessment is ultimately left to the individual. Every lie can be justified, you just have to paint the consequences of the truth extremely enough. There are people who are convinced they are a moral person, even though their environment does not agree. A very perfidious example would be the argument of an adulterer who justifies his lies by saying he did not want to hurt his wife. Ultimately, it is concluded that actions with effects on third parties can only be assessed by the third parties themselves. At the very least, objective third parties, as judges, should evaluate. There is, therefore, the basic question of who is to evaluate ethically; the individual or the group or society.

### ***2.1.7 Individual Ethics or Discourse Ethics?***

Ethics can also be distinguished from the starting point of the moral evaluation. Does the individual, the public, a society or a public institution assess whether an action is moral? Individual ethics is understood to mean that man is both the object of ethics and the subject who decides on morality. This moral decision-making process is also referred to as monological ethics, in which the individual himself performs the moral evaluation.<sup>40</sup> Classical ethics, such as that of Kant, is an individual ethics. It is about a good life for the individual and the group. In this respect, the consequences of the actions are closely related. The consequences should be positive for the person and for other people. Ethics in this case is a part of practical ethics that aims to provide assistance for the perfection of the individual and the wisdom of a group. The goal here is the happiness of all.

Discourse ethics sees the public as the starting point for moral evaluations. Thus Habermas is of the opinion:

That only those norms which claim to be the consent of all parties concerned as participants in a practical discourse may apply.<sup>41</sup>

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<sup>39</sup> See Schüller, Bruno (1980), pp. 197.

<sup>40</sup> See Göbel, Elisabeth (2010), pp. 40.

<sup>41</sup> Habermas, Jürgen (1991), p. 12 (authors translation). See as one founder Apel, Karl-Otto (1973).

Habermas, in this sense, favors the principle of unanimity as a societal method of voting, since everyone can prevent a decision they would find damaging by vetoing. This would also create a kind of benefit maximum. The benefit of one person cannot be increased without decreasing the benefit of another. This Pareto efficiency can best be guaranteed by the unanimity rule, since everyone must agree so that no one is at a disadvantage (advantage). Reaching a decision by this procedure will be satisfying because it will only take effect if there is unanimity. It is considered the procedure with the maximum agreement, but there are also disadvantages:

1. The cost of decision-making is high since everyone must agree. It takes a long time to either convince everyone or find an acceptable compromise.
2. Implied veto, so often no decision is made.

Changes made to a decision to the detriment of all parties, but to the advantage of reaching a decision cannot be corrected.

Example: EU Treaty amendments must be approved by all Member States. This means for example, that the Stability Pact can always be loosened as a limit to the EU's debt level, but it can never be tightened because all the countries concerned must agree to this amendment.<sup>42</sup>

### 3. Strategic reconciliation process:

“Log-rolling” refers to the linking of temporally successive votes so that everyone agrees. Disadvantages, which are why the decision-makers would not agree, are compensated for in other votes: “I give you my vote when I get yours” is the motto. Then there are the so-called “package deals” in which different individual voting points to a co-ordination of votes, so that everyone agrees, because if they want to enforce their advantages they must accept some disadvantages that will be advantages for the other decision makers. With a package-deal agreement, in contrast to a stimulus exchange, the decision-makers are certain that they get their benefits, which makes the individual decisions no longer pareto-efficient, but the package or the sum of all votes.

The problem of unanimous decisions through voice exchange and package deals is that the synergy is lost. The whole is no longer greater than the sum of its parts, since each decision-maker maximizes their own utility, but no longer makes use of the utility of the superordinate organization, e.g. of the EU. One result may be that the individual politician can maximize their advantage, but at the expense of socially suboptimal reconciliation results (unanimity-paradox).<sup>43</sup>

We depend on individual ethics in the community. A drowning person needs the help of others. Therefore, even though individual ethics is extremely immoral, an abandoned aid service is additionally sanctioned by society as discourse ethics.

<sup>42</sup> See also <https://www.welt.de/politik/ausland/article13758533/EU-Vertragsaenderung-mit-allen-27-Laendern-gescheitert.html> (23.09.2016).

<sup>43</sup> See Conrad, Christian, A. (2003), The Dysfunctions of Unanimity: lessons from the EU steel crisis, in: *Journal of Common Market Studies*, Vol. 41, No. 1, p. 157–169.

Individual ethics is also the starting point for discourse ethics, since the individual ethics of human beings are incorporated into discourse. Collective ethics can also be seen as a contrast to individual ethics. On the one hand, there is the aspect of control by society, which may be regarded as moral. In the context of public rules, Kant asserts that all actions relating to the rights of other people, with a maxim that is not compatible with public needs, are wrong. On the other hand, the legitimacy of a decision affecting the community makes it necessary for all to have the opportunity to participate in the formation of opinions. This is the basis of a democracy (*demos*). Public opinion determines the right policy and morality. The public should therefore discuss what it considers to be moral. Habermas and Ulrich are representatives of discourse ethics. However, for an objective opinion formation, Ulrich presupposes that citizens have to be publicly-oriented, enlightened and rational. The representatives of discourse ethics also see that these presuppositions are rarely, if at all, given. Neither are all human beings, and therefore the community, adequately morally informed about the well-being of the community. This is reflected in all the opportunities for participation in modern democracy. Although at the federal level all citizens are directly affected by decisions, the electoral participation is relatively low. At local level, this deficit of participation is even more evident. There will be not only a lack of interest, but also lack of time. The information necessary for the formation of opinion must also be procured and processed by everyone in discourse ethics.

In the modern western democracies, the task of opinion-forming has been taken over the media, and indirectly the control of politics by the public, so that we already speak of the 4th branch of government. Information media like television and the Internet are increasingly replacing newspapers, which leads to fewer resources for investigative journalism. A counterweight could be public television.

Habermas sees the modern media world as a hindrance to forming an objective opinion, since the mass media, and above all television, selects and evaluates information before the citizen can encounter it. They are more manipulative than informative. Discussions on public opinion are increasingly rare. As a solution, Habermas proposes that citizens organize themselves more intensively in internal public spheres, for instance parties, associations and interest groups, in order to have more influence on public opinion.<sup>44</sup>

Without a correlation to the usefulness or well-being of other people, a distinction between good and evil can neither be made in individual ethics nor in discourse ethics. Schopenhauer already saw the basis for selfless and thus moral action in compassion with the fate of others (compassion ethics):

The truth now expressed, that compassion, as the only non-selfish one, is also the only genuine moral motive ...” and “All virtues flow from righteousness and love of mankind ...<sup>45</sup>

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<sup>44</sup> See Habermas, Jürgen (1975), p. 292.

<sup>45</sup> Schopenhauer, Arthur (1839), p. 270 (author’s translation).

This presupposes, however, that I have certainly identified with the other, and consequently the barrier between myself and non-I, for the moment, is abolished: only then does the matter of the other, its need, its suffering, directly to mine: ...<sup>46</sup>

According to Mead, for example, in his approach as a prerequisite for collective moral decisions, the consequences of the decision should be weighed impartially for all parties concerned, and their interests, by taking the decisive role in the role of other stakeholders.<sup>47</sup>

Rawls developed a similar approach. Everyone is to be freed from his interests by moving into a primal state, without social differences, in order to ensure procedural justice. Proceeding from a veil of ignorance, citizens cannot know what destiny is for them. Their abilities, their origin, their health, their wealth, and their environment are unknown to them. They could therefore not represent any interests and put themselves into the role of all concerned and consider whether the norm would affect them in an unbiased manner. This impartiality guarantees that just rules for the state and society will be found. This role identification is to be applied when it comes to the design of institutions and social systems. This is the prerequisite for including all those affected by a decision in order to be able to judge the decision from every point of view. He uses this in order to examine from Hobbes, Lockes, Rousseau, and Kant's theory of the social contract, which results are regarded as just and ethical by all concerned.<sup>48</sup>

Can the group or society in principle evaluate ethically better than the individual? From the approach of discourse ethics one might conclude that a group can better weigh the consequences for third parties or society than a private person affected by the action. From this point of view the victim of an unethical act would not be objective enough. The group or society is legitimized to evaluate actions that affect itself, but it is not per se more ethical than an individual. For example, emotions in the group can mutually reinforce each other and lead to irrational, unethical actions. Unethical social trends can be dominant in society, as in national socialism.<sup>49</sup> Ultimately, in Germany, serious ethical offenses are not left to a jury but to legally trained and ethically qualified judges.

However, the responsibility for group decisions is problematic. In principle, group ethics cannot replace individual ethics. Everyone must also be responsible for themselves and not just the group. Groups can thus even promote unethical behavior if the individual can hide in the group in order to escape the responsibility for unethical behavior. This is always observed in demonstrations. Violent attempts to submerge in the group to avoid prosecution. Criminals are looking for unjust systems to legitimize themselves by the group at the expense of others. Overall, it can be observed that the individual is not responsible for collective decisions. This was also a problem of the socialist or communist central administration economies. As a

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<sup>46</sup>Schopenhauer, Arthur (1839), p. 269 (author's translation).

<sup>47</sup>See Mead, George Herbert (1968), p. 301.

<sup>48</sup>See Rawls, John (1979), pp. 158, 341 and in the original Rawls, John (1971), pp. 10, 12, 139.

<sup>49</sup>See also Habermas, Jürgen (1975), p. 279.

consequence, politicians should also be responsible for their individual decisions and not just as a group. Whatever parliament decides, each member must be able to justify his voting behavior.

In order to carry out an ethical assessment, the impact of behavior on the welfare of a third party must be assessed. Where to start?

Without individual ethics, an institutional or collective ethics, a prosperous discourse ethics cannot be created because all individuals pursue their own benefit and do not shrink from manipulating information or having conflicts of interest, in order to achieve their goals at the expense of others in the form of strategic bargaining. Thus, on the one hand, people need the right to vote and to regulate procedures by means of a discourse ethics, to grasp and weigh the views and interests of all parties involved in order to arrive at a morally balanced decision or to carry out a moral evaluation as a collective. In addition, they must first be consensus- and common-minded, and thus also morally oriented, and be able to put themselves into the position of other parties in order to develop a moral reconciliation result. Otherwise, suboptimal horsetrading will result in the enforcement of the stronger group or no decision will be made at all. Wiser heads must prevail by relenting. There must be a willingness to subordinate individual needs to the overall interest of the group. In the case of a discourse, the aim should not be to defend its positions against the arguments of the others, but to measure one's own arguments with those of the others in order to find the best solution. The purpose of the discussions is thus the discovery of truth and not pure self-presentation, as is often observed in talk shows.

Does publicity always produce the truth? Let people discuss their sex-life or stereotypes in public. The publicity will hinder people from saying certain things if they expect negative consequences by the public. On the other hand a public discussion, a discursive ethic will not always represent the desire and interests of the people.

How can this be applied to practice in companies? Collective decisions are also made in the economy. The board is a group of experts. In this case, the people representing the company are to aggregate information for uniform company decisions. Particularly in the case of risky decisions, for example credit decisions, a tendency has been observed in which as many employees as possible are asked to co-sign. This means that the responsibility for a wrong decision cannot be attributed to a single individual and liability is difficult to achieve. Without responsibility for the consequences, however, the risk of misjudgment increases, as decisions are made too easily or out of self-interest at the expense of the company (moral hazard).

In principle, group decisions are legitimate because all stakeholders have been involved. A supervisor is therefore well advised to present the decision alternatives of the group (the team) and to obtain statements from the affected parties in the case of important decisions affecting his subordinates. If the supervisor takes the decision and responsibility on himself, it will more likely be accepted by those concerned, in particular by those who are negatively affected, because they will at least assume that the supervisor was aware of their position and took it into account when making the decision. Conversely, if the supervisor had decided without the inclusion of the group, he might have turned the group against him. Thus, at least, he

could describe his motivations and give the group the feeling of being heard and of their concerns being taken into account. If the group signals that a majority consent to a decision beforehand and their wishes correspond to that of the supervisor, the group is behind the decision, which gives its weight and backing to differing individual opinions.

Finally, the many opinions must be aggregated. Unfortunately, there is no voting procedure that can express the aggregate public opinion in a balanced way. The majority will always dominate the minority. There are also power and information asymmetries in public opinion. Depending on their influence and character, there will always be people who influence public opinion more than others.

What should be taken into account when making a decision? In order to make the right decisions, sufficient information about the effects and the expected results of the decision alternatives with their respective probabilities of occurrence (if available) is needed. But is this sufficient to get the best decisions?

In the democratic market economy there are incentives that promote immoral behavior. As a rule, this means there are advantages for companies through competition restrictions. What has so far received very little attention, however, are the decision-making constellations that have a negative impact on society, which is why morality plays an important role. The damage and the injured parties from these decisions are often unknown, which is why they are very problematic. The agent will not suffer the damage caused by his decision. The negative consequences of the decision are borne by others. Take, for example, the inclination of politicians to pay for electoral promises through debt and thus shift the burdens from their electorates to the next generation. The next generation is not yet eligible to vote. The future generation is not involved in the decision-making process. Jurisprudence calls these contracts at the expense of third parties. Such negative decision-externalities arise whenever all the parties affected by the decision are not involved in the decision.

An explanation for the behavior of political decision-makers is provided by Adam Smith,<sup>50</sup> Joseph Alois Schumpeter,<sup>51</sup> and the approach of the “New Political Economy”<sup>52</sup> based on these prophecies. For the politician, this behavior is designed to maximize the votes. According to the approach of the New Political Economy, the politician is not an altruist maximizing the common good, but rather an individual utility maximizer. Political authorities grant these benefits in the form of power, prestige and income. In order to be able to reach the appointed offices, the collection of as many electoral votes as possible - so-called vote maximization - is decisive for the politician. This behavioral orientation can be described as “political rationality” in the sense of political functionality.<sup>53</sup>

<sup>50</sup> See Starbatty, Joachim (1985), p. 40.

<sup>51</sup> See Schumpeter, Joseph A. (1993), pp. 427.

<sup>52</sup> The behavioral hypotheses of Smith and Schumpeter have taken up Downs in the United States and Herder-Dorneich in Germany, thereby establishing the New Political Economy. See Andel, Norbert (1990), p. 48; Downs, Anthony (1968) and Herder-Dorneich (1957).

<sup>53</sup> A comprehensive theoretical analysis of political ministerial rationality can be found in Frey, Bruno p. (1981). An empirical verification of further parts of the New Political Economy was car-

Corrupting or manipulating lobbying distorts the political decision-making process and does not lead to democratically just decisions, because the advantage of the politician's decisions are gained at the expense of third parties. The parties concerned must be the central principle of decisions. Discourse ethics only works if all concerned can participate in the discourse.

Lobbying influences politicians' decision-making by convincing them that an expenditure is worthwhile for the industry and does so effectively to judge by the existence of such strong lobby representation. The side-effects of politicians and their election campaign donations is also problematic. A politician and the political parties who, like officials, perform sovereign functions should be financially autonomous. If a representative makes a speech, it must be assumed that he does so in the course of his duties and therefore does not need to be paid extra. In the case of business, side jobs can also be approved by the employer both for content and time, due to possible conflicts of interest. Otherwise, lobbying becomes the gateway of capitalism to undercut democracy. This undemocratic influence can be mitigated by the parties' choice of donor, such as it is in the US. This is where the financial gambler appears as one of the largest campaign candidates. Added to this is the fact that numerous public offices were occupied by former employees, for example, by Goldman Sachs.<sup>54</sup>

How can man be morally controlled, and how is moral behavior supported? Incentive ethics (moral economy) emphasizes rules, the framework of action. A company cannot compete against unethical incentives in the competition. This applies equally to the individual in the company. Individual ethical appeal and postulation are regarded as obsolete and meaningless, so intentions and attitudes are not decisive for action.<sup>55</sup>

Discourse ethics focuses on the ethical process, in which the ethical solution is found through the introduction of many points of view and aspects. In this context the individual appears inappropriate.<sup>56</sup> Discourse ethics, however, only works if individuals can bring their own ethically-based opinion into the discourse and can identify both ethical arguments and consequences. They must also be able to accept the arguments of the others as a whole for a consensus, and to evaluate their ethical meaning in order to come to a priority and ranking of the arguments.

Ultimately, institutional ethics and discourse ethics do not function without individual ethics. National Socialism made it clear that the individual, with reference to the laws, cannot be released from ethical responsibility. No order is comprehensive

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ried out by Meyer-Krahmer. See Meyer-Krahmer (1979). The most comprehensive summary of the approaches of the "New Political Economy" is provided by Franke. See Franke, Siegfried F. (1996). A good theoretical analysis of political values can be found Downs, Anthony (1968); Andel, Norbert (1990), pp. 47; Braybrooke, David/ Lindblom, Charles, E. (1963) and Lindblom, Charles, E. (1965).

<sup>54</sup> For example, the former Finance Minister of President Clinton Rubin, as well as Finance Minister Bush's Paulson, came from Goldman Sachs. See Conrad, Christian A. Hrsg. (2015).

<sup>55</sup> See Homann, Karl/Blome-Drees, Franz (1992), p. 18f, 22f, 38 and Pies, Ingo/Blome-Drees, Franz (1993), pp. 177.

<sup>56</sup> See Wittmann, Stephan (1994), pp. 16.

and no system can control people 100%. A total supervisory state would leave no room for individual freedom. This would also be a contradiction to the dignity of man and to his freedom to make self-responsible decisions. People without conscience are an aberration. This is also recognized by the moral economists and encourages the interplay of moral intentions and the institutional stabilization of moral codes of action.<sup>57</sup> An ethically oriented institutional order must provide the incentives for ethical action and serve as an orientation aid when the individual is overwhelmed by choosing between goods because, for example, he can not estimate all the consequences of his actions. Individual morality is the basis for the ethical order, which cannot exist without it. As already stated, individual morality is also needed as a continuous corrective for an ethical order.

Individual ethics is therefore the basis for ethical evaluations and institutional ethics, individual ethics and discourse ethics must work together.

Decisions are always taken by individuals within companies. It is not the companies that can take ethical responsibility, but only the people. A conscience is also required for the ethical weighing of responsibilities. However, the responsibility of the individual must be seen in relation to his or her discretionary competence in the company.

## **Conclusion**

Decisions by politicians may be made at the expense of the company or decisions of managers at the expense of the owner of the company. It is therefore necessary to demand that at least the main interests concerned should be represented in some form in decision making or that the decisions be sanctioned by those concerned, at least in retrospect.

## **2.2 Modern Ethics**

### ***2.2.1 Moral Economics: Morality Must Be Worthwhile***

It is precisely this goal conflict between one's own benefit and that of the other that moral economy (or economic theory of morality) addresses. It asserts that if morality is to be achieved, the incentives must be designed to make moral behavior worthwhile.

The main representative and co-founder of moral economy, Karl Homann (born April 9, 1943 in Everswinkel), developed an approach to incentive ethic that tries to direct the individual's development into the morally desired direction using the right incentive design.<sup>58</sup> There is a need for morality to draw up the moral framework.<sup>59</sup>

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<sup>57</sup> See Enderle, Georges (1992), p. 15 and Homann, Karl/Blome-Drees, Franz (1992), p. 44.

<sup>58</sup> See Homann, Karl (1999), pp. 330.

<sup>59</sup> See Homann, Karl/Blome-Drees, Franz (1992), pp. 39.

Furthermore, morality is needed because of the incompleteness of the Treaties.<sup>60</sup> In principle, we do not need legislation to create a moral framework even in our legal system. If these are missing, the so-called judicial right can fill these gaps. And in the Anglo-Saxon world, case law opens the possibility of a case-by-case moral evaluation and punishment of trade by the courts.

The advantage, according to their representatives, is that incentive ethics can dispense with moral appeals and blame. People are only required to conform to the law and/or incentive, since they cannot be expected to behave morally to their own disadvantage.

Actors only follow moral norms in the long run if these observances have individual advantages, or at least no disadvantages, by means of a sequence of actions.<sup>61</sup>

Homann rejects the moral self-control of the individual by means of internalized values because it would be exploited in market competition. If, for example, child labor is not prohibited, an entrepreneur must resort to it because they would otherwise have a competitive disadvantage.

If a single market participant were required to demand morally justified or intermediate services under competitive conditions, they would be expected to be forced out of the market by their competitors and economically ruined.<sup>62</sup>

The ethical responsibility lies with the government to create the morally correct incentives. Business ethics is thus a pure ordinance or institution ethics.

Moral and moral motivation of individuals are indispensable, but they are applied in a systematic way in our draft, not in direct economic actions, which in principle are “morally free”, but in the design, in the acceptance and in the observance of the rules for these actions.<sup>63</sup>

A moral framework should be designed in such a way that self-interest becomes socially productive. Homann transfers the utility maximization from Adam Smith to all spheres of life, referring to the economist G. S. Becker.<sup>64</sup>

Homann goes even further. He believes that the social control of moral behavior can no longer be carried out in modern society. People live together in such large numbers that this necessarily leads to anonymity. Social control becomes difficult because contacts are always changing and people are neither dependent on each other, nor know each other. In the past, there was a manageable face-to-face society, but people live in many subcultures at the same time today, not least because of great mobility. He points to the “open society” as per F.A. Hayek and K. Popper. Each individual must create a unique individuality in his life from the options

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<sup>60</sup> See Homann, Karl (1999), pp. 330.

<sup>61</sup> Homann, Karl (1999), p. 336 (translation by the author).

<sup>62</sup> Homann, Karl/Blome-Drees, Franz (1992), p. 36 (translation by the author).

<sup>63</sup> Homann, Karl/Blome-Drees, Franz (1992), p. 40.

<sup>64</sup> See Homann, Karl (1999), pp. 335.

available to him, which modern sociology calls increasing individualization.<sup>65</sup> All that remains is the individual with his individual advantage.<sup>66</sup>

Strive as much as possible according to your own individual advantage - provided that this is also to the advantage of the others, which the general conditions of the economy have to take care of (conditional ethics). The individual striving for advantages thus becomes a moral imperative.<sup>67</sup>

Ulrich criticizes the application of classical ethics to economics with the argument that ethics is corrected “from above” at the expense of economic rationality. He suggests there is a conflict of goals between ethics and economics and fears that ethics will be implemented at the expense of efficiency. He criticizes morality economics, and subordinates the ethics of economic rationality, which he regards as inadequate. For this reason, he proposes the re-integration of ethics into economics with his approach of social-economic rationality (or integrative ethics), so that, as per Aristotle, the goal of profit is once again directed at the higher human goals. The “licentious work of art,” that is, profit for itself, must be rejected. Economy is not an end in itself, but is at the service of life, of society, and is to be measured according to its social functional rationality.<sup>68</sup>

This idea is considered counterproductive by other authors with reference to enormous advances in productivity, which are estimated by profit maximization as an incentive effect. Furthermore, they argue that, when compared with antiquity, the production process today is subject to a much higher division of labor and anonymization, which is why it is difficult to view work as the direct vehicle to meet basic needs.<sup>69</sup> Ulrich replies that a morality-free economics develops a self-centered mind. It comes to a purpose-medium-reversal between the world of life and the system. As an example he mentions the need to increase consumption in order to create jobs. This purpose-medium-traffic leads to a loss of meaning in the social system. He demands that the unbounded dynamics of economic rationalization be coupled with practical meanings and values.<sup>70</sup> The fact that there is no conflict between moral demands and economic efficiency in a “socio-economically sound” economy is seen by Göbel as an ideal, but still far from reality.<sup>71</sup>

But what helps me when I get the world and damage my soul? asks the Bible. The question is whether or not maximization of profits as enrichment is directed by

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<sup>65</sup> See Homann, Karl (1999), p. 331. See auch Homann, Karl (2003), pp. 6.

<sup>66</sup> See Homann, Karl (2003), pp. 8, 17. Adam Smith is widely interpreted here in order to help the poor, stand before the election between the *caritas* and the welfare maximization over the self-interest, and – ethically motivated – has decided for the second.

See Homann, Karl/Blome-Drees, Franz (1992), p. 18.

<sup>67</sup> Homann, Karl/Blome-Drees, Franz (1992), p. 18.

<sup>68</sup> See Ulrich, Peter (2001), p. 11, 97ff, 117; Ulrich, Peter (1989a), pp. 182; Ulrich, Peter (1987), p. 412; Ulrich, Peter (1990); Ulrich, Peter (1980), p. 34; Ulrich, Peter (1989b), p. 10, 15; Göbel, Elisabeth (2010), pp. 79 and Strasser, Gerd J. (1996), p. 286.

<sup>69</sup> See Homann, Karl/Blome-Drees, Franz (1992), pp. 12.

<sup>70</sup> See Ulrich, Peter (1987), p. 415.

<sup>71</sup> See Göbel, Elisabeth (2010), p. 81.

greed and unscrupulousness against the interests of the people. This warning already resonates with Aristotle and is still appropriate. Work no longer being so clearly the means of subsistence has rather increased this problem. What is needed is sustainability, in the sense that people's interests are being met in the economy over the long term.

Moral economics calls on companies to force politics into accepting a different moral order. Mistakes are attributable to false incentives in the market economy, which can be corrected in case of need. An individual moral code is then no longer necessary for the entrepreneur and the manager thanks to Smith's invisible hand, which is praised as a "paradigmatic turning point" in ethics.<sup>72</sup>

Moral economists consider a minimum of individual morality to be indispensable. Finally, the framework conditions or institutions must be morally designed. There are not always laws for behavior. Laws must also be partially interpreted by individuals because they are either not clear or not directly applicable. Thus, companies can behave in accordance with the law and are still regarded as immoral by the company. Here, companies are asked to behave morally beyond the incomplete legal framework. Finally, citizens need to be involved in shaping the framework. They represent the society that also requires individual morality.<sup>73</sup>

The minimalist approach of moral economics is remarkable for its openness. People are not expected to be better than they are. Man is no longer a social being, but a human wolf (*homo homini lupus*), which seems realistic. The question remains however, whether this approach is sufficient for a well-functioning economy.

If one allows man to be immoral like the moral economy and renounces moral socialization and control of society, one then assumes that there is a state to monitor everything. Not only must the laws cover all moral misconduct, but the state must discover and sanction all unethical acts. This is unrealistic. Even if this were possible, the associated costs and the infringement on privacy would be extreme, and thus not justified. Even the pragmatic Machiavelli himself wrote in the "Discorsi":

As ... legislation is necessary to maintain good mores, good mores are also required for compliance with legislation.<sup>74</sup>

The approach of moral economy is based on the pure individual utility maximization as a behavioral assumption (utilitarianism: *homo oeconomicus*). Conversely, utility maximization at the expense of others would be justified. There are no virtues, no good sentiments, no consequences for people. Even the duty ethics is limited to the duties that are controlled and sanctioned. There is no responsibility to one's own conscience (moral self-responsibility). The incentive is thus perverted, because why would one still renounce one's own advantage at the expense of third parties? Unethical behavior is thus encouraged by this approach. One's own benefit is maximized at the expense of third parties, wherever rules and supervision allow it, or the disadvantage from the sanctions is less than the benefit derived.

<sup>72</sup> See Homann, Karl/Blome-Drees, Franz (1992), p. 48.

<sup>73</sup> See Homann, Karl/Blome-Drees, Franz (1992), p. 40, 126, 138, pp. 152 und 159.

<sup>74</sup> See Machiavelli, Nicola (1977), p. 64.

Without institutional regulations, maximization of theft would be achieved by the economic principle of achieving a given goal with minimal effort. In this sense, the moral economy provides an excuse for unethical behavior. If the basic conditions are not sufficient, one is no longer responsible for the unethical behavior; rather, one must behave unethically in order to thrive. This would then also be necessary for the perception of interests for third parties, such as for public organizations, the state or enterprises. A company must behave unethically if the conditions for competition allow it. In the case of globalized markets this would mean that the enterprises of the western industrialized countries would have to orient themselves to the corporate laws and the state framework of the third world. The institutions of the banana republics became the benchmark for corporate ethics, for example. There is an ethical downward adjustment. All in all, the approach of moral economics thus represents a step back for civilization.

The approach of moral economics can be applied to the enterprise level. The employee or manager is not to be held responsible for any immoral behavior if this causes him internal conflict. This means that an employer would have to assume that his or her employee steals from him at every opportunity. Every moral hazard inevitably leads to damage at the expense of the company. The employer could no longer trust that an employee was loyal to him. Such unethical employees would not therefore be hireable by a serious employer because an unethical employee must be under strict control at all times. Apart from the fact that this is neither possible nor affordable to the company, a total monitoring system - with video cameras - is also not allowed in most countries, because it violates human basic rights.

### **Conclusion**

Moral economy posits a causal chain of social change to individualization, yet the reverse can also be inferred. The more individual and anonymous the society the more moral the individual has to be (individual morality), so that social damages are minimized, but the reverse is also true. It is not the order that matters, but how people choose to behave.

## ***2.2.2 Specific Ethical Assessment Principles***

### **2.2.2.1 Human Rights**

An economic action is moral or ethical if it does not harm others. The basis for this assessment is the acceptance of the rights of other people and living creatures (including animals). Though the ideas originate from the Enlightenment, human rights were formulated for the first time in the American Virginia Bill of Rights in 1776 and then in the French Declaration of Human Rights in 1789.<sup>75</sup> These rights are thus internationally legitimated and interested or affected parties can demand

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<sup>75</sup> See Maier, Hans (1997), p. 16ff.

their implementation. Man is attributed special dignity because he is the only living creature with his own free moral judgment, and can be protective of one another. Kant formulated the practical imperative for this reason.

Act that you need mankind, both in your person and in the person of each other, at any time at the same time as an end, never merely as a means.<sup>76</sup>

Many human rights have been formulated. The most well-known is the “Universal Declaration of Human Rights” of the General Assembly of the United Nations of 10 December 1948, the so-called UN Declaration of Human Rights. Particular mention should be made of the following:

- The freedom of individuals, such as a sphere of personal freedom, free choice of residence, freedom of conscience and religion, freedom of expression and freedom of information (press freedom), free choice of education and occupation, etc.
- Fair values, such as the prohibition of discrimination, entitlement to equality before the law, equal pay for equal work, equal suffrage, etc.
- Good living conditions, such as the prohibition of torture, social protection of a dignified existence, protection from degrading treatment.

The formulation of human rights is at least partly due to a tendency towards individualization. Karl Marx was an opponent of the human rights movement. He saw the rights of society threatened by human rights. Already here, the contrast between the necessity of the individual and the collective showed itself to be subordinated to the desire for individual development. Thus, Marx says: “None of the so-called human rights go beyond the egoistic man, the man, as he is a member of bourgeois society, namely an individual, withdrawn into his private interest and his private will, separated from the community. Far from the fact that man was conceived of as a part of them, the life of nature itself, society, appears as a framework external to the individual, a limitation of its original independence. The only bond that binds individuals is the need for nature, the need for private interest, the preservation of their property and their selfish person.”<sup>77</sup>

The individual concept of freedom was dismissed as a bourgeois invention in the countries of real socialism. Instead, so-called basic social rights were expressed; the right to work, the right to vocational training and social protection. However, the individual was left with no decision-making freedom and his life was planned centrally.<sup>78</sup>

From the rights, however, come indirect obligations for how people are to deal with each other. People must recognize the rights of the others as equal in principle, and even accept a restriction of their own rights, if it is the only way for the rights

<sup>76</sup> See Kant, Immanuel (1797a), (C), p. 429.

<sup>77</sup> Marx, Karl (1843).

<sup>78</sup> See Maier, Hans (1997), pp. 40.

and freedom of others or general welfare to be guaranteed. And finally, there is a duty to work for the realization of human rights.<sup>79</sup>

There is now a new category of human rights given to people. These include the right to peace, cultural diversity and the right to development.<sup>80</sup>

### 2.2.2.2 Environmental Protection as Sustainability

The economist John Stuart Mill already recognized the environment as a valuable asset.<sup>81</sup> Environmental protection is another criterion for the ethical assessment of economic activities. The resources of our environment are to be maintained not only in the short term for the present generation, but also in the long term for future generations. Today's human being assumes the responsibility for the fact that the natural basis of life must also be available to future generations. Sustainability can therefore be traced back to human rights if the same rights for the use of nature are assumed for current and future generations.

The environment represents both: the basis for future production as well as the well-being or quality of life for people. The air, the seas, and the forests are examples of such environmental goods. Sustainability is economic behavior that leads to no long-term worsening of the economic conditions (definition of sustainability).<sup>82</sup>

### 2.2.2.3 Animal Protection

Since animals can suffer as living creatures, they are also protected. Accordingly, the use of animals by humans must also be counterbalanced and weighed. Kant already advocates a balancing in animal experiments and rejects these if alternative methods can be used to carry out tests.<sup>83</sup> Biodiversity is not only the basis for future economic use by humans, but also offers people a sense of life.<sup>84</sup>

## 2.2.3 Justice as an Assessment and Behavioral Approach

Justice is actually a classical ethical approach and its roots can be found in the work of Aristotle. This approach is not usually included in the appraisal approaches however is needed for assessing human behavior, which is why it is to be supplemented here in a more modern form.

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<sup>79</sup>See Maier, Hans (1997), pp. 95; [www.un.org/depts/german/menschenrechte/aemr.pdf](http://www.un.org/depts/german/menschenrechte/aemr.pdf) and Göbel, Elisabeth (2010), pp. 147.

<sup>80</sup>See Hilpert (1991)

<sup>81</sup>See Mill, John Stuart (1848), pp. 62.

<sup>82</sup>See Göbel, Elisabeth (2010), pp. 150.

<sup>83</sup>See Kant, Immanuel (1797a), A108 and Kant, Immanuel (1793).

<sup>84</sup>See Weinschenck, Günther/Dabbert, Stephan (1999), pp. 560 and Teutsch, Gotthard M. (1995).

The perfect virtue for Aristotle is justice, which serves as a measure of the economy. He does not understand any need for distribution according to need, as is the case with socialism, but rather distribution according to status.

If these are not equal, they are not the same; but controversy and accusation spring from it, if either those who are equal, not the same, or those who are not equal, attain and enjoy the like.<sup>85</sup>

According to Aristotle, there must also be a balancing justice, which compensates for unlawful distributive results, such as from fraud.<sup>86</sup> The equality principle of human beings is a basic principle of democracy and ethics.

We understand justice (or fairness) to be a behavior that results in a distribution of benefit or harm among people, which takes into account the differences and rights of those affected by the distribution (**definition**). “Just” and “ethical” are related terms insofar as they refer to the effects of actions on third parties. An action that is classified as justified can also have negative effects on third parties and thus be unethical in the narrow sense.

When it comes to the question of whether a behavior is justified, it is primarily about the weighing of interests. We also speak of the legitimacy of behavior. There are many different definitions of justice. An action is considered fair when no one is favored or disadvantaged by the behavior, assuming that all persons concerned are equally entitled. No one is allowed to have more or less harm than another. The effect of an action must be the same for all. If the persons concerned are unequal in an aspect important for the action, this must be taken into account. According to Aristotle, unequal treatment is appropriate for unequal performance. For example, the remuneration of employees is limited by their performance, responsibility and qualifications. This also results in a salary inequality. Those who do more carry more responsibility and are more highly qualified, get more than an equal share.

We need justice to balance interests. In principle, we have defined ethical with regard to the effect of behavior on third parties. However, the actor is not required to take his own welfare into account.<sup>87</sup> This would be unjust because the actor is, in principle, equal with all others. For example, a person cannot be required to work hard for his salary and then give half the salary to someone who has done nothing. Here one would cite the case of Aristotle, that in the sense of justice unequals should be given unequal shares.

In this behavioral approach there is also a motivation for the agent. Many people want to be fair and demand justice. However, the determination of just behavior is difficult for the individual because he cannot assess the effect of an action on third parties and often subjectively tends to favor himself. The just distribution of benefit and damage can usually only be determined from the outside, through uninvolved and thus objective third parties. Nevertheless, this assessment makes sense because

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<sup>85</sup> Aristoteles (1960), p. 204.

<sup>86</sup> See Aristoteles (1960), p. 196 und p. 358; Aristoteles (1991), pp. 22 or 1257b und 1258b and Schefold, Bertram (1989), p. 19–55.

<sup>87</sup> So also Kant in his practical imperative. Kant, Immanuel (1797a), (C), p. 429.

an action can be ethical if it has a positive effect on all concerned, but is still unjust. Such an act would also be classified as ethical according to our previous evaluation criteria, but we could not differentiate further. Different actions can be ethical, but only one can be just.

The discourse ethics presented in Sect. 2.1.7. helps in the determination of equitable behavior by giving all participants the opportunity to present their own position and to put themselves in the respective situation of others involved.

### 2.3 Conclusion on Ethical Evaluation Procedures

Let us summarize by saying that all the ethics concepts presented have their strengths and weaknesses. The duty ethics in pure form would be the simplest form. In this ethical conception, man has only to adhere to the rules of conduct to be moral. He can follow instructions without worrying about their implications. This corresponds to the observance of the rules of conduct given by religions and ideologies or laws. These are norms with and without penalty. Ultimately, we must answer the question of why people should behave morally at all. However, there are many people who do not have the moral and intellectual prerequisites to recognize or even weigh the consequences of their actions on themselves and others. Also not all people have a good disposition. There are two other problems that remain unresolved in the subject of duty ethics. There are decision-making situations for which there are no rules and decision-making alternatives might all be unethical. In these situations duty ethics is not enough and man has to weigh the various consequences. In order to be moral when weighing the consequences, he must have a good disposition, that is, an ethic of conviction. In the borderline situations described above, all ethical forms must be consulted in order to arrive at a morally balanced decision.

The general question of whether an action can be moral without a good attitude must still be addressed. The clear answer of the philosophers Kant and Hegel is “no” and our understanding of justice would also consider it unjust to praise someone as moral if the good effect of an act was accidental and unintended. On the contrary, the greater the personal sacrifice to do good to others, the behavior is seen as moral by society. A good attitude and the knowledge of the consequences of the action also allow a morally balanced action without rules (duties).

According to Kant, an ethical action is less valuable when there is no sacrifice on the part of the individual. If the agent has an advantage from the action, the moral aspect of the action, is mixed with his own benefit. The decision-making process is no longer purely moral. Conversely, one has to ask how the action is to be judged if one’s own advantage was not decisive, but the motive to help others. *Ad absurdum*, an action may be less moral only because it is a pleasure for the person to allow others to benefit from the action. The value of the help would be diminished in this way by the fact that the actor does not feel loss, but joy.

The problem is that convictions are rarely recognizable from the outside, making them only a conscience orientation for the actor and not a generally valid assessment

criterion. Socially, no one notices sentiment, and it seems silly to put sentiment in the foreground because an immoral liar would claim moral sentiments even without feeling them. “Do good and talk about it” is therefore not bad advice.

If an action or behavioral pattern is to be assessed, Bentham and Mill provide a plausible approach. What else should be used for the purpose of evaluation besides the benefit or happiness or joy and suffering? The subjective appreciation of pleasures and suffering remains a problem, since it is difficult to assess the actions and their effects on third parties. Even interpersonal allocation is absolutely necessary in a society, because it is not right for everyone. There are always benefits and disadvantaged from an action. It is important that there are limits to the reasonableness of actions. Violations of health and human dignity must not be weighed against monetary benefits.

## 2.4 Application Examples

### Group Work: Lying on an Application?

The general ethical appraisal approaches result in different rules for action. Can I lie about my abilities in my interview? Discuss this question in groups and try to apply the different ethical approaches (constitutional ethics, categorical imperative, publicity rule, practical imperative, duty ethics, ethics of responsibility and moral economics).

### Solution

The ethical evaluation could be as follows (with a large margin for different values):

1. Constitutional ethics: I am better than the others and like helping the company.
2. Reason balancing:
  - (A) Categorical imperative: Law: Everyone lying would be a catastrophe: No!  
Do I want to be lied to myself? No!
  - (B) Publicity rules: The rights of the employer have been violated. He was deceived and will not agree with the behavior: No!
  - (C) Practical Imperative: No, I do not use the employer as a means for the purpose. I do harm to him by fraud.
3. Duty ethics (deontological ethics): No, lies are never allowed.
4. Ethics of responsibility (teleological ethics): If I lie, I do harm to my employer and other competitors, but if I do not get a job, my fate is much worse.
5. Moral Economics: There is no sufficient state regulation that reveals and punishes lies in applications, so everyone is forced to lie.

What is the right answer to the question? Due to the asymmetric distribution of information at the expense of the employer, it is difficult for the HR manager to uncover lies or false information in the application process. It is therefore a good

**Table 2.1** Ethical valuation approaches

Ethical valuation approaches	Criteria to judge behavior
Ethic of conviction	Will; creates a good for others
Categorical imperative	Does general applicability create a good for others? Is it what one would want for themselves?
Practical imperative	Positive effect on others
Publicity rule	Reaction of those affected and society
Ethics of duties	Obeying rules and the corresponding norms
Ethics of responsibility	Positive effects
Utilitarianism	Positive net happiness when happiness is balanced against suffering
Moral Economics	Are social moral rules sufficient? Does it pay to act morally?
Criteria of justice	Distribution of effects according to the relevant criteria

idea not to be too modest. In order not to spoil the hiring opportunities, the applicant should not take the standard question “What are their greatest weaknesses” literally. Here, the moral economy is approached. There is a veil of not knowing. A job interview is about selling your own work to the employer. In this respect, the applicant must convince the employer of their good qualities. This is a sales pitch. The employers also expect aggrandizement. As with a sales talk, however, there is also product liability, as with a job interview. You must not promise properties that the product, in this case yourself as an employee, cannot fulfill in the company afterwards. Lying is not allowed and lies here have also short legs. A company is usually quick to find out what an employee can do.

After studying the different forms of ethics, we will review our definition of “moral” or “ethical”. An ethics of responsibility always examines the effects of an action on third parties to determine morality. Even in the case of Kant, reason should make clear the effects on third parties. In this respect he assumes a good disposition, a conviction of morality from the actor. Our definition of human behavior as ethical or moral, that is, as “good,” when no one is harmed, corresponds to this reasoning. An action is good when it increases wellbeing, and benefits other people, or at least does not do harm (Table 2.1).

## 2.5 Summary

In principle, the ethical evaluation criteria are available to executives in order to assess and weigh their action alternatives. Moral economics is inadequate as the only decision criterion, since it accepts immoral consequences for third parties. Many people do not have the moral and intellectual prerequisites to recognize or even weigh the consequences of their actions on themselves and others. Even the conviction to do good is absent in many people. Here duty ethics is more effective.

There are two essential problems that remain unsolved in the case of duty ethics, however. On the one hand there are decision-making situations for which there are no rules, or which only contain unethical alternatives. In these situations duty ethics is not enough and man has to weigh the consequences. In order to be moral when weighing the consequences, he must have a disposition to want to do good, which is constitutional ethics. In the borderline situations described above, all ethical forms must be consulted in order to arrive at a morally balanced decision. On the other hand, the general question remains as to whether an action can be ethical without good intention.

### Comprehension Questions

1. What are the categorical and practical imperatives of Kant? Give us some examples from the business world.
2. Define values and duties.
3. Which assessment approach corresponds to your personal behavioral goal? To what extent do you think you can keep this type of behavior in the business?

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