

Chapter 2

1.* *Give a simple argument that breaking a promise, simply because it is convenient to do so, fails the generalization test. Note that one can break a promise only if it is possible to make a promise.*

This is a clear application of Corollary 1 of the generalization principle. Breaking promises merely for convenience undermines the practice of promise making, and therefore promise breaking. If people broke promises whenever convenient, any attempt to make a promise would be seen as a bad joke. Nobody would take it seriously.

It is true a good many promises would continue to be “kept,” simply the promised behavior is something that people want to do anyway. But this would scarcely encourage anyone to believe promises. The promises themselves mean nothing; people are going to do whatever they find convenient, promise or no promise. The whole point of making a promise is that you will keep it when it is *inconvenient* to do so.

You might respond that you could still *make* a promise, and keep it or break it, even if nobody took you seriously. But this is not a promise. It is only your statement that you will act in a certain way. The reason for making a *promise* is that you want someone accept it. You may want that person to promise something in return, or to be reassured that you will take care of him/her in some way. This is impossible if no one believes promises.

2. *Give a simple argument that lying, merely for convenience, fails the generalization test. Assume that the lie would achieve its purpose only if it is believed.*

If people always lied whenever convenient, no one would believe the lies, and it would be impossible to achieve the purpose of lying. This violates Corollary 3 of the generalization principle.

Lying is more serious than students might think. The very possibility of communication presupposes a certain amount of veracity. Without communication, human life as we understand it is impossible.

It is true that we can often gather information even from lies. We can observe the tone of voice and body language to guess what the person is really thinking. We can consider the person’s incentives to lie and judge statements on that basis. But this is not communication. It is merely a matter of drawing inferences from behavior, which we can do if there is no language or communication. Communication presupposes that we can ordinarily believe what people say simply because they say it.

Telling the truth is actually a special case of promise keeping. If I tell you something, I implicitly promise that it is true. Lying breaks that promise. Promise keeping is therefore fundamental to human existence.

3. *As an ambulance driver, you normally use a siren and flashing lights only for an emergency. At the moment you are driving the vehicle to an important meeting with your boss that may determine whether you will be laid off due to budget cuts. You lingered a bit too long at lunch before departing and therefore turn on the siren so that you can arrive on time. Suppose for the sake of argument that this is legal. Is it generalizable?*

Suppose ambulance drivers always used the siren when they were in a hurry for personal reasons. One possible consequence is that motorists would become cynical and simply ignore the siren. You would be late for your appointment in any case. This defeats the purpose of your action, which therefore fails the generalization test (Corollary 3).

At the very least, strict controls on the use of siren and lights would be put into place. You would have to get clearance from authorities to use the siren, and its use would be monitored. One of your reasons for using the siren is doubtless that you can probably get away with it. The reasons for your action would no longer apply if everyone with the same reasons behaved similarly, and the generalizability test is again failed.

4.* *The situation is the same as in the previous exercise, except that you are running late because of a very unusual traffic jam on the route. You can still arrive on time by using the siren. Is this generalizable? What exactly is the scope in this case? Hint: If you are willing to use the siren due to a traffic delay, would you be willing to use it for other kinds of delay? Why not?*

You might argue that this is different from the previous exercise because in that situation, it was your fault that you were late. In the present case it is not your fault. You left ample time but were frustrated by a freak traffic jam. Yet why is this relevant? It is one of those arguments that may seem reasonable only to people who already agree with the conclusion. Nor does it apply the conditions for rational choice, in particular the generalization principle.

You might respond that your behavior is permissible in this case because the circumstances are rare and therefore generalizable. If ambulance drivers always used the siren for personal reasons only when in a hurry and there is an unusual traffic jam, then arguably this would have little effect on your ability to carry out your ruse.

There are at least two problems with this argument. One, suggested by the hint, is that it draws the scope too narrowly. Is the traffic jam the reason for your action? Or is it simply that you encountered an unexpected delay? You might have been late because of bad weather, or you misplaced your keys, or someone blocked you in the parking lot, or any of a thousand other reasons. This would seem to justify the siren no less than unexpected traffic. If not, then we need some reasonable explanation as to why not, an explanation that induces you to use the siren in one case but not in the others. I think it is unlikely that such an explanation is part of your thinking when you switch on the siren. Yet if ambulance drivers abused their privileges for personal reasons whenever they encountered an unexpected delay, we could expect the same sort of reaction just described. After all, most delays are unexpected.

Another problem with your behavior is that it is a lie, essentially for convenience. You are falsely telling motorists that you are on an emergency call. Lying for convenience is ungeneralizable, as shown in Exercise 1.

5. *While walking down Fifth Avenue in New York City, you see a \$100 bill on the pavement. You take the money and spend it because you have no way of knowing who dropped it. This is legal, but is it generalizable?*

Presumably the reason for keeping the money is that you found it, you have no way of learning who owns it, and you like free money. If everyone with these reasons behaved likewise, you would still have found the \$100 and would be able to keep it. Presumably people are already quite careful not to drop money on the street, on the assumption that it will probably not be returned. Keeping the money is therefore generalizable.

We occasionally hear stories of someone who finds a large cache of money, perhaps \$100,000, and turns it into the police. We are impressed by the honesty of the act, which suggests it is the ethical thing to do. In this scenario, however, there is a chance (probably a good chance) that the owner can be identified and verified. It is unethical to keep someone else's property if you can identify the owner, because violating property rights is ungeneralizable (as discussed as in Case 6.7).

6. *You shop at a grocery that arranges milk bottles so that the oldest ones are in front and the freshest in the rear. You reach behind the older bottles to select the one at the very back. Your reason for doing so is to obtain the freshest milk. Does your behavior pass the generalization test?*

If everyone reached for the back to obtain the freshest milk, then neither you nor they could obtain the freshest milk by doing so. The act is therefore ungeneralizable. Naturally, if the milk sells quickly and all of it is fresh, then there is no ethical problem with taking a bottle from the rear or anywhere else.

7. *As you are about to board an aircraft, it is announced that the plane will be boarded by zones to expedite the process. However, you would like to board before your zone is called to make sure you can find space for your carry-on luggage in an overhead compartment. Is this generalizable?*

If everyone with bags boarded first, regardless of zones, boarding first would not ensure space for the bags. The act is therefore generalizable under this rationale.

You might argue that you are boarding first to *increase the probability* that you will find luggage space, not to make it a sure thing. Boarding early would increase the probability even if all the others with bags board early. But would it? Everyone else with bags would be trying to board early, and there would be a mob around the gate. You are would be as likely to end up behind them, and come out worse, as ahead of them. Another problem is that the airline staff may start

enforcing the zones, as they sometimes do already at airports where this kind of behavior tends to be a problem. So the action remains ungeneralizable.

If most people are already ignoring the zones, doing likewise may be generalizable. However, there is a utilitarian issue (see Exercise 19).

8. *While commuting home from work, you take a detour through a residential area to avoid a congested main artery. Because only a few drivers take the detour, it removes several minutes from your commuting time due to the light traffic. Is your action generalizable?*

If all motorists wanting to avoid congestion took the alternate route, there would no longer be advantage in doing so. It is therefore ungeneralizable.

This does not imply that it is unethical in general to take the fastest route. Generally, motorists already choose the route that is best for them, given the choices of other drivers. They tend to reach an equilibrium in which no driver has an incentive to reroute. This behavior is perfectly generalizable because it is already generalized. In fact, traffic engineers generally model traffic patterns on the assumption that drivers will find an equilibrium.

In this exercise, however, the residential route is faster because drivers are *not* seeking an equilibrium.

9. *In the previous exercise, suppose that a few commuters can drive through the residential area unnoticed, but if many cars used the detour, the traffic would become a noisy and hazardous nuisance in the neighborhood. Does this have a bearing on the generalizability of your action?*

Even if many residential drivers would create a nuisance, this has no bearing on the generalization test. The test is not whether generalizing the choice to take the residential route would be desirable, but whether it is consistent with the reasons for the action.

10. *In Exercise 8, suppose that you are taking the detour only because few people know the city as well as you do. If many people knew about the detour and were nonetheless avoiding it, you would follow their example. Is your action generalizable?*

Here, your reasons for taking the detour are that you want to save time, you know about the route, and few others know. If everyone satisfying these reasons took the detour, you would still save time, and few people would still know about the route. In fact, it is likely that the action is already generalized. People are already taking the best route they know, and they still benefit from taking the best route they know.

11. *Music shop temptation. While browsing in a music shop, you spot a CD recording of Arnold Schönberg's Pierrot Lunaire. You love this piece, but you are absolutely certain that no one else within a thousand-mile radius can bear listening to this abstract atonal music. The shop is lax about security, and you can easily walk out with the CD without being noticed. You conclude*

that stealing the CD, because of your unique affection for what others regard as incomprehensible noise, is generalizable. Are you right?

The issue is one of scope. You are not stealing the CD because it is a recording of *Pierrot Lunaire*. If you had a fancy for some other unpopular recording, you would steal it for the same reason. So the generalization test is not what would happen if all lovers of *Pierrot Lunaire* stole it.

You are stealing the CD because you like it and practically no one else does. So the test is what would happen if everyone who fancied an unpopular CD stole it. It is not hard to guess. The shops would not carry unpopular CDs, or would protect them from theft. So your theft is ungeneralizable.

12. *Police have closed one lane of a highway due to an accident. A long queue of traffic has formed in the lane that remains open, because drivers slow down to view the accident. However, a few drivers bypass the queue by driving along another lane up to the point of closure and then rely on polite drivers to let them merge at the front of the queue. Is this behavior generalizable? Assume it is legal.*

Presumably the reason for “cutting line” is to save time. If everyone who could save time by cutting line did so, it would no longer save time. So cutting line is ungeneralizable.

The same behavior may be generalizable under another rationale. I might drive to the merge point because the police posted signs urging motorists to use both lanes up to the merge point (this is common where I live). It is just that most drivers are ignoring the signs. I would obey the signs regardless of any time saved or lost. In this case, the behavior is generalizable, because drivers would be able to use both lanes to the merge point if all others did.

13.* *In the previous exercise, is it generalizable for a driver at the front of the queue to allow someone to merge? Assume it is legal.*

The answer depends on the rationales behind polite drivers and queue breakers. If the polite driver’s reason for yielding is simply to be polite, then yielding is generalizable. One could continue to be polite if all drivers yielded to queue breakers.

However, if the reasons for yielding are that it is polite and yielding causes only minor delays for drivers in the queue, then yielding may not be generalizable. If universal yielding would encourage many drivers to cut line, then it would cause drivers in the queue to lose a great deal of time. They might never get past the bottleneck, because queue breakers would always have priority. So if polite drivers would be unwilling to be polite under such conditions, their rationale is not generalizable.

Suppose, on the other hand, that few drivers would be inclined to cut line even if everyone were willing to yield (which seems to be the situation where I live). Then yielding is generalizable, whether or not the time cost is part of the rationale.

14. *You decide to play in an amateur tennis tournament because you know you are the best player in town and will certainly win the trophy and prize money. This is the only reason you are playing the tournament. Is your decision to play in the tournament generalizable? If not, under what sort of rationale would your entry in the tournament be generalizable?*

If all contestants were willing to enter the competition only if they could predict victory, then there would be no competition, and therefore no winner. Only one person can *know* he or she will win. Thus competing only because you are assured of winning is ungeneralizable.

On the other hand, if you are willing to compete if you have a *reasonable chance* of winning, then your entry is probably generalizable. There may be several contestants with a reasonable chance of winning.

If you are willing to compete only if you are *sure* you will win, we may or may not have a problem. Others may be equally confident. However, if you reduce your risk tolerance to the point that the contest would not go forward if others were equally risk averse, then your policy is ungeneralizable.

The issue is important because it addresses the ethics of competition, a ubiquitous feature of business.

15.* *You are considering whether your cable TV business should enter the market in Anywhersville, which presently has no cable service. You expect a few other cable companies will do the same. However, past experience in towns of this size shows that only one cable provider will survive. Your only reason for entering the competition is to drive the other companies out. Is a decision to enter this market generalizable?*

This rationale may seem ungeneralizable because it is impossible for all firms to be the only firm in town. But this is not the relevant test. The test is whether your firm can compete with the *objective* of defeating all the others, if all the others compete with the same objective. The answer is yes. Several firms can compete with the sole aim of driving the others out of business. Entering the market with this objective is generalizable.

However, if you are entering the market only because you *will* drive the others out of business, then the reasoning of the previous exercise applies. Willingness to compete only when you *know* you can crush the opposition is ungeneralizable. You must be sporting enough to take on the competition when victory is not assured.

You might respond that you can “win” in Anywhersville even if there is no competition, which means the analogy with the tennis tournament breaks down. Yet if your policy were generalized, there would be no cable TV competition *anywhere* (whence the name Anywhersville). To the extent that the business system on which you rely requires a competitive market, your policy is ungeneralizable.

16.* Damage expense. *Chris is a new hire at a manufacturing company, which pays his moving expenses. However, the movers seriously damage an expensive piece of furniture. The insurance covers only a small fraction of the cost. Chris mentions this to his boss Bob, who tells him to cover it by padding his expense account over the next few months. Chris is surprised by this suggestion, because in their previous conversations Bob has impressed him as having a high sense of business ethics. (a) Is it generalizable for Chris to pad the expense reports? Be sure to state the scope clearly. (b) Suppose coworkers tell Chris that this kind of padding goes on all the time at the company. Does this change the analysis?*

One's first reaction might be that the movers should cover the damage, a claim that is hard to assess because we don't know the contractual obligations and type of insurance involved. Yet none of this is relevant to the question posed, which is whether Chris can ethically pad his expense account. To apply the generalization test, we must establish his reasons for doing so. Perhaps they are that (a) he wants the money, and (b) his boss is in some sense giving him "permission" to pad the expense report. It seems pretty clear he would never consider such a thing otherwise.

The problem is that padding the expense report is deceptive. Normally deception is ungeneralizable because it won't work if everyone does it. Perhaps deception under the rationale that the boss gave "permission" is generalizable because bosses would not give such permission often enough to raise company suspicions. But if this rationale is to make sense, it must explain why Chris is willing to deceive in this case and not in others.

Perhaps it is because if the boss is giving the OK, Chris can get away with the deception. But here the real reason is that he can get away with it. If employees always deceived when they could get away with it, the company would no longer let them get away with it.

Perhaps the reason is that if the boss gives the OK, then it is not really deception. The company knows what is going on and is willing to tolerate a certain amount of expense padding to keep employees happy. This relates to part (b) of the exercise. If Chris learns that bosses and employees do this all the time, then he might reasonably infer that the company knows what is going on, and no one is deceived. In this case, however, we don't need a rationale for deception, because there is no deception, and padding the expenses is ethical for this reason.

If Chris can't confirm that padding is standard practice, however, then there is no particular reason to believe that nobody is deceived, and again we must ask why Chris would deceive in this case but not in other cases where he would benefit and can get away with it. There is no apparent reason, and padding the expenses is therefore ungeneralizable.

17. Upgrading the refinery. *You are plant manager at a refinery that meets all environmental regulations. However, the mayor of a nearby community is pressuring you to install new technology that would reduce emissions below mandated levels. You respond that your plant is more cost-efficient than some of your competitors because they bore the cost of installing the new technology. Putting the equipment in your plant would erase this advantage and perhaps result in a plant shutdown. However, the mayor, who has taken a course in Ethics as Rational*

Choice, points out that your rationale is not generalizable. If all plants followed your example, then keeping the old technology would no longer make your plant the most cost-efficient. How should you respond?

Your reason for keeping the old equipment is that it makes your refinery more cost efficient than other refineries. The mayor claims this is ungeneralizable, because if all refineries kept the old equipment, none would be more cost efficient than the other.

You can respond, however, is that your real reason for keeping the old equipment is that you want to be *no less efficient* than other refineries. This is the correct scope, because you would be equally willing to keep the old equipment if doing so made you no more efficient but avoided becoming less efficient. This is generalizable, because your reason continues to apply if other refineries keep the old equipment to avoid becoming less efficient. Your decision is therefore generalizable under the correct rationale.

18. *Ordinarily, an action that fails the generalization test would continue to fail if the scope were broadened. This is because a rationale is less likely to be generalizable when it applies to more people. However, there are exceptions. Can you think of one?*

Exercise 14 provides an exception. If I enter a tournament only when I am certain I will win, my action is ungeneralizable. But I enter a tournament when I have at least a reasonable chance of winning, a rationale that applies to more people, my action is generalizable.

19. *In Exercise 7, does boarding early pass the utilitarian test?*

If we consider only luggage storage, early boarding has no utilitarian effect. The aircraft has the same limited space regardless of the boarding process. However, the boarding zones are designed for faster boarding by allowing persons with window seats to board first. Each traveler who boards too early causes marginally more congestion because he or she must move aside for passengers assigned window seats. Boarding early therefore fails the utilitarian test in

20.* *The accidental bank robbery. Chris is a relief branch manager for Commerce Trust Bank. His job is to fill in for regular branch managers while they are away. Today he is serving at a bank with several inexperienced tellers. One of them, Carole, comes up \$900 short at the end of the day. She is in a panic, because reporting a \$900 shortage to headquarters would result in automatic termination of her job. On checking the transactions ledger, Chris finds that while cashing a check, Carole misread \$100 as \$1,000 and paid out the larger amount. Fortunately, the check holder is one of the bank's best customers. However, when Chris telephones the customer, he insists that he received only \$100—even when Chris mentions that Carole would lose her job if the money were not returned. Carole is in tears, but Chris must somehow reconcile the ledger. His options are: (a) report the loss, (b) debit the customer's account by \$900, (c) place the amount in a suspense account and let the regular manager resolve the issue at a later time. Which option is likely to maximize utility? Hint. If (c) is selected, the regular manager must select (a) or (b).*

Carole's job loss would incur substantial negative utility, while the customer's loss of \$900 to which he was never entitled would cause much less harm. Given a choice, it is more utilitarian to retrieve the \$900 from the customer. The problem is that if Chris were to debit the customer's account, the customer would probably complain that there is no documentation for such a debit. The bank would be obliged to agree, and the real reason for the debit would come to light, resulting in Carole's dismissal. Thus (b) probably reaps all the negative consequences of (a), plus offending a customer. Option (c) relieves Chris the burden of a making a decision, but imposes the same burden on the regular manager, and with no net utility effect on this score. The only issue is whether the regular manager is likely to choose the more utilitarian option (a). If not, Chris should choose (a) now, and otherwise it is OK (from a utilitarian point of view) to dodge the issue by choosing (c).

21. Back at the music shop. *You are again browsing in the music shop that has a CD recording of Arnold Schönberg's Pierrot Lunaire on display (see Exercise 11). You were reluctant to steal it last time, but another thought has occurred to you. The shop will never sell this recording, because everyone else in the world hates this atonal stuff, and it can't be returned to the manufacturer. However, if you steal it, at least you will enjoy the music. Furthermore, as a penny-pinching student you can make better use of the \$12 on the price tag than the shop owners. The rational thing to do is therefore to steal the CD, if you can get away with it. Is this correct?*

This argument may show that stealing the CD passes the utilitarian test. However, it fails the generalization test, as argued earlier, and it is therefore irrational.

22.* Irrevocable election. *Steve is in his second year at a CPA firm. A firm partner discovers that Steve neglected to attach an irrevocable election form to one of last year's tax returns. The form is necessary for the client to avoid a substantial tax liability in subsequent years. The partner reassures Steve that it is a fine point he would have not expected Steve to catch. The client shouldn't have to pay a higher tax due to their mistake, but there is a way to fix it. The partner asks Steve to prepare the election form and attach it to their file copy of last year's tax return. Then he is to prepare this year's tax return as though the election form were submitted last year. There is no need to mention any of this to the client. If questions arise, they will show the IRS the file copy of the form and suggest that the IRS lost it in processing. Does the partner's request pass the utilitarian test? Is it ethical?*

It is hard to argue that this scheme fails the utilitarian test, assuming that the client will in fact treat the election as irrevocable. The client will pay no more taxes than necessary, the firm won't lose a client, and the government will receive all taxes that it would normally receive from a client with this financial profile. There is of course a risk that the IRS will catch on to this scheme and force the client to pay a penalty as well as higher taxes. We can grant, however, that the *expected* utility loss due to the penalty and higher tax bill (given that discovery has fairly low probability) is less than the sure utility loss due to voluntary overpayment of taxes. We are supposing here that overpayment of taxes results in net utility loss, on the ground that excessive taxes harm the payer more than they benefit recipients.

Submitting false tax forms, however, is a lie. Lying is ungeneralizable when the reason is simply one's personal benefit (see Exercise 1). Steve might argue that the rationale is not simply self interest. Part of the reason for lying is to avoid penalizing a customer for his own mistake, and to ensure the customer pays only as much taxes as it owes when the paperwork is done correctly. The problem with this rationale is that Steve's firm could avoid penalizing the customer by covering the overpayment out of its own pocket. Its rationale is self-interested after all, and the lie is therefore ungeneralizable. The firm should fess up to the mistake and cover the additional taxes. This may not maximize utility, because the firm's loss is substantial. However, it passes the utilitarian test, because achieving greater utility is ungeneralizable.

23. Hard choice in Hondo. *George is manager of an Ardnak Plastics plant in Hondo, Texas. It employs several hundred persons, a large fraction of the local workforce. George's boss, Bill, telephones him from headquarters in El Paso with the news that the EPA will levy fines against Ardnak for excessive smokestack emissions at the Hondo plant. However, Bill won't approve new scrubbers because the company can't afford it. He points out that competitors have escaped EPA fines even though their emissions are higher. Upon investigation, George learns that the competitors avoid fines by scheduling their heavy emissions at night, when the EPA isn't running tests. Meanwhile, Bill has been in touch with the Mexican authorities and mentions to George the possibility of relocating 15 miles south in Mexico, where environmental regulation is lax. This would necessitate hiring Mexican workers and devastate the economy of Hondo. He tells George that he must either avoid the fines or relocate. George therefore has three options: (a) dump the pollution at night, (b) relocate, or (c) resign, in which case his successor will choose (a) because it is the path of least resistance. Assuming that (a) is ungeneralizable, which of these three options pass(es) the utilitarian test?*

The utilitarian contest is between (b) and (c), because (a) is ungeneralizable. Choice (b) will devastate Hondo's economy but provide Mexican workers with jobs they wouldn't have otherwise, with the same environmental impact. Choice (c) has essentially the same utilitarian consequences as (a), because George's successor will choose (a). The issue therefore boils down to whether moving jobs to Mexico results in greater utility than keeping them in Hondo.

George might protest that (c) is ungeneralizable because it leads to the ungeneralizable choice (a). In fact, the utilitarian analysis of (c) presupposes that (a) will result. This is appropriate for a utilitarian analysis, where only the consequences count. It doesn't matter whether the consequences are mediated by the choices of others, as long as these choices are predictable. This is why the argument, "If I don't do it, someone else will" works for a utilitarian analysis. However, for purposes of applying the generalization test, passing the decision to another party is not the same as making the decision yourself, even when the other party's choice is the same as yours. The generalization test is different in the two cases.

Let's therefore apply the correct generalization test to (c). We note first that (a) is presumably ungeneralizable because it is illegal. Breaking the law for personal benefit is ungeneralizable because if it were universal practice, society would slide into anarchy and there would no law to break. However, choice (c) doesn't require George to break the law. To apply the test to (c), we suppose that people always turn a decision over to another when the opportunity arises, they

know that person will break the law, and they will benefit from the illegality. It is unclear that one must conclude this would undermine the law, because there is no reason to believe these circumstances are frequent. We must therefore compare the utilitarian consequences of (b) and (c), which again boil down to whether moving jobs to Mexico results in greater utility.

This is a tough call. Mexicans may start from on lower point on the concave utility curve and therefore benefit more from jobs than residents of Hondo. However, the disruptive effect of a sudden shutdown in Hondo may offset this difference, because the resulting stress can cause illness, family breakup, and crime.

It is arguable that option (b) is unethical due to obligations to such stakeholders as employees and community. If so, then (c) is the only ethical option. The next manager is faced with the same dilemma and must again resign, unless top management relents and allows installation of the proper equipment.

24. Retirement fund recommendation. *John is a portfolio analyst for Metropolitan City Teachers' Retirement Fund (MCTRF). His boss Mary has asked him to compare one of MCTRF's external growth stock portfolio managers, Bill Fredericks, against Growth Unlimited (GU) and make a recommendation. Mary sees some impressive numbers in GU's performance over the last three years. In fact, John normally evaluates fund managers based on a three-year record. However, this time he is considering a different approach. Bill Fredericks was actually slightly ahead of GU last quarter. In addition, John and Bill have become close friends. Bill has helped John with several projects apart from growth stock investing and has arranged for John and his staff to attend some of Bill's educational seminars without cost to MCTRF. Analyze John's decision from a virtue ethics perspective. Which recommendation(s) pass the virtue ethics test?*

There are at least two virtues at stake. One is friendship. If Bill is patronizing John simply for what he can get in return, then there is no true friendship and therefore no friendship obligation. But the case description gives a clear indication that their friendship is genuine. This kind of friendship can create a conflict of interest, and one might argue that John should find another fund manager. The friendship nonetheless exists and creates a legitimate loyalty obligation.

The other virtue is John's professionalism as a portfolio analyst. A portfolio analyst makes recommendations based on investment characteristics, not loyalty to friends. It appears in this case that there may be a conflict between these virtues.

Due to the conflict, virtue ethics has nothing to say about this decision, and either recommendation passes the virtue test. The recommendation must be based on utilitarian factors and any obligations established by the generalization test.

25. Plant automation. *George is a recent MBA who just joined a manufacturing firm's Cedar Valley plant as its only cost accountant. Cedar Valley is a town of 20,000 people, and the plant is one of several owned by the firm. George's boss Arthur tells him that management wants to automate this particular plant with robots as a pilot project, to help judge whether the other*

plants should be automated. Arthur admits that the community will be in an uproar due to the loss of jobs. However, the firm can save some of the jobs through retraining. Once George releases accounting information showing that the upgrade is necessary, the community will be less likely to resist. George points out that the report he sent to headquarters last year found that automation would not benefit the plant. Yet Arthur points out that the report was based on cost assumptions, and these can be adjusted as necessary to make the bottom line come out differently. After all, market prices fluctuate, and there is no solid proof that one cost estimate is better than another. How does virtue ethics bear on this case?

Loyalty is not an issue here, whether it be loyalty to company or to the community. Loyalty obligations are owed to individuals with whom one has a personal relationship, not to companies or to an anonymous population. The only obvious virtue at stake is George's professionalism as an accountant.

Adjusting assumptions to reach a foregone conclusion is inconsistent with the norms of the accounting profession, but strictly speaking, these norms are based on professional ethics rather than virtue ethics. They are based on the profession's promise and the public's expectation of objectivity. The issue before us is whether this kind of behavior is consistent with who George is as a professional. Conceivably, an accounting professional could see himself as a functionary who cooks up numbers as necessary to satisfy the client, in which case there is no inconsistency. Be this as it may, it is pretty clear that George sees himself as an accountant in the usual sense—as someone who provides a true account of what is going on financially. Cooking the numbers is therefore inconsistent with virtue ethics, and if Arthur insists on it, consistency requires George to seek another position.

26. *Missing travel documentation. Tim, a CPA, works for an auditing firm and has been placed in charge of an annual audit for Dalton Enterprises, a medium-sized firm with \$20 million in assets. Mr. Dalton micromanages the family-owned firm except the finance area, which he leaves to his son Chauncy, recently appointed as VP of Finance. Chauncy's duties include the appointment of auditors. Past audit reports have never been circulated outside the firm. They have been quite detailed, including all changes in general ledger accounts, because Mr. Dalton uses the reports for administrative control purposes. Tim notices that travel expenses are \$20,000 higher this year, due to expenditures authorized by Chauncy. Most of these expenses are undocumented, but the firm's controller seems unconcerned. Tim finally raises the issue with Chauncy, who questions why auditors would be skeptical of his honesty. He says that it is typical of "bean counters" to focus on minor issues while ignoring possibilities for major efficiency improvements. He ends the interview by asking, "What are we paying you guys for anyhow?" How does virtue ethics relate to Tim's decision as to what to put in the report?*

The whole point of certified public accountancy is to provide independent and reliable reports on finances. This provides transparency to investors and other interested parties. One might argue that in this case, the usual obligations don't apply because Tim's report won't be circulated outside the firm. This argument, however, is both invalid and irrelevant. It is invalid because professional obligation requires CPAs to remain independent regardless of who reads their reports. It is what the professional promises and the public expects, and it is what Dalton

Enterprises is paying Tim to do. The argument is irrelevant to our present concern because it addresses professional obligation rather than virtue ethics.

Virtue ethics asks whether by sacrificing independence, Tim acts contrary to who he is as a professional. He underwent rigorous training and examination to learn the norms of certified public accountancy, writes “CPA” after his name, and spends all of his working hours applying these norms. It hard to imagine how he could conceive himself as anything other than someone who carries out the mission of a CPA. Virtue ethics therefore requires him to provide a full report, even if Chauncy terminates his contract.

27.* The good credit reference. *Diversified Consolidated Corporation (DCC) is a supplier for North Manufacturing. As a credit officer at DCC, Kathy is responsible for about \$1 million in credits to North. There are rumors that North is in deep trouble. The company has always paid on time and even lists DCC as a credit reference. Nonetheless, Kathy decides that a visit with North’s treasurer, Scott, is in order. They have developed a good working relationship over the years, and after a few drinks at lunch, Scott levels with her. He confesses that although North’s latest financial statements are technically correct, there has been a sudden reversal, and the company is talking to bankruptcy attorneys. Scott is giving first priority to paying suppliers like DCC, because supplier credit is their only hope for survival. In fact, Scott has just placed a major order with DCC’s competitor Basic Products. If there is anything Kathy can do to convince Basic to extend credit, North may get over this hump and bring business back to DCC. Otherwise, North is probably headed for bankruptcy by the end of the quarter. Later that day, Kathy receives a phone call from her friend Mike at Basic Products. Suppliers often share credit information, and Mike asks about North. He has heard rumors, and he wants to make sure all is well before he commits to a major order. He is relieved when Kathy tells him that North continues to make its payments promptly. She asks him to hold the line a moment. Her mind races as she thinks about whether to tell the rest of the story. How does virtue ethics interact with the other conditions for rational choice in this case?*

Kathy has conflicting loyalties due to her personal relationships with both Scott and Mike. Both loyalties impose legitimate obligations, but because they conflict, virtue ethics provide no clear guidance. Kathy must decide on the basis of other criteria, and do so quickly.

It is hard to identify a professional obligation either to warn Mike or not to do so. Giving a North a second chance could bring higher expected utility than warning an important client, because North will probably pay up, while its bankruptcy would result in enormous damage. If so, utility is maximized by saying nothing more to Mike. Yet saying nothing more is deceptive, because this (along with Kathy’s comment about prompt payments) would cause Mike to believe falsely that North has no credit problems. Perhaps she shouldn’t have said anything about the payments, but she has already said it and must deal with the consequences. Failure to complete the story is therefore ungeneralizable because of the deception involved. Fortunately, if she fails to reach this decision while on the phone, she can always call back.

28. *Suppose that in Exercise 22, the partner thinks better of committing tax fraud. Instead, he tells Steve that the firm will cover the portion of the client’s tax bill that results from Steve’s*

mistake. However, it's best that the client know nothing of this. Steve is therefore asked to send the client a copy of the tax form he would have prepared to carry out the partner's first plan, rather than the form actually submitted to the IRS. The partner points out that his new plan complies with tax law and benefits the client, so it can't be unethical. Is he right?

This is deception, pure and simple, for purposes of self interest. As such, it is ungeneralizable and unethical.

29. *What is the ethical choice in Exercise 20?*

We concluded earlier that either (a) or (c) satisfies the utilitarian test, the latter if the regular manager is likely to choose (b), and (a) otherwise. This is therefore the ethical choice unless (a) or (c) violates another condition for rational choice. Virtue ethics plays no role here, because George has no personal relationship with Carole or the customer. Even if George had loyalty obligations to Carole, none of the options would prevent her dismissal, and if he had loyalty obligations to the customer, selecting (a) or (c) would satisfy them. There is no apparent reason why reporting the error, or allowing the regular manager to report it, is ungeneralizable. Accurate reporting seems eminently generalizable, even if employees lose jobs as a result of reported mistakes. The ethical choice is therefore that dictated by utilitarian considerations.