ETHICAL THEORY IN MARKETING*

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ABSTRACT

This paper presents a theoretical framework within which ethical issues can be taught in marketing courses. The ideas of four ethical theorists--Jeremy Bentham, Immanuel Kant, Ayn Rand, and John Rawls--constitute the framework. These ideas, in turn, are illustrated by applying them to the concrete marketing issue of bribery

INTRODUCTION

The purpose of this paper is to present a theoretical framework within which ethical issues can be taught in marketing courses. The framework can be used as the basis for an entire course on Marketing Ethics or Marketing and Society, or as the basis for a brief segment in traditional marketing core courses, such as the Principles of Marketing, Principles of Advertising, or Marketing Management. The following presentation assumes a full-length course on ethics and is based on a Marketing and Society honors course that I taught during the spring quarter of 1988 at Northeastern University in Boston.

The statement of course objectives in my Marketing and Society syllabus, addressed to the students, reads as follows:

> The purpose of this course is to help you acquire insight into your beliefs about the many criticisms that are made against marketing and, especially, insight about where you stand on the morally difficult situations that confront marketing managers today. The course will challenge you to think at the level of fundamental philosophic and economic principles. It will encourage you to identify what your own beliefs are about specific concrete issues (such as bribery or emotional appeals in advertising) and, more importantly, why you hold those beliefs. It may even challenge you to question and to change some of them. In any event, by the end of the course you should be able to argue and defend a point of view concerning sensitive moral issues that occur in marketing; consequently, in the future--as working managers--you will hopefully know exactly where you stand on these issues and what actions you would take in response to them.

The course, in effect, was a "how to" course--a course on how to make ethical decisions. By presenting several contrasting theories of ethics and discussing their application to many concrete marketing situations, I aimed at giving students the confidence and conviction to face future ethical decisions with a minimum of anxiety and uncertainty.

THE THEORETICAL FRAMEWORK

The ideas of four theorists constituted the ethical framework of the course: Jeremy Bentham (hedonism and utilitarianism), Immanuel Kant (duty, altruism, and the Judeo-Christian ethics), Ayn Rand (Objectivism, rational egoism, and laissez-faire capitalism), and John Rawls (social justice, anti-utilitarianism, and the welfare state). These four were selected because their ideas prevail in our culture today. Bentham provides the traditional defense of capitalism based on the "greatest happiness" principle; Kant gives us the foundation of a secularized religious ethics and the basis for much criticism of business activity; Rand provides a radical defense of capitalism and of capitalistic activity based on a morality of rational self-interest--and probably is largely responsible for the resurgence of interest, over the past twenty years, in the ideology of classical liberalism; and Rawls provides much criticism of utilitarianism and also provides defenses of egalitarianism and the welfare state.

The goal of a valid scientific ethics is to establish objective, non-arbitrary value judgments--that is, normative or evaluative propositions that are true universally. These evaluative statements are validated by reference to a standard that serves as the supreme good or supreme value. All lesser judgments are seen as contributing to or deriving from the supreme good. Negative value judgments, or

judgments of badness or immorality, clash with or contradict the supreme good. Consequently, ethical behavior is that behavior which is consistent with the standard of value; unethical behavior works against it. The above ethical theorists disagree over what the supreme good is.

In briefest essence, the ethical theories of these four philosophers follow.

1. Jeremy Bentham holds that pleasure is the standard of value; everything that leads to pleasure is good and everything that leads to pain is bad. This is the theory of ethical hedonism. Pleasure is the standard because human nature is such that everyone (by nature) already pursues pleasure and seeks to avoid pain. The justification of ethical hedonism, in other words, rests on a theory of human nature known as psychological hedonism; it does not make sense, Bentham would argue, to expect people to act against pleasure-seeking when in fact their natural inclination is to seek pleasure. Hence, pleasure must be the supreme good.

Bentham is most noted for his theory of utilitarianism, the social application of hedonism coupled with an influence from Christian altruism. If it is good to seek one's own pleasure, Bentham would say, it is better to seek the pleasure of others, indeed, the greatest pleasure of the the greatest number. Hence, the "greatest happiness" principle of utilitarianism. But how do we know what the greatest happiness of the greatest number is? Bentham offers his "hedonic calculus," which even in his day was considered cumbersome and unrealistic. Today, however, the hedonic calculus lives on in the form of cost/benefit analysis. It probably would not be too much of an exaggeration to say that most economists today (and many marketers) are utilitarians of some kind.

2. Immanuel Kant holds that duty is the standard of morality. Duty means strict adherence to moral law without regard to its consequences in action. If something is right, it is right...period. Kant's ethics is known as a deontological theory (from the Greek "deos," meaning duty) because of its emphasis on duty and the notion that certain actions are right or good in themselves, whereas Bentham's ethics is a teleological theory (from "telos," meaning end or goal) because of its emphasis on the end or goal of actions and the notion that the consequences of action--the pleasure/pain consequences--ultimately determine the action's rightness or wrongness. In this sense, Kant's theory is the opposite of Bentham's, because for Kant right actions always are taken from duty, never from inclination or pleasure.

What, then, according to Kant, is the moral law to which we must be dutiful? It is the "categorical imperative," which Kant expressed in two formulations. His first formulation, paraphrased, states that our duty is to act only in ways that our actions can be based on a universal law; i.e., ethical principles must be "universalizeable," applicable to all people at all times. His second formulation states that our duty is to treat humanity as an end in itself; i.e., we should always treat others as an end in themselves, never as a means to our own ends. Hence, Kant, as Bentham, is a proponent of altruism, the ethical doctrine that one should always place the interests of others above one's own selfish interests. As a result, Kant is probably the most consistent advocate of the Judeo-Christian ethics.

3. Ayn Rand holds that life is the standard of value; everything that sustains and enhances man's life as a rational being is the good and everything that retards and destroys it is the evil. Life is the standard of value because it is only living organisms that can have values. Living organisms constantly face the alternative of life or death; consequently, they always experience certain actions as good for them and certain actions as bad. Rocks, in other words, do not face such an alternative and, consequently, do not and cannot have values. But unlike Kant, Rand holds that each individual person's life is the purpose or end of ethics. That is, the objective conditions of human survival are the standard of value, and from them we derive the universal principles of ethics (such as rationality, productiveness, and pride), but each individual must apply the principles to the specific concrete actions of his or her own life.

Hence, Ayn Rand's theory, called Objectivism, is teleological and egoistic--teleological because it looks at the life consequences of action and egoistic because it encourages each individual to pursue his or her own selfish interests. The social application of Objectivism is laissez-faire capitalism--because the principle that guides and controls human relationships under capitalism is the principle of trade. This principle states that each individual should pursue his or her own interests, neither sacrificing oneself to others, nor others to oneself, and deal with one another on a strictly voluntary basis, trading value for value. Laissez-faire capitalism, however, should not be confused with the contemporary economist's notion of perfect competition, nor with the "might makes right" form of Nietzschean egoism.

4. John Rawls holds that social justice is the standard of value--justice as fairness. Fairness is accomplished in society when everyone is treated equally and when a proper distribution of social position and fortune is achieved. Rawls' theory is egalitarian (and therefore altruistic) and has been de-

scribed as a philosophy for the welfare state--because Rawls repeatedly attacks utilitarianism (and capitalism) for its unfair distribution of social position and fortune. His theory is Kantian (and therefore deontological) because a right action is a just action, or in other words one's duty is to act justly, regardless of consequences.

Rawls validates social justice as the standard of value by using the "state of nature" device of social contract theorists. In this state, he argues, we are all under a "veil of ignorance" concerning our place in society; i.e., no one is favored by birth into a wealthy family, high social class, or with high intelligence. Under this "veil," we can now derive the principles of justice, which are: equal liberties for all (the equal liberties principle) and minimal social and economic inequalities (the difference principle). Rawls is most noted for one form of the latter principle: the maximin guideline. A just act, according to this formulation, is one that improves the position and conditions of the least advantaged and least equal; the goal, in other words, is to maximize the minimum. Much of this can be achieved by policing business behavior, enacting a negative income tax, providing education to the less intelligent at public expense, etc.

In addition to a 50-75 minute lecture on each of the above theories, I assigned one reading from each of the four philosophers: "The Good as Pleasure" by Bentham (in Mandelbaum, et al., 1967, pp. 534-540); "The Categorical Imperative" by Kant (in Mandelbaum, et al., 1967, pp. 571-581); "The Objectivist Ethics" by Rand (1964, pp. 13-35); and "Distributive Justice" by Rawls (in Donaldson and Werhane 1988, pp. 258-269; Donaldson and Werhane was the primary textbook for the course). The readings were difficult for undergraduate business students, but a lecture presenting the essence of each theory (in more detail than given above) helped the students comprehend what was being said.

APPLICATION TO MARKETING ISSUES

After a thorough discussion of the above theories of ethics, the rest of the course focused on application of the theories to specific marketing issues. These issues included: bribery, marketing to morally questionable countries, marketing harmful products, planned obsolescence, deceptive pricing, deceptive advertising, the monopoly power of advertising, price discrimination, and invasion of privacy.

The students were required to choose four issues from this list and write short position papers, stating in effect what they would do if confronted with these issues and, more importantly, why they would take those actions. Application of the four ethical theories to each issue--i.e., illustration of what each philosopher would say about the issues and how he or she might disagree with one another--provided the students with a basis for choice. Although the students did not necessarily agree completely with any one philosopher, they did tend to gravitate toward one or the other. By the end of the term, they had at least some sense of where they stood on certain ethical issues.

To shed some light on the application process, let me now illustrate the four ethical theories on the issue of bribery.

A salesperson, for example, offers a payment to a purchasing agent in exchange for the agent's business. In civil law, if the agent's employer (the owner of the business) is not aware of the payment, or does not approve of it, a bribe has taken place--because the salesperson and purchasing agent together are cheating the agent's employer. A breach of trust, in other words, has occurred between agent and employer, and the intent of the payment is to induce the agent to act against his or her normal duties.

Bentham, on a personal basis, probably would be opposed to bribery, but the theory of utilitarianism does not offer a clear-cut opposition to it. Indeed, the greatest happiness of the greatest number is to be determined by consulting the hedonic calculus or, today, by conducting a cost/benefit study. It is not obvious from the theory that bribery per se is unethical; if a greater happiness is achieved through an occasional bribe, what is the harm? The net effect--i.e., the consequence--is what counts. Indeed, Pastin and Hooker (1988) argue--on utilitarian grounds--that the Foreign Corrupt Practices Act of 1977 should be repealed.

Kant, on the other hand, would declare in no uncertain terms that bribery is wrong--period. It is wrong because it is dishonesty; the purchasing agent is cheating his or her employer, treating the employer as a means to the agent's ends. This, Kant would say, violates the categorical imperative. Consequences are irrelevant in determining the morality or immorality of an action; dishonesty is dishonesty and bribery is bribery. One's duty is always to tell the truth, that is, to be honest. Kant, consequently, probably would uphold the Foreign Corrupt Practices Act.

Rand would be opposed to bribery because it involves dishonesty--but not on deontological grounds. Dishonesty is unethical because of its effects, i.e., consequences, on one's own life. Dishonesty means pretending that something is not what it really is. The salesperson and agent pretend that the fiduciary relationship with the agent's employer is in tact, when in actuality it is not. Refusing to perceive the facts--shutting one's eyes to reality, in effect--according to Rand, is immoral because that act negates, and operates to destroy, the necessary, objective condition of sustaining one's life: namely, the use of the mind--reason--to guide one's actions. Dishonesty denies the efficacy of one's own mind and makes one dependent on the minds of others. From now on, in other words, the salesperson and agent must rely on the beliefs--the misperceptions--of the employer for their deception to succeed. In the meantime, they each have turned their own perceptions away from the facts of what is necessary to sustain and enhance their lives. This, according to Rand, is not to anyone's self-interest.

Rand, however, would be opposed to the Foreign Corrupt Practices Act for at least the following reason: the Act prohibits payments that are not bribery. Although the Act permits "grease" payments to low-level officials, it does not distinguish bribes from perquisites, from de facto broker's fees, or from extortion. When a payment is not covert, that is, when its acceptance is known to, and approved by, the employer, the payment ceases to be a bribe and becomes a perk. This is the moral justification of expensive luncheons and Christmas gifts. But a threat of physical force, according to Rand, ends all commitments to honesty, because truth-telling can then operate to harm one's self-interest. Rand's principle here is "morality ends where a gun begins." Rand would say that the Lockheed scandal of the early 1970's was unnecessary--because Lockheed bribed no one; indeed, it was officials of the Japanese government who extorted money from Lockheed.

Rawls, following the Kantian, deontological tradition, would say that bribery is unjust--period. Bribery is unjust because it violates the principles of equal liberties and of minimal social and economic inequality. The salesperson and purchasing agent are seizing unequal advantage over the agent's employer, the agent's competition, and the agent's customers. The two certainly are not maximizing the minimum; i.e., they are not seeking to improve the position and conditions of the least advantaged. Consequently, Rawls would support the Foreign Corrupt Practices Act. Alpern (1988), in a response to Pastin and Hooker (1988), which also is a defense of the Act, demonstrates his Rawlsian influence when he states, "...not all interests are of equal weight....It is morally better to raise a person from poverty to security than to add an equal amount" of wealth or well-being to the whole of society. Morality, he argues, may require the sacrifice of financial gain in order to uphold justice for the least advantaged.

The four theories, thus, when applied to bribery, present four different points of view, although Kant and Rawls probably are in closest agreement. The students now have a framework within which to decide for themselves exactly where they stand on the issue of bribery. This presentation, of course, is briefer than was actually done in class. The students read several articles that discuss the bribery issue and each of the above points was developed in greater depth. Each additional marketing issue mentioned earlier (marketing to morally questionable countries, etc.) was then discussed using the same format and procedure.

THE PROBLEM OF RELATIVISM

It might be argued that I have failed to include one prevalent theory today, namely, the Nietzschean "might makes right" form of egoism. However, I did not find business students attracted to this idea (I would not be so confident in making this statement about liberal arts students). What did come up often were the notions of subjectivism, pragmatism, and relativism. In the students' minds, these were manifested by such questions as "So what?," "Why bother; it's all relative," and "Why can't we just use one theory in some situations and another theory in a different situation?" "After all" they would say, "what's true for you isn't necessarily true for me."

In addition to assigning an excellent (and classic) critique of relativism by Walter Stace (1988), I attempted to deal with relativism is two ways. First, at the beginning of the term, I offered an automatic "A" to anyone who could prove that "what's true for you is not necessarily true for me," a pedagogical device used by one of my undergraduate philosophy professors. The "out" for the professor is to demonstrate Aristotle's law of non-contradiction, which states that nothing can be A and non-A at the same time and in the same respect. This law holds that if something is true for one person, then it must be true for all people; and as Stace points out one must always carefully distinguish between what people believe to be true and what is true. This law at least allows for the possible existence of true ethical propositions--and the pedagogical device provides some motivation for the rest of the course.

The second way of dealing with relativism was repeatedly to cite the natural sciences as an example of objectivity and universality. While there certainly does not exist a complete agreement among scientists today, there is much greater agreement among them today than among the learned people of, say, the fourteenth century, when mysticism dominated. As Stace points out (p. 29), the lack of agreement among philosophers about what the objective, universal standard of value is, is not an argument against the possible discovery of such a standard in the future.

When students argued that scientific principles themselves are relative and situational--such as "water boils at 212 degrees Farenheit at sea level but not at that temperature in mile-high Denver"--I pointed out that the principle is not stated correctly; the correct principle is "water boils at a temperature that is a function of atmospheric pressure, given an earthen type of atmosphere." Now, the principle is universal. Similarly in advertising, I pointed out, such principles as "the selling message must be appropriate to the audience" and "the execution must not upstage the message" are objective and universal principles. "Some day," I went on to say, "objective and universal principles of ethics will be discovered--perhaps you will make the discovery this term! The four theories we will discuss each claim to have discovered the objective standard of value. It is your job to examine each theory and its application to marketing issues and to decide exactly where you stand."

There are no easy solutions to the problem of relativism. Today's philosophy departments do not offer much advice, since most of them are committed on principle to subjectivism. But the above comments may prevent some of the students from beoming complete skeptics.

CONCLUSION

This presentation has assumed a full length course on marketing ethics. As a one- or two-class module within other courses, I would recommend using the ideas of Kant and Rand, each applied to the (relatively) simple issue of bribery. I recommend these two because their ideas are polar opposites. The principle underlying this recommendation is that stark contrasts illuminate many issues that perhaps would be missed by using two similar theories. Also, I recommend them because Kant represents the Judeo-Christian ethics of altruism and Rand, as an advocate of egoism, is highly critical of altruism. Indeed, the clash of ethical ideas today is a conflict between the altruism of viewing the individual as a means to the ends of humanity or society and the egoism of viewing the individual as an end in him- or herself. Rand's ideas, finally, set up interesting cognitive dissonances in the minds of students--between the traditional ethical beliefs that Rand rejects and her ideas that capitalism and capitalistic activities are morally good.

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