

<u>WEEK</u>	<u>TOPIC</u>	<u>CASE</u>	<u>THEMES</u>
<u>2</u>	Ethical theory	Ford Pinto case: <ul style="list-style-type: none"> ○ Defective fuel systems, decision made not to upgrade them ○ Should risk/benefit analyses be used in manufacturing which has the potential to lead to death? ○ For: Economical method used by the courts/accepted for years ○ Against: cannot commodify human life ○ Ford had the access to the technology which would mitigate the risks chose not to implement it (\$11/car) though their analysis found it would lead to death ○ Legal examination made their choice justifiable though that does not mean it is an ethical one 	Consequentialist ethics and adherence to laws. (Note <i>no</i> laws/regulations in existence when Ford Pinto case occurred). Deontology
<u>3</u>	Ethical theory	Toyota brake failure: <ul style="list-style-type: none"> ○ Reports between 2009-2011 of unprovoked acceleration in makes of Toyota cars, as well as pedal entrapment of floor mats with further reports of leaking brake fluid (9 million cars recalled) ○ Toyota knew of this ‘sticky pedal’ issue however took four months before taking any corrective action. ○ NHTSA (administrative body for traffic safety found 37 fatalities relating to these issues are many more potentially related ○ Failure in disclosure amounted to Toyota’s ethical egoism, breach deontological and stakeholder ethics, choose profit over endangering life. 	Consequentialist ethics; take any actions where positive consequences will exceed negative ones, greatest good for the greatest amount of people. Adherence to laws; Act only so much as it meets legal obligations. Deontology; Treat others as you yourself wish to be treated (underpins multi-fiduciary stakeholder theory, acknowledge individual rights and people as ends in themselves) There were laws in place at the time of the incident which meant Toyota had breached Friedman’s shareholder assumption.

<p><u>4</u></p>	<p>Corporate responsibility and Shareholder theory</p>	<p>Rana Plaza factory fire: Bangladesh ready-made garment sector- 80% of countries exports (employs 4 million people, 75% are women)</p> <p>Supports further 25 million people</p> <p>In April, 2013, 8-story commercial building collapsed (Rana Plaza)- 17 day search and rescue found 1100 people had died and a further 2500 injured.</p> <p>Owner, Sohel Rana found guilty of illegal earnings, as well as charges for murder and the deaths of workers He had forced workers to go into the building on the day of the collapse even though there had been emerging cracks appearing days prior</p> <p>Rana used the illegal earnings to build Rana plaza in excess of building regulations</p> <p>Low wages in South Asian countries had led global brands to use Bangladesh over China, where it is not the second biggest garment industry.</p>	<p>Narrow (shareholder) perspective</p> <ul style="list-style-type: none"> ○ Business ought to act in ways which benefit the shareholder, acting social responsible poses taxes on firm owners, where taxes are the role of elected representatives. Role of management then is to make as much money as possible, where they lack expertise in taxes. ○ Fiduciary duty is to advance the interests of shareholders over all else ○ Profit is the corporates contribution to the social good, CSR is only ethically justifiable when marketing to further profits ○ Make as much money as possible so long as it is within the rules of the game, that is to say engages in open/free competition without fraud or deception <p>Arrows criticisms:</p> <ul style="list-style-type: none"> ○ Friedman relies on Pareto efficiency and the assumption of competitive markets (many buyers and sellers, no externalities, perfect information) ○ Two instances when the pursuit of self-interest does not lead to efficient resource allocation; harms imposed on environment not included into the cost (externalities) price and information asymmetry
-----------------	---	--	---

- Issue solved through external regulation (Arrow)

Problem of Globalization:

- For Friedman's model to be applicable, would require an internationally recognized framework for laws which are ethical in order for one to pursue self-interest legally- Far from practical.

Maitland:

- Path toward prosperity is through employment, which will lead to growth, which leads to future employment and thus lowers the unemployment rate and results in higher real wages
- Would be immoral to interfere with the only known process in which developing nations transition into developed ones
- Allows companies to operate under a corporate conscience

What responsibilities do these MNC's bear in relation to the sweatshop workers but also what responsibility to they owe to their shareholders? *Maitland* says MNC's help these poor countries by offering them jobs and a better quality of life.