

GLOBALIZATION AND THE FAILURE OF ETHICS

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Abstract: As the 21st century breaks upon us, no ethical issues in business appear as significant as those being created by the rapid globalization of business. Globalization has created numerous ethical problems for the manager of the multinational corporation. What does justice demand, for example, in the relations between a multinational and its host country, particularly when that country is less developed? Should human rights principles govern the relations between a multinational and the workers of a host country, and if so, which principles are the correct ones? How should a multinational deal with a government in which corruption is rife? What are the ethical considerations involved in determining whether and how to transfer a risky technology to a country whose people may not be able to safely absorb that technology? What kind of labor and environmental standards should a multinational adopt when operating in a country whose government legislates only very low standards?

As the 21st century breaks upon us, no ethical issues in business appear as significant as those being created by the rapid globalization of business. Globalization, of course, can mean many things. The World Bank, for example, defines globalization somewhat loosely as the “ability of individuals and firms to transact business across national boundaries.”¹ Other scholars have characterized globalization as an increase in export levels, a rise in international transactions or of international flows of capital, etc. I have in mind, however, a more specific notion of globalization: the process by which a company places its operating units in more than one nation, thereby becoming what is sometimes called a “multinational” enterprise. Globalization in this sense is sometimes referred to as “foreign direct investment.” Since 1980 worldwide foreign direct investment flows have increased at the rate of about 13 percent a year, reaching a level of \$450 billion in 1999.² There are today over 54,000 multinational companies that have globalized their operations into a variety of culturally diverse contexts through foreign direct investment.

Globalization, of course, has created numerous ethical problems for the manager of the multinational corporation. What does justice demand, for example, in the relations between a multinational and its host country, particularly when that country is less developed?³ Should human rights principles govern the relations between a multinational and the workers of a host country, and if so, which principles are the correct ones? How should a multinational deal with a government

in which corruption is rife? What are the ethical considerations involved in determining whether and how to transfer a risky technology to a country whose people may not be able to safely absorb that technology? What kind of labor and environmental standards should a multinational adopt when operating in a country whose government legislates only very low standards?

Although these and many other equally pressing issues are obviously urgent, it is clear that we cannot start to answer any of them until we have at hand a justifiable set of ethical principles or norms that can be applied to these issues as they arise in different cultural contexts. How can we decide what kinds of relationships are just around the world unless we explicitly appeal to, or covertly assume, a set of principles of justice that tell us how to distinguish just from unjust forms of relationships in different cultural contexts? How can we decide what workers in different countries are owed unless we have at hand, or assume, some set of moral principles that can validly be used in those different countries and that are powerful enough to distinguish morally humane from morally inhumane treatment of workers? How can we decide what kinds of labor or environmental standards are appropriate for businesses operating in different countries unless we consciously or unconsciously adopt some set of moral standards that can tell us what is appropriate for different cultural contexts? The key need of the manager of the multinational corporation, then, is for a set of ethical principles that will enable him or her to make the kinds of ethical judgments that are necessary when arbitrating moral disagreements between members of diverse cultures.⁴

It is here, I want to argue, that contemporary ethics has utterly failed the multinational manager. Globalization has forced business managers to create morally diverse organizations, organizations whose members come from cultures that often differ sharply over what is moral and immoral, just and unjust, and virtuous or vicious. Yet contemporary ethics, I want to argue, can offer no moral principles that are at least theoretically capable of arbitrating the moral differences that arise in the cross-cultural contexts that globalization has forced the business manager to enter.

Consider, first, one very popular response to the phenomenon of moral diversity. When faced with moral diversity, some scholars, particularly during the 1970s and 1980s, have defended the theory of ethical relativism.⁵ Ethical or moral relativism is the theory that "what is really right or wrong is what the culture says is right or wrong."⁶ The claim of the ethical relativist is that apart from the localized moral norms that are prevalent in a particular culture, there are no universally valid moral standards that can be justified as appropriate for evaluating the behaviors of people in all cultures. Because there are no such universally valid or transcultural moral standards, behaviors occurring in a particular culture can be evaluated only by appealing to the moral standards prevalent in that particular culture.

Although ethical relativism continues to thrive in the popular imagination, only a small number of professional ethicists explicitly embrace it.⁷ However, there is today a large and highly influential group of ethicists who hold theoretical

positions that are difficult to distinguish from ethical relativism (although many of them would, perhaps, resist being called relativists). I am referring, of course, to what are sometimes called "particularist" approaches to ethics.⁸ A particularist approach to ethics is one that claims that ethical disputes should be settled by appealing to the actual moral traditions and practices of a particular social group: the social group of which the agent is a member. So-called communitarians, for example, have argued that life within a community, with its special traditions and culture, can provide its members with preferences that can legitimately override the supposedly universal moral obligations generated by abstract notions of justice.⁹ Virtue theorists have made similar claims, arguing that moral judgments must be based on the sensibilities and character traits inculcated by life within a particular historical community.¹⁰ And advocates of so-called "partiality" have argued that preferring the interests of the members of a particular community (consisting of one's circle of friends, one's family, or one's tribe) can legitimately override the claims of universal moral principles.¹¹ These approaches to ethics, all of which have become quite fashionable during these waning years of the twentieth century, share with ethical relativists the key claim that in ethics it is a mistake to look for universally valid moral standards or moral values that transcend the cultures of particular social groups. According to these particularist approaches, each social group has its own moral traditions and values, and members of a given group must rely on the traditions and values prevalent in their own group, or even on the particular attachments that tie members of the group to each other, to resolve the moral questions that they face.

The shortcomings of the theory of ethical relativism are well known and I have elsewhere provided a catalogue of several of these problems that I will not repeat here.¹² I want to focus, instead, on just two key failings of these relativist approaches to ethics.

First, the relativist approach provides no way of dealing with the urgent questions raised by globalization: how are managers to deal with ethical issues that arise from disputes between members of different cultures? Expatriate American managers, for example, may feel that sexual discrimination is morally abhorrent; yet in Muslim cultures they are faced with the problem of trying to organize native workers who are equally repelled by the thought of sexual equality. To be told that in such cases one must simply rely on the norms of one's local culture is to be given useless advice since the problem is not one that arises within a local culture but one that arises out of the differences between cultures. What the multinational manager needs is some kind of criteria that will enable him or her to talk across these cultural differences, some kind of transcultural moral standards. And here relativistic theories are complete failures.

Second, the approach of the relativist would substitute arbitrariness for moral justification. By themselves the values of one particular culture are no more, or less, justified than the conflicting values of another culture. The values that happen to pervade a Sicilian or Russian gangster community are not necessarily better or more justified criteria for them—or anyone else—to use in making

moral decisions than the values that pervade, say, a community of Buddhist or Trappist monks. From the mere fact that "my people" hold a certain set of values, it does not follow that those values are more or less justified than any others. Why then should I adhere to them as the relativist claims I should? It is arbitrary to give one's blind allegiance to a set of values merely because they happen to be the values held by one's group. To claim, as the relativist does, that one should follow the values of one's own culture simply because they are the values of one's own culture, then, is to claim that one should arbitrarily follow a set of values without regard to whether or not those values have any moral justification.

Faced with the failures of relativism the multinational manager might hope to find solace in the traditional alternative to relativism: absolutism. Absolutism is the view that there is a set of universally valid moral standards that legitimately can be used to evaluate behaviors in all cultures. It is important to note that by "universally valid" standards I do not mean standards that everyone everywhere *in fact* recognizes. The absolutist does not claim that there are some moral standards that people everywhere accept or follow. Instead, standards are said to be *universally valid* when there is a justification—a compelling set of rational considerations—that show that all people everywhere *ought to* recognize these standards, even though not everyone may in fact do so. An example of universally valid standards from a field outside of morality is the foundational principles of logic, which are universally valid because everyone *ought to* recognize these principles in their reasoning processes, although cognitive psychologists tell us that many people, when engaged in reasoning, do not *in fact* follow them. The view of the absolutist is that there is some set of moral standards that are universally valid in this same way and that the behaviors of people in all cultures should be consistent with these standards or else be judged to be immoral. Three absolutist approaches now dominate the literature of ethics: human rights approaches, utilitarian approaches, and approaches that appeal to principles of justice.

It is clear that if an absolutist approach is to avoid the pitfalls of a relativism that counsels reliance on local cultures, it must provide universally valid standards that are not rooted in a particular culture but can claim a status that transcends all cultures. However, I now want to argue, all of the absolutist approaches that contemporary ethics has set before us and that aspire to universal validity are in fact parochial. Principles based on human rights, utilitarianism, or justice are all based on metaphysical assumptions that are embedded in Western cultural ways of thinking. These metaphysical assumptions, I want to argue, are not found in all cultures and to assume that all cultures must submit to these principles is simply a form of ethnocentrism.

Human rights principles seem to have the best chance of providing a basis for moral principles that can justifiably be used to evaluate the actions of all people in all cultures. Surely all people have human rights and the members of all cultures must respect those rights. This is the assumption behind such manifestos

as the United Nations Declaration of Human Rights, and many ethicists have declared their allegiance to this approach.¹³

Nevertheless, human rights principles are based on metaphysical concepts that are not accepted or shared by all cultures. In particular, the very notion of a human right assumes an individualistic conception of the human person that is not shared by all cultures. Human rights theories assume that the proper bearers of rights are individuals and not, say, collectives or groups of persons. A human rights theory goes on to provide either negative rights that entitle the individual to the liberty to pursue his or her own personal goals, or positive rights that entitle the individual to those goods necessary for his or her personal welfare. In either case, the human rights theory empowers the individual to pursue his or her personal goals and welfare free from the interference of the surrounding community. Thus a human rights theory assumes, first, that individuals exist and possess goals and a welfare that exist apart from the goals and welfare of their community. That is, the personal identity of the individual, insofar as it is defined by his or her personal goals, welfare, and ability to choose, has an existence that is independent of the community. Second, a human rights theory assumes that individuals, at least with respect to those activities and within those spheres that are protected by the rights in question, may pursue their personal goals and personal welfare, without regard for the goals and welfare of their community. The personal goals and welfare of the individual, within the sphere of his or her rights, have priority over the goals and welfare of the community. In fact, when the goals or welfare of a community are allowed to take priority over those of its members in a particular sphere, we hesitate to say that those members have "rights" in that sphere.

These individualistic assumptions, of course, are not shared by all cultures. In particular, so-called collectivist cultures assume both that the identity of the human person is dependent on the identity of the person's community, and that the goals and welfare of the community regularly take priority over those of the individual. The term "collectivist," which derives from the work of Geert Hofstede, characterizes those cultures in which the goals and interests of the family, clan, or other in group are given priority over the goals and interests of the individual, and in which members tend to identify themselves by reference to their position in the group.¹⁴ "Collectivist" cultures contrast with "individualistic" cultures, which exhibit a preference for individual autonomy, individual responsibility, individual goal seeking, and an independently defined identity. For the members of collectivist cultures individualistic notions of personal responsibility and personal entitlements are alien notions. Asian cultures, for example, are predominantly collectivist cultures, while American, British, and Australian cultures are individualistic.

Human rights, theories, then, are essentially parochial theories, rooted in the conceptual assumptions of a particular cultural milieu: the individualistic cultures that predominate in the West. Human rights theories thus fail to provide

the kind of transcultural criteria that the multinational manager requires in a non-relativistic ethic.

Utilitarian theories also fail the multinational manager and for much the same reason. Utilitarian theories claim that morality requires that either behaviors or rules must maximize utility. But utilitarian theories assume that the bearers of utility are individuals. It is the aggregation of these individual utilities that utilitarians say must be maximized.¹⁵ Utilitarian theories, then, even more so than human rights theories, assume that individuals, not collectives, are the proper vessels of value, and that morality must be judged by the extent to which individuals, not collectives, are allowed to achieve their ends. (Consider, for example, the utilitarian slogan John Stuart Mill attributes to Jeremy Bentham: "Everybody to count as one, nobody for more than one.")¹⁶ Utilitarian theories assume also that individuals have desires that exist within them and that these are identifiable independently of the community around them. So to the extent that these desires define the individual (and from the perspective of utilitarian theory the individual is wholly defined by his or her desires and their satisfaction), utilitarianism also is based on an individualistic metaphysics. Thus, utilitarian theories, too, are based on metaphysical notions that are foreign to collectivist cultures and so are as parochial as human rights theories.

Finally, theories of justice also fail to provide the kind of transcultural criteria that are required to keep them from being anything more than merely local cultural assumptions. As Michael Bond and others have shown, notions of what constitutes a just allocation of benefits or burdens in exchanges—the core subject matter of justice—differ along the collectivist/individualistic cultural axis.¹⁷ Collectivist cultures tend to judge allocations as "fair" when everyone in the group receives equal shares. Individualistic cultures, on the other hand, tend to judge allocations as "fair" when each individual receives what he or she deserves in light of that individual's personal effort or contribution to the task at hand. Conceptions of justice in collectivist cultures thus ignore distinctions among individuals, while individualistic cultures magnify them.

But there are more significant cultural differences that reveal the parochial nature of our theories of justice. An egalitarian culture such as ours makes the metaphysical assumption that "by nature, all men are created equal." In egalitarian cultures it is assumed that individuals "by nature" have an equal status (none are subordinate or superior to others), and all hierarchies are assumed to be artificial social constructs. By contrast, hierarchical cultures, such as Hindu caste cultures, assume that all persons have a metaphysical status that places them in a natural hierarchy in which those at the top are not equal to those at the bottom. In a hierarchical culture, inequalities are natural and equality is the artificial imposition. Egalitarian cultures such as ours assume, as a result, that inequalities should be eradicated, especially status inequalities based on race, sex, religion, or ethnic background, and such inequalities are characterized as unjust discrimination. Hierarchical cultures, however, assume that inequalities should not be

suppressed, since they are natural and fundamental, and so discrimination according to status is morally legitimate while equal opportunity violates the natural inequalities of persons.

Our dominant theories of justice are clearly based on the metaphysical assumptions of our local egalitarian culture. The influential theory of justice once proposed by John Rawls, for example, repeatedly stressed that it assumed "an initial position of equality in defining the fundamental terms" of justice, and it consequently argued for equality of opportunity and against discrimination based on race, sex, religion, or ethnicity.¹⁸ Even the new communitarian theories of justice, such as that proposed, for example, by Michael Sandel, assume that "by nature, all men [and women, he would likely add] are created equal."¹⁹ Theories of justice, then, are as parochial as human rights and utilitarian theories.

Is there any help, then, for the multinational manager forced by globalization to deal with moral diversity within his or her organizations? One strategy that might occur to us is to try to cobble together a theory that incorporates useful elements from absolutism and relativism. Such a theory might propose, for example, as a concession to relativism, that managers should follow local norms except where those norms conflict with very important absolutist moral values. The theory might proceed by proposing some set of absolute "hyper norms" that the people of all societies must respect, while relativistically allowing some "moral free space" where local norms should be followed. This, of course, is what Donaldson and Dunfee have recently proposed.²⁰

But is there any reason to think that such a theory will be any less of a failure than its predecessors? Won't a theory that incorporates both absolutist and relativist elements inherit the deficiencies of both kinds of theories? In at least this case the answer is yes, for two reasons. First, Donaldson and Dunfee propose that the body of absolutist "hyper norms" that all cultures must accept as binding are those that are defined through a universal social contract, while the less fundamental local norms are those that derive from local or regional social contracts. There are, of course, well-known general difficulties that affect the creaking machinery of social contract theories, and the Donaldson and Dunfee version of social contract theory has, in addition, its own particular vulnerabilities. Donaldson and Dunfee tell us, for example, that they will not appeal to Rawls's so-called "veil of ignorance" which would "ensure impartiality," but they will instead assume that "all persons whose interests are affected will be included" in the bargaining that results in their version of the social contract.²¹ Now, since every living person is affected by the outcome of their social contract, at least by its "hyper norms," surely all people would have to participate in Donaldson's and Dunfee's bargaining contraption. But how do Donaldson and Dunfee know what the aggregated preferences of everyone in the world would be, or even if there is a unique solution to the problem of aggregating their preferences? Even if we set these significant difficulties aside, it is still the case that social contract arguments like that of Donaldson and Dunfee make metaphysical assumptions

about the nature of the contractors and that these assumptions inevitably will be culturally biased. In constructing the hypothetical contractors who are to generate the "hyper norms" that function as their absolutist principles, for example, Donaldson and Dunfee covertly assume that the parties to their system of contracts have the kind of equal status prevalent in egalitarian cultures, and they implicitly reject the kind of status inequalities that are characteristic of hierarchical cultures. For without this assumption they would be forced into the uncomfortable admission that those of superior status would likely impose their preferences on all other contractors. But this assumption, I have argued, is a metaphysical assumption that is not shared by all cultures but is limited to egalitarian ones such as those of the United States and other Western democracies. In addition, Donaldson and Dunfee claim that their contractors will choose "core human rights" including the rights to "personal freedom, . . . well being, . . . [and] the ownership of property." But rights, I have argued, derive from the special assumptions made in an individualistic culture, and the particular rights they propose are rights that extol the individualistic pursuit of personal goals over the pursuit of collectivist goals. These are all clearly parochial assumptions.

As the absolutist part of the Donaldson and Dunfee construct runs up against the same parochial difficulties that afflict other absolutist theories, so, too, the relativist part of their theory runs into problems similar to those that afflict other relativist theories. Consider the proposal that local norms should be respected and followed by the manager and, presumably, by natives, so long as they do not violate any hyper norms, a key implication of their so-called priority rules.²² Why should the mere fact that a certain body of norms happens to be locally prevalent establish that anyone (the manager or the local native, for example) should submit to and follow them? The mere fact that a set of norms is prevalent in a region does not constitute a justification of those norms, and so it is arbitrary to say (on that basis alone) that those norms should be followed by anyone. One might be tempted to argue that local norms should be followed because they are the outcome of a local or regional social contract. But we should resist this temptation since history proves it false. None of the local norms prevalent in any region of the world has been arrived at through the kind of bargaining process proposed by social contract theories.

I conclude, then, that when we look at contemporary moral theory as it exists during these last days of the twentieth century, we see nothing but theories that fail to meet the needs that globalization has created for the multinational manager. While the manager struggles with trying to find morally justified ways of dealing with cross-cultural moral conflicts, contemporary moral theory seems incapable of offering anything more than relativistic theories that in effect abandon the manager to his or her own arbitrary devices, or absolutist theories that are nothing more than cultural biases disguised as universal moralities. As we enter the new millennium, then, we are in desperate need of imaginative and creative new approaches to the task of theory building in ethics. We must look for ways of constructing normative theories that can make some claim on having

universal validity, theories that can address the moral pluralism that seems to pervade contemporary life but that will do so without surreptitiously attempting to impose parochial values on everyone else in the world.

Notes

¹World Bank, *1999 World Bank Atlas* (Washington: The World Bank, 1999), p. 52.

²Padma Mallampally and Karl P. Sauvart, "Foreign Direct Investment in Developing Countries," *Finance and Development*, March 1999, pp. 34–37.

³Manuel Velasquez, "International Business Ethics: the Aluminum Companies in Jamaica," *Business Ethics Quarterly* 5 (1995): 865–882.

⁴Moral diversity is now not only a problem for the expatriate manager. Both because of the increased mobility that new transportation technologies have made possible, and because of the growing political, economic, and social pressures that increasingly motivate migrations across national borders, all of the world's industrialized nations now encompass within their boundaries large groups of people from a variety of different cultural backgrounds. These cultural differences have inevitably made their way into local organizations, so that even managers of purely domestic companies must struggle with the problems of cross-cultural conflicts.

⁵David Wong, *Moral Relativity* (Berkeley: University of California Press, 1984); Gilbert Harman, "Moral Relativism Defended," *The Philosophical Review* 84 (1975): 3–22.

⁶Norman Bowie, "Cultural and moral relativism," *The Blackwell Encyclopedic Dictionary of Business Ethics*, ed. Patricia H. Werhane and R. Edward Freeman (Malden, Mass: Blackwell, 1997), p. 551.

⁷James Rachels, "Can Ethics Provide Answers?" *The Hastings Center Report* 10, no. 3 (1980): 33–39.

⁸Onora O'Neill, *Towards Justice and Virtue: A Constructive Account of Practical Reasoning* (Cambridge: Cambridge University Press, 1996): 11–13.

⁹Charles Taylor, "Atomism," *Philosophy and the Human Sciences: Philosophical Papers*, vol. 2 (Cambridge: Cambridge University Press, 1985), pp. 187–210; Michael J. Sandel, *Liberalism and the Limits of Justice* (Cambridge: Cambridge University Press, 1982).

¹⁰Alasdair MacIntyre, *After Virtue* (Notre Dame: University of Notre Dame Press, 1981).

¹¹Bernard Williams, *Moral Luck* (Cambridge: Cambridge University Press, 1981).

¹²Manuel Velasquez, "Ethical Relativism and the International Business Manager," in *Ethical Universals in International Business*, ed. F. Neil Brady (New York: Springer-Verlag, 1996), pp. 15–26.

¹³Thomas Donaldson, *The Ethics of International Business* (New York: Oxford University Press, 1989).

¹⁴Geert Hofstede, *Culture's Consequences: International Differences in Work-related Values* (Beverly Hills, Calif.: Sage, 1980).

¹⁵See, for example, Jeremy Bentham's classic statement: "The interest of the community then is, what?—the sum of the interests of the several members who compose it." Jeremy Bentham, *Principles of Morals and Legislation*, [1789], p. 18, in *The Utilitarians* (New York: Doubleday and Company, 1961). Contemporary utilitarians continue this tradition, e.g., Peter Singer, *Practical Ethics* (Cambridge: Cambridge University Press, 1979).

¹⁶John Stuart Mill, "Utilitarianism," [1863], p. 468, in *The Utilitarians*.

¹⁷M. H. Bond and K. Leung, "How Chinese and Americans Reward Task-related Contributions: A Preliminary Study," *Psychologia* 25 (1982): 32–39; M. H. Bond and K. Leung, "The Impact of Cultural Collectivism on Reward Allocation," *Journal of Personality and Social Psychology* 47 (1984): 793–804; M. H. Bond, K. Leung, and S. Schwartz, "Explaining Choices in Procedural and Distributive Justice Across Cultures," *International Journal of Psychology* 27 (1992): 211–225.

¹⁸John Rawls, *A Theory of Justice* (Cambridge, Mass.: Harvard University Press, 1971), p. 11.

¹⁹See, for example, Michael J. Sandel, *Democracy's Discontent: America in Search of a Public Philosophy* (Boston: Belknap Press, 1996).

²⁰Thomas Donaldson and Thomas Dunfee, "Toward A Unified Conception of Business Ethics: Integrative Social Contracts Theory," *Academy of Management Review* 19 (1994): 252–284.

²¹*Ibid.*, p. 260.

²²*Ibid.*, p. 269.

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