

# ENTREPRENEURIAL ETHICS TOPICS

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## TOPIC 11

# ARE MULTINATIONAL CORPORATIONS FREE OF MORAL DUTY?



## Introduction

We have seen in the news [recently](#) that large and powerful multinational corporations—Apple, Microsoft, Starbucks, Amazon and others—were able to divert profits made in the European Union and claim them instead through an arrangement with Ireland in order to reap a huge tax advantage. Ireland acted as a tax haven and has been called to account for its apparent EU rule violations. The so-called [Panama Papers](#) also make it clear how MNCs (and others) can and do shift profits offshore to avoid paying taxes. And, more recently, there has been the so-called [Paradise Papers](#) reiterating the problem of off-shoring to avoid taxes or launder money.

The multinational corporations, of course, claim not to have broken the law. Maybe they just bent it a little. But, as with the case of the [Heritage Oil and Gas Co. Ltd](#) in Uganda, we can nevertheless ask if those MNCs did not act immorally by knowingly bending the rules to the max (and maybe breaking a few as well) in order to manipulate the situation so that the company did not have to pay taxes to the impoverished and vulnerable citizens of Uganda where Heritage was able to earn billions of dollars in profits. Heritage tried to do this by relocating the company to a tax shelter, and would have succeeded if Uganda had not persisted through a long and expensive court battle. Is not such behavior morally wrong even though it may just squeak under the legal bar?

**Profitable Giants Like Amazon Pay \$0 in Corporate Taxes.**  
**Some Voters Are Sick of It** New York Times 4/29/2019

**YES, AMAZON PAYS TAXES!** National Review 4/30/2019

If nothing else, the international tax evasion situation which seems to be a regular news feature these days, certainly shows the power of wealthy multinational corporations to circumvent the law with carefully crafted accounting and legal schemes. And it is difficult for nation states, which often have far less resources than MNCs, to do anything about it.

Can we find some basis in principle or practice to ascribe moral responsibility to these multinational corporations, or are they simply free to do as they please in the international business arena since there is no effective international police force and international business laws are often non-existent, inadequate or poorly enforced?



In his unusual article below, “*International Business, Morality, and the Common Good,*” well-known Business Ethics philosopher, **Manuel Velasquez**, makes a very strong, rational case for the argument that multinational corporations do NOT have any moral responsibility. He uses two main sources of evidence: an argument from Hobbes applying the concept of the “state of nature” to MNCs, and a second argument based on the famous “**Prisoners Dilemma**” scenario.

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You should have a clear understanding of these two arguments. In addition to the question at hand, it is interesting to see how Velasquez uses Hobbes' idea to craft and support his argument. Do you agree with the premises of Velasquez's argument? The Prisoners Dilemma argument, developed by game theorists at the Rand Corporation during the Cold War to model the effects of the impasse between the U.S. and the Soviet Union resulting in the nuclear race, has intrinsic interest, as I hope that you see. I think it is worth getting to see the kind of rationality presupposed by this thought experiment.

**It is odd to see a Business Ethics professor of Velasquez's stature write a paper arguing that MNCs do not have any moral responsibility. You would think that he would argue in the opposite direction. So, I wrote to Professor Velasquez and asked him why he bothered to make such an unusual argument.** He wrote back at length and his response printed below is worth reading. Basically, he says that he wanted to try to construct the strongest possible argument *in favor of* the idea that MNCs did not have any moral responsibility, and then see if he could effectively counter and defeat that argument. Velasquez confesses in his note to me that "once I had developed this argument fully, I was not able to find a good answer to the argument; that is, I could not find a good way of showing that the argument was wrong."

**John Fleming**, however, in the second article below, does offer a critical, existential assessment of Velasquez's argument. Fleming is a businessman working in the international arena, a past CEO of Walmart, and his vision of the nature of a MNC is significantly different from Velasquez. How, exactly, do these two visions of MNCs differ?

Fleming points to various foundations for moral responsibility that exist *within* a multinational company, like Codes of Ethics, the moral impact of the CEO, and company pride. These practical moral value orientations attach to particular and concrete aspects of how a company actually functions 'on the ground' every day, rather than how it is perceived abstractly and theoretically by philosophers in their academic ivory towers.

Also, Fleming thinks that Velasquez's abstract and depersonalized notion of rationality, which underlies the Prisoners Dilemma, is too rigidly drawn, abstract, and decontextualized to apply to how everyday practical business interactions and judgments in unrepeatably situations among a community of people who *are* the corporation, constitutes a natural and intrinsic moral framework for the company. Contrary to the logic of the Prisoner's Dilemma, Fleming offers the idea of "bounded rationality." What does he mean by this?

On the ground, in the actual, everyday practice of managing a company, Fleming argues, there are numerous sources upon which to base a foundation for the moral orientation of MNCs that are inherent in the nature of the company as a community of persons, its leadership, its code of ethics, local laws and moral traditions, the loyalty and pride of workers, and other actual aspects of the firm as the locus of everyday moral practice.

You should become aware of the sources of moral foundation that Fleming points to in his critical response to Velasquez. They provide evidence for seeing how an Ethics of Care is built into corporations naturally when corporations are perceived as fairly stable communities of inter-related and inter-acting persons working toward common goals. When corporations are looked at instrumentally, however, and evaluated on abstract principles of justice—as they are in Velasquez's article—this dehumanized, abstract, analytic, and instrumental perspective fails to find any basis for moral responsibility for the corporation. Yet another reminder that what you see is often determined by how you look at it.

Who do you think has the better argument, Velasquez or Fleming?

## Velasquez: International Business, Morality, and the Common Good<sup>1</sup>

### Manuel Velasquez

During the last few years an increasing number of voices have urged that we pay more attention to ethics in international business, on the grounds that not only are all large corporations now internationally structured and thus engaging in international transactions, but that even the smallest domestic firm is increasingly buffeted by the pressures of international competition. . . .



*Dr. Manuel Velasquez*

Can we say that businesses operating in a competitive international environment have any moral obligations to contribute to the international common good, particularly in light of realist objections? Unfortunately, my answer to this question will be in the negative....

### **International Business**

... When speaking of international business, I have in mind a particular kind of organization: the multinational corporation. Multinational corporations have a number of well known features, but let me briefly summarize a few of them. First, multinational corporations are businesses and as such they are organized primarily to increase their profits within a competitive environment. Virtually all of the activities of a multinational corporation can be explained as more or less rational attempts to achieve this dominant end. Secondly, multinational corporations are bureaucratic organizations. The implication of this is that the identity, the fundamental structure, and the dominant objectives of the corporation endure while the many individual human beings who fill the various offices and positions within the corporation come and go. As a consequence, the particular values and aspirations of individual members of the corporation have a relatively minimal and transitory impact on the organization as a whole. Thirdly, and most characteristically, multinational corporations operate in several nations. This has several implications. First, because the multinational is not confined to a single nation, it can easily escape

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<sup>1</sup> Velasquez, Manuel. "International Business, Morality, and the Common Good." *Business Ethics Quarterly*, vol. 2, no. 1, January 1992, pp. 41-43. References omitted.

the reach of the laws of any particular nation by simply moving its resources or operations out of one nation and transferring them to another nation. Second, because the multinational is not confined to a single nation, its interests are not aligned with the interests of any single nation. The ability of the multinational to achieve its profit objectives does not depend upon the ability of any particular nation to achieve its own domestic objectives.

### **The Traditional Realist Objection in Hobbes**

The realist objection, of course, is the standard objection to the view that agents—whether corporations, governments, or individuals—have moral obligations on the international level. Generally, the realist holds that it is a mistake to apply moral concepts to international activities: morality has no place in international affairs. The classical statement of this view, which I am calling the "traditional" version of realism, is generally attributed to Thomas Hobbes. . . .

In its Hobbesian form, as traditionally interpreted, the realist objection holds that moral concepts have no meaning in the absence of an agency powerful enough to guarantee that other agents generally adhere to the tenets of morality. Hobbes held, first, that in the absence of a sovereign power capable of forcing men to behave civilly with each other, men are in "the state of nature," a state he characterizes as a "war ... of every man, against every man." Secondly, Hobbes claimed, in such a state of war, moral concepts have no meaning:

To this war of every man against every man, this also is consequent; that nothing can be unjust. The notions of right and wrong, justice and injustice have there no place. Where there is no common power, there is no law: where no law, no injustice.

Moral concepts are meaningless, then, when applied to state of nature situations. And, Hobbes held, the international arena is a state of nature, since there is no international sovereign that can force agents to adhere to the tenets of morality.

The Hobbesian objection to talking about morality in international affairs, then, is based on two premises: (1) an ethical premise about the applicability of moral terms and (2) an apparently empirical premise about how agents behave under certain conditions. The ethical premise, at least in its Hobbesian form, holds that there is a connection between the meaningfulness of moral terms and the extent to which agents adhere to the tenets of morality: If in a given situation agents do not adhere to the tenets of morality, then in that situation moral terms have no meaning. The apparently empirical premise holds that in the absence of a sovereign, agents will not adhere to the tenets of morality: they will be in a state of war. This appears to be an empirical generalization about the extent to which agents adhere to the tenets of morality in the absence of a third-party enforcer. Taken together, the two

premises imply that in situations that lack a sovereign authority, such as one finds in many international exchanges, moral terms have no meaning and so moral obligations are nonexistent. ...

### **Revising the Realist Objection: The First Premise**

... The neo-Hobbesian or realist... might want to propose this premise: When one is in a situation in which others do not adhere to certain tenets of morality, and when adhering to those tenets of morality will put one at a significant competitive disadvantage, then it is not immoral for one to like-wise fail to adhere to them. The realist might want to argue for this claim, first, by pointing out that in a world in which all are competing to secure significant benefits and avoid significant costs, and in which others do not adhere to the ordinary tenets of morality, one risks significant harm to one's interests if one continues to adhere to those tenets of morality. But no one can be morally required to take on major risks of harm to oneself. Consequently, in a competitive world in which others disregard moral constraints and take any means to advance their self-interests, no one can be morally required to take on major risks of injury by adopting the restraints of ordinary morality.

A second argument the realist might want to advance would go as follows. When one is in a situation in which others do not adhere to the ordinary tenets of morality, one is under heavy competitive pressures to do the same. And, when one is under such pressures, one cannot be blamed—i.e., one is excused—for also failing to adhere to the ordinary tenets of morality. One is excused because heavy pressures take away one's ability to control oneself, and thereby diminish one's moral culpability.

Yet a third argument advanced by the realist might go as follows. When one is in a situation in which others do not adhere to the ordinary tenets of morality it is not fair to require one to continue to adhere to those tenets, especially if doing so puts one at a significant competitive disadvantage. It is not fair because then one is laying a burden on one party that the other parties refuse to carry.

Thus, there are a number of arguments that can be given in defense of the revised Hobbesian ethical premise that when others do not adhere to the tenets of morality, it is not immoral for one to do likewise....

### **Revising the Realist Objection: The Second Premise**

Let us turn to the other premise in the Hobbesian argument, the assertion that in the absence of a sovereign, agents will be in a state of war. As I mentioned, this is an apparently empirical claim about the extent to which agents will adhere to the tenets of morality in the absence of a third-party enforcer.

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Hobbes gives a little bit of empirical evidence for this claim. He cites several examples of situations in which there is no third party to enforce civility and where, as a result, individuals are in a "state of war." Generalizing from these few examples, he reaches the conclusion that in the absence of a third-party enforcer, agents will always be in a "condition of war."

Recently, the Hobbesian claim ... has been defended on the basis of some of the theoretical claims of game theory, particularly of the prisoner's dilemma. Hobbes' state of nature, the defense goes, is an instance of a prisoner's dilemma, and rational agents in a Prisoner's Dilemma necessarily would choose not to adhere to a set of moral norms.

A Prisoner's Dilemma is a situation involving at least two individuals. Each individual, is faced with two choices: he can cooperate with the other individual or he can choose not to cooperate. If he cooperates and the other individual also cooperates, then he gets a certain payoff. If, however, he chooses not to cooperate, while the other individual trustingly cooperates, the non-cooperator gets a larger payoff while the cooperator suffers a loss. And if both choose not to cooperate, then both get nothing.

It is a commonplace now that in a Prisoner's Dilemma situation, the most rational strategy for a participant is to choose not to cooperate. For the other party will either cooperate or not cooperate. If the other party cooperates, then it is better for one not to cooperate and thereby get the larger payoff. On the other hand, if the other party does not cooperate, then it is also better for one not to cooperate and thereby avoid a loss. In either case, it is better for one to not cooperate.

... In Hobbes' state of nature each individual must choose either to cooperate with others by adhering to the rules of morality (like the rule against theft), or to not cooperate by disregarding the rules of morality and attempting to take advantage of those who are adhering to the rules (e.g., by stealing from them). In such a situation it is more rational... to choose not to cooperate. For the other party will either cooperate or not cooperate. If the other party does not cooperate, then one puts oneself at a competitive disadvantage if one adheres to morality while the other party does not. On the other hand, if the other party chooses to cooperate, then one can take advantage, of the other - party by breaking the rules of morality at his expense. In either case, it is morally rational to not cooperate.

Thus, the realist can argue that in a state of nature, where there is no one to enforce compliance with the rules of morality, it is more rational, from the individual's point of view to choose not to comply with morality than to choose to comply. Assuming—and this is obviously a critical assumption—that agents behave rationally, then we can conclude that agents in a state of nature will choose not to comply with the tenets of ordinary morality. . . .

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Can we claim that it is clear that multinationals have a moral obligation to pursue the global common good in spite of the objections of the realist?

I do not believe that this claim can be made. We can conclude from the discussion of the realist objection that the Hobbesian claim about the pervasiveness of amorality in the international sphere is false when (1) interactions among international agents are repetitive in such a way that agents can retaliate against those who fail to cooperate, and (2) agents can determine the trustworthiness of other international agents.

But unfortunately, multinational activities often take place in a highly competitive arena in which these two conditions do not obtain. Moreover, these conditions are noticeably absent in the arena of activities that concern the global common, good.

First, as I have noted, the common good consists of goods that are indivisible and accessible to all. This means that such goods are susceptible to the free rider problems. Everyone has access to such goods whether or not they do their part in maintaining such goods, so everyone is tempted to free ride on the generosity of others. Now governments can force domestic companies to do their part to maintain the national common good. Indeed, it is one of the functions of government to solve the free rider problem by forcing all to contribute to the domestic common good to which all have access. Moreover, all companies have to interact repeatedly with their host governments, and this leads them to adopt a cooperative stance toward their host government's objective of achieving the domestic common good.

But it is not clear that governments can or will do anything effective to force multinationals to do their part to maintain the global common good. For the governments of individual nations can themselves be free riders, and can join forces with willing multinationals seeking competitive advantages over others.

Let me suggest an example. It is clear that a livable global environment is part of the global common good, and it is clear that the manufacture and use of chlorofluorocarbons is destroying that good. Some nations have responded by requiring their domestic companies to cease manufacturing or using chlorofluorocarbons. But other nations have refused to do the same, since they will share in any benefits that accrue from the restraint others practice, and they can also reap the benefits of continuing to manufacture and use chlorofluorocarbons. Less developed nations, in particular, have advanced the position that since their development depends heavily on exploiting the industrial benefits of chlorofluorocarbons, they cannot afford to curtail their use of these substances. Given this situation, it is open to multinationals to shift their operations to those countries that continue to allow the manufacture and use of chlorofluorocarbons. For multinationals, too, will reason that they will share in any benefits that accrue

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from the restraint others practice, and that they can meanwhile reap the profits of continuing to manufacture and use chlorofluorocarbons in a world where other companies are forced to use more expensive technologies. Moreover, those nations that practice restraint cannot force all such multinationals to discontinue the manufacture or use of chlorofluorocarbons because many multinationals can escape the reach of their laws.

An exactly parallel, but perhaps even more compelling, set of considerations can be advanced to show that at least some multinationals will join forces with some developing countries to circumvent any global efforts made to control the global warming trends (the so-called "greenhouse effect") caused by the heavy use of fossil fuels.

The realist will conclude, of course, that in such situations, at least some multinationals will seek to gain competitive advantages by failing to contribute to the global common good (such as the good of a hospitable global environment). For multinationals are rational agents, i.e., agents bureaucratically structured to take rational means toward achieving their dominant end of increasing their profits. And in a competitive environment, contributing to the common good while others do not, will fail to achieve this dominant end. Joining this conclusion to the ethical premise that when others do not adhere to the requirements of morality it is not immoral for one to do likewise, the realist can conclude that multinationals are not

morally obligated to contribute to such global common goods (such as environmental goods).

Moreover, global common goods often create interactions that are not iterated. This is particularly the case where the global environment is concerned. As I have already noted, preservation of a favorable global climate is clearly part of the global common good. Now the failure of the global climate will be a one-time affair. The breakdown of the ozone layer, for example, will happen once, with catastrophic consequences for us all; and the heating up of the global climate as a result of the infusion of carbon dioxide will happen once, with catastrophic consequences for us all. Because these environmental disasters are a one-time affair, they represent a non-iterated prisoner's dilemma for multinationals. It is irrational from an individual point of view for a multinational to choose to refrain from polluting the environment in such cases. Either others will refrain, and then one can enjoy the benefits of their refraining; or others will not refrain, and then it will be better to have also not refrained since refraining would have made little difference and would have entailed heavy losses.

Finally, we must also note that although natural persons may signal their reliability to other natural persons, it is not at all obvious that multinationals can do the same. As noted above, multinationals are bureaucratic organizations whose

members are continually changing and shifting. The natural persons who make up an organization can signal their reliability to others, but such persons are soon replaced by others, and they in turn are replaced by others. What endures is each organization's single-minded pursuit of increasing its profits in a competitive environment. And an enduring commitment to the pursuit of profit in a competitive environment is not a signal of an enduring commitment to morality.

## **So, I wrote a note to Professor Velasquez**

Dear Professor Velasquez:

My students and I are studying your article, "International Business and the Common Good" here in the School of Business at the University of Montana and are wondering why you—as a rock solid Business Ethics professor—wrote an essay that argues that MNCs have no moral responsibility. Were you really serious about this?

Thanks for your time,

Robert D. Walsh, Ph.D.

## **And Professor Velasquez wrote back**

Hi, Robert:

Thanks for your email. I'm assuming you are talking about the article entitled "International Business, Morality, and the Common Good." Anyway, I assume that is the correct article in the comments that follow.

I'm not sure exactly what you mean by "Were you really serious about this?" Let me say a little bit about the genesis of the article. I had begun by writing an article on the moral responsibilities (i.e., obligations) of companies whose operations span more than one country, i.e., of multinationals. (At the back of my mind, I was thinking about the moral obligations multinationals might have to avoid engaging in the bribery of government officials in foreign countries.) In the process of putting that article together I decided that in part of the article I would try to answer objections to the claim I wanted to defend, namely, that multinationals do have moral obligations. (In particular, I originally wanted to show, multinationals have a moral obligation not to engage in bribing the government officials of foreign countries.)

One of the objections that I was looking at was the so-called "realist" objection that multinationals do not have moral obligations when they operate at an international level because at that level they operate in a "state of nature," i.e., a state in which there is no super-national entity capable of enforcing moral obligations. In such a state, the realist argument says, the very concept of a moral obligation either makes no sense or does not apply.

The more I thought about that argument, and the more I thought about different ways of understanding that argument, as well as different ways of justifying the premises of the argument,

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the more I came to believe that I did not really have an answer to all versions of the argument. So I decided to see what the best, strongest, and most reasonable version of the argument might look like, and then see if I could answer that argument.

The version I thought was the strongest concluded that when there is no international entity capable of enforcing morality at an international level, and when other companies are not behaving morally at an international level, then it is permissible for my company to also not behave morally at an international level. For example, if there is no "international" police force capable of forcing all companies to avoid engaging in bribery, and if other companies are using bribes to get government officials to buy their products instead of buying the products of my company, then my company would have no moral obligation to avoid engaging in bribery. I thought that this realist argument could also be used to justify the conclusion that international companies (operating under the same conditions of no international police force, everyone is doing it, etc.) do not have an obligation to support the global common good, such as the global common good of a livable environment.

But once I had developed this argument fully, I was not able to find a good answer to the argument; that is, I could not find a good way of showing that the argument was wrong. So I decided to write up the argument in the form of an independent article, instead of using it as part of the longer article that I had originally set out to write. That way, if it was published, maybe other people would read it and would be able to find a way of showing that the argument was wrong, even though I had failed to find a way of showing that. So I wrote it up, and the article got published in a journal.

But do I personally believe that the conclusion of the article is correct? No, I don't.

Nevertheless, I still don't have a way of showing that the realist argument contains a fatal flaw. So although I think the conclusion of the realist argument is false, I don't have any way yet of showing that the realist argument is wrong, although I think (or maybe just hope) it is wrong.

I think, though, that the world has changed in important ways since I wrote the article. Take bribery, for example. Today almost every developed nation has adopted a law that prohibits their companies from bribing a foreign government in order to make a sale. So you no longer have a situation where all other companies are using bribery, and so where companies that do not use bribes would be at a disadvantage. Today almost all companies in the developed world that have something valuable to sell to foreign governments, are bound by the anti-bribery laws of their own countries, and most of them abide by those laws. So with respect to bribery, anyway, the conditions that are needed to be able to show (by using the realist argument) that companies do not have an obligation to avoid bribery, no longer exist. You can no longer use the realist argument to show that multinationals have no obligation to avoid engaging in bribery.

The same is true with the issue of avoiding the use of chlorofluorocarbons, another example I used in the article. Today almost every country has laws that make most uses of chlorofluorocarbons illegal. So the realist can no longer say that since there is no international enforcer, and since everyone is doing it, it is morally permissible for international companies to make money by selling chlorofluorocarbons or by selling products containing chlorofluorocarbons.

But we are not quite there yet with respect to at least one of the moral issues I identified in the article, namely, the use of fossil fuels that contribute to global warming. We know that if we all continue to use fossil fuels (e.g., gasoline) we will eventually create an environment that cannot sustain us. So a reasonable conclusion would be that we have a moral obligation to avoid using fossil fuels. But at an international level, there is no international enforcer, and everyone uses fossil fuels, so the realist argument would say that companies that operate at the international level, at least, have no obligation to stop using fossil fuels. And it seems to me that in fact, most people today buy the realist argument as it applies to the use of fossil fuels (and they seem to accept the realist argument at a national, as well as an international, level). Or, at any rate, I have met very few people who think that it is immoral to use gasoline to fuel their cars.

Sorry for this long email. I had not looked at the article for several years, and so your email evoked a lot of thoughts that I guess I had stored up.

Manuel Velasquez  
Santa Clara University

## Fleming: Alternative Approaches and Assumptions<sup>2</sup>

### [John Fleming](#)

#### Introduction

I feel that Professor Velasquez has written a very interesting and thought-provoking paper on an important topic. His initial identification with a "strong notion of the common good" raises the level of analysis to a high but very complex plane. The author introduces the interesting and, from my view, unusual realist objection in the Hobbesian form. After a rigorous analysis of this concept Professor Velasquez reaches what I find to be a disturbing conclusion: "It is not obvious that we can say that multinationals have an obligation to contribute to the global common good." He then finishes the paper with a strong plea for the establishment of "an international authority capable of forcing everyone to contribute toward the global good."



**John Fleming**  
Independent Retail Advisor  
(Former CEO, Walmart.com; CMO,  
Walmart; and, CEO Global EComm,  
Uniqlo)

[FULL BIO](#)

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<sup>2</sup> Fleming, John. "Alternative Approaches and Assumptions: comments on Manuel Velasquez." *Business Ethics Quarterly*, vol. 2, no. 1, January 1992, pp. 41-43. References omitted.

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It would be presumptuous of me to question the fine ethical reasoning that appears in the paper. I am impressed with its elegance. However, in a topic of this complexity I would like to think that there might be alternative approaches and assumptions that would lead us to a different conclusion. The presentation of such alternatives will be the path that I will take, examining the conceptual and empirical underpinnings of the argument from a management viewpoint.

### **The Model of a Multinational Corporation**

The profit-maximizing, rational model of a multinational corporation presented in the paper is consistent with traditional economics and serves as a useful approximation of the firm from a theoretical viewpoint. But it falls somewhat short in less than purely competitive environments and was never intended to describe the decision processes of actual managers. Empirical studies of firms can lead to a profit-sacrificing, bounded rational model. The importance of profit is still there, but the stockholder does not get all the benefits. Other stakeholders are considered and rewarded. Out of all this can come the important concept of corporate social responsibility, which can include such topics as concerns for the environment and for host country governments.

I also find the faceless and interchangeable bureaucrat a poor model for business executives, particularly the chief executive officers of large corporations. Many of these individuals have a personal impact on the organization, including such areas as business ethics and corporate responsibility. There are also important behavioral aspects of management, such as pride in the firm and corporate culture, that are fertile soil for the nurture of ethics.

Most large American multinational corporations have codes of ethics and some have well-developed programs concerned with ethical behavior worldwide. A number of these firms emphasize that their one code of conduct applies everywhere that they do business. At the GTE Corporation its vision and values statements have been translated into nine different languages and distributed to all its employees to ensure this world-wide understanding of how it conducts its business. This is a far cry from the situational ethics described in the model used by Professor Velasquez.

### **Model of the International Business Climate**

The planning and decision environment of the managers conducting international business is different from that described in the paper. There is the very real problem of a lack of an overarching global government and enforceable laws for the international arena. Nevertheless, there are other very strong restraining forces on companies that prevent the "state of nature" (or law of the jungle) described in the paper. For example, the national governments that do exist influence the ethical behavior of companies acting within their boundaries and beyond. The Foreign

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Corrupt Practices Act of the United States has set a new standard of behavior in the area of bribery that dictates how American companies will behave worldwide. The financial practices of large banks and securities markets have added major constraints to global corporate behavior. There are also a number of regional and functional organizations in the areas of trade and monetary issues that provide limitations to managerial decision making.

The decisions of multinational executives are also constrained by such factors as public opinion and the pressures of special interest groups. In this area the media also plays a strong role. Examples of these forces are the actions of interest groups that forced marketing changes on infant formula manufacturers and the strong "green" movement that is affecting business decisions throughout many parts of the world.

My own view is that considerable progress has been made in the area of limiting the manufacture and release of chlorofluorocarbons. This is a very complex issue involving tremendous social and economic changes that are far more critical, widespread and controlling than the profits of the producing companies. Even with the existence of an enforcing government there is no guarantee that the problem would be solved speedily. An example in point is the acid rain problem of the United States.

### **Model of the Prisoner's Dilemma**

From the standpoint of managerial decision making the Prisoner's Dilemma model does not simulate a situation that is frequently found in international business. An executive generally would not be negotiating or making mutually beneficial decisions with competitors. I would see the greatest amount of effort of multinational decision makers devoted to the development of repeat customers. Such an accomplishment comes about through solving customer problems with better product/service at a lower cost. An emphasis on efficiency and excellence is a far more effective use of executive time than questionable negotiations with a competitor. I believe that the weakness Professor Velasquez identifies in the Prisoner's Dilemma model as a one-time event with competitors applies even more to negotiations with customers.

The author also points out a major weakness of the model in the signaling of intent that goes on between individuals. He then states that this same signaling is not found to any great extent between companies. I would disagree with this thought. An important part of corporate strategic planning is analyzing market signals. United States antitrust forbids direct contact between competitors on issues relating to the market. But there is no limitation on independent analysis of competitive actions and the interpretation of actions by competitors. When Kodak

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introduced its instant camera, both Kodak and Polaroid watched the other's actions to determine whether it signaled detente or fight.

### **Conclusion**

For the reasons enumerated above I tend to question the models and assumptions that Professor Velasquez has used in his ethical analysis. And, with these underpinnings in jeopardy, I also tend to question the tentative conclusion of his moral reasoning as it relates to the managerial aspects of international business. I feel that multinationals do have a strong obligation to contribute to the global common good.