How Should PEEs "Serve With Fidelity the Public"?

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Introductions

Susanne Burri

- Assistant Professor in the Department of Philosophy, Logic & Scientific Method at the LSE

- B.A. Econ, M.A. Econ & Phil, PhD Phil

- Research interests: normative ethics
(moral decision-making under uncertainty; the permissibility of imposing risks of harm)

- Teaching: Business and Organisational Ethics

Alexandra Konoplyanik

- Accredited Specialist Philosophy Facilitator, The Philosophy Foundation
(https://www.philosophy-foundation.org/)

   Philosophical enquiry and critical thinking for children, community and business

- B.S. Management, M.S. Philosophy & Public Policy

- Professional experience includes: Practical Philosophy, Oil & Gas Executive Recruitment, Investment Banking

Ethics as a Subdiscipline of Philosophy

- **Philosophy:**
  Investigating through arguments and logic what is **not** open to empirical investigation, but of continuing interest to human beings

- **Ethics**:
  What is a good or flourishing life for a human being? What treatment do we owe to each other?

- Philosophy is fascinatingly/frustratingly **non-dogmatic**
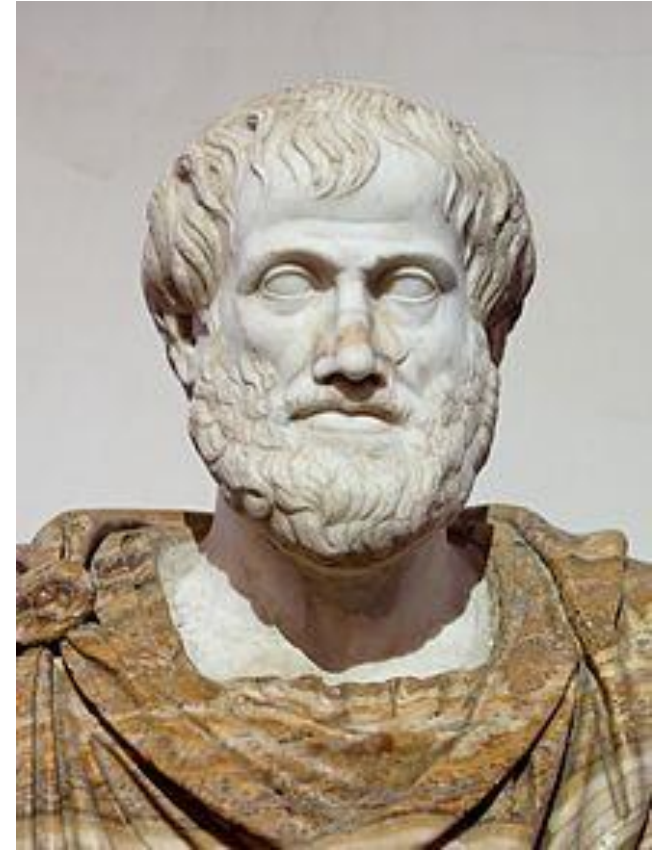
Aristotle (384-322 BCE)

Outline

1. The Code of Ethics of Engineers and the duty of PEEs to serve the public

2. Discussion

3. Some business ethics background
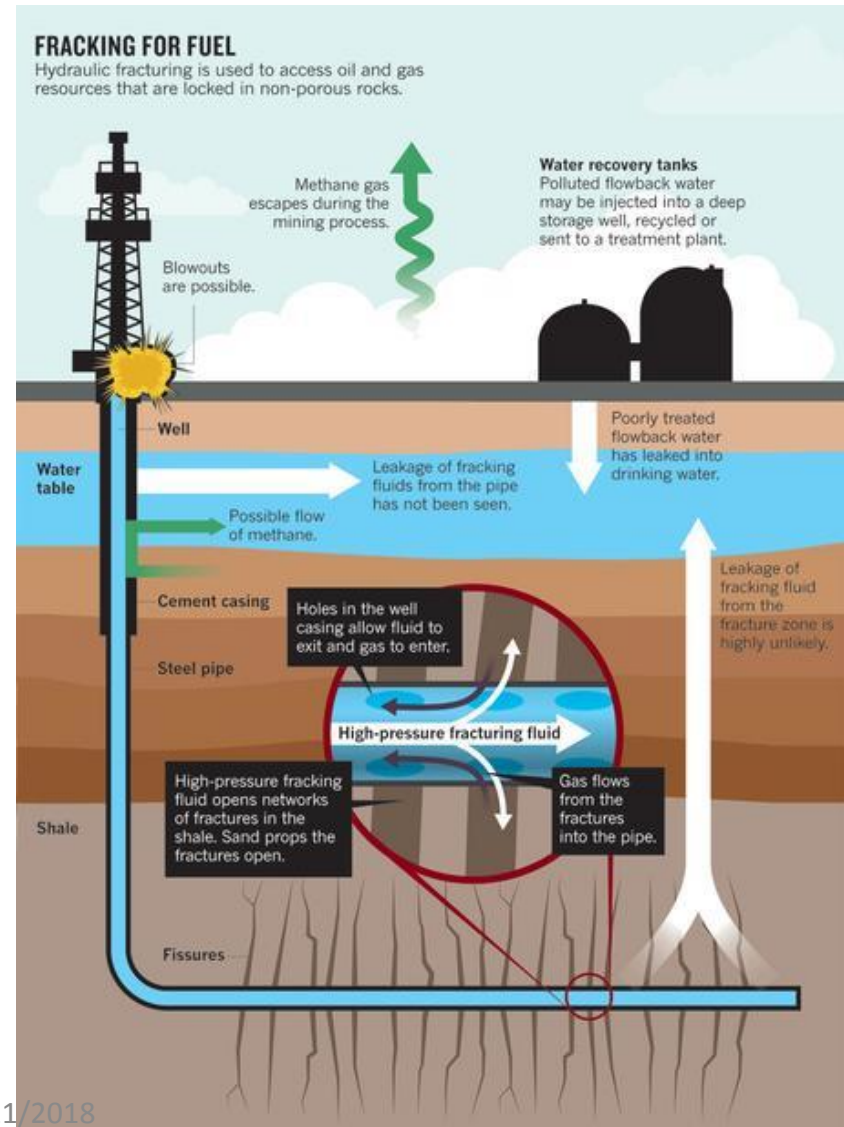
The Code of Ethics of Engineers

From the "Fundamental Principles":

"Engineers uphold and advance integrity, honor and dignity of the engineering profession by:

[…]

(2) Being honest and impartial, **serving with fidelity the public**, their employees and **clients**;

[…]"

FRACKING FOR FUEL
Hydraulic fracturing is used to access oil and gas resources that are locked in non-porous rocks.

Methane gas escapes during the mining process.

Blowouts are possible.

Water recovery tanks
Polluted flowback water may be injected into a deep storage well, recycled or sent to a treatment plant.

Well

Water table

Poorly treated flowback water has leaked into drinking water.

Leakage of fracking fluids from the pipe has not been seen.

Possible flow of methane.

Cement casing

Holes in the well casing allow fluid to exit and gas to enter.

Leakage of fracking fluid from the fracture zone is highly unlikely.

Steel pipe

High-pressure fracturing fluid

High-pressure fracking fluid opens networks of fractures in the shale. Sand props the fractures open.

Gas flows from the fractures into the pipe.
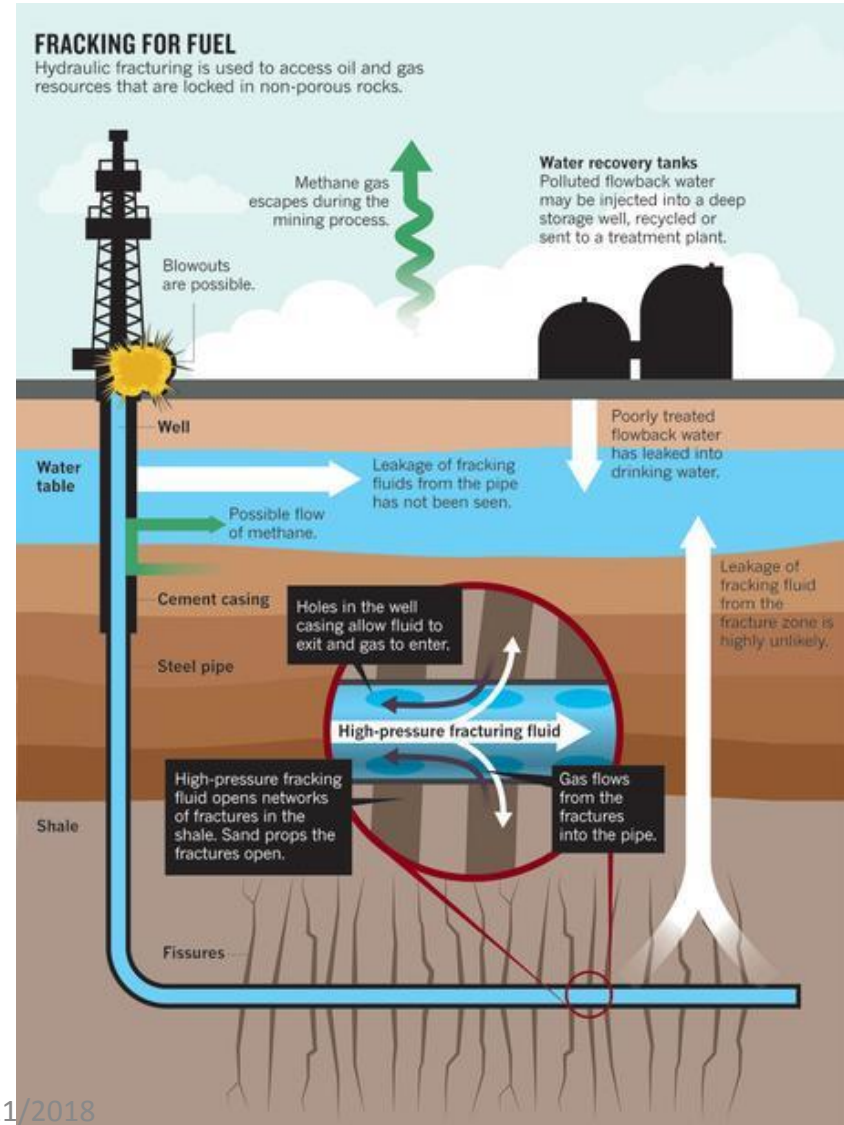
Shale

Fissures

SPE Code of Conduct

"SPE Professionals:
[...]
10. Seek to adopt technical and economic measures to render potentially adverse impacts to environment or the health, safety, and security of the public as low as reasonably practicable.
[...]"

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Discussion: Facts

1. How is the **public affected** by a PEE's decisions? Where can what a PEE does serve (or fail to serve) the public?

2. What are typical situations where the interests of a PEE's client **conflict** with the interests of the general public?

Discussion: Values

1. When there are such **conflicts of interests**, is there a **principled way of deciding** these? When should a PEE act in the best interest of the client? When should a PEE act against it to "serve the public"?

2. Is a **code of conduct useful** if it merely obliges professionals to serve potentially competing interests without instructions about how to balance these? If yes, how?
If no, might it even be dangerous?

A Bit of Intellectual History

Modern business ethics started as a heated debate between defenders of the **stakeholder approach** on the one hand, and defenders of the **shareholder approach** on the other hand.

Stakeholder   Shareholder
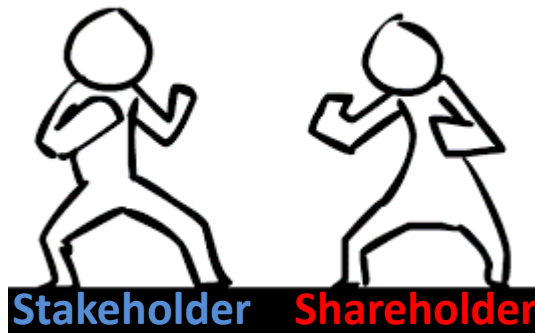
Antagonists:

"Tough-minded **realists**"

vs.

"Naïve **good guys**"

But this view is misleading. Neither do the labels fit, nor is the difference between the two approaches as large as it appears.
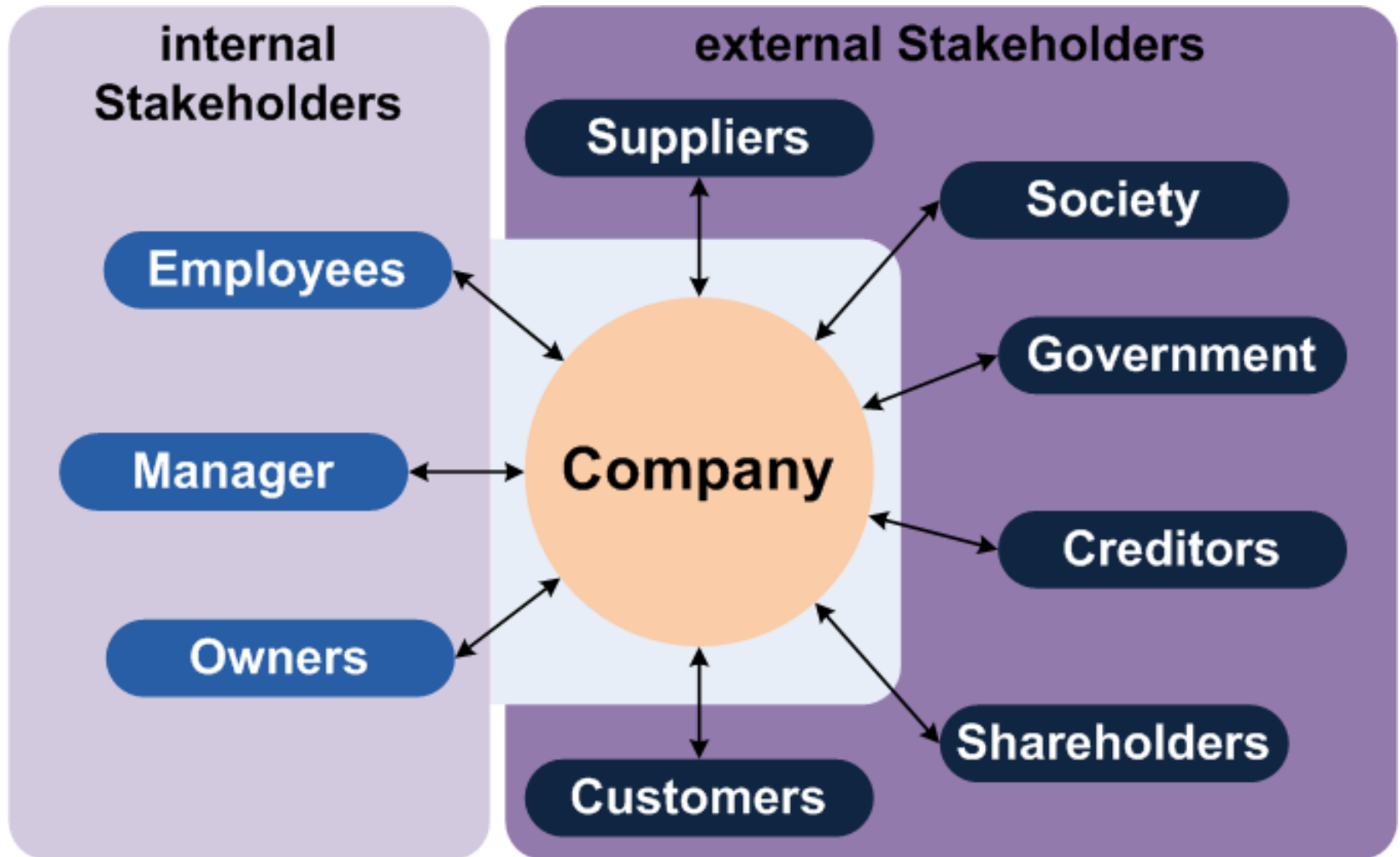
The Stakeholder View

- After WWII, there was a widespread sentiment that the primary **purpose of business was to further the general welfare of society** (Corporate Social Responsibility or CSR)

- In his *Strategic Management: A Stakeholder Approach,* R. Edward Freeman (1984) developed these ideas into the so-called *stakeholder approach*

- Key idea: Anyone who can affect, or who is (potentially) affected by a company's activities, is a stakeholder of that company. All stakeholders have legitimate interests that managers are morally required to balance in their decision-making.

R. Edward
Freeman
(*1951)

The Stakeholder View

The Shareholder View

- Most famously defended by Milton Friedman

- In a powerful and provocative short article, Friedman (1970) **denies** that managers ought to balance the conflicting interests of different stakeholders.

- Friedman's key claim:
  Managers ought to promote the interests of shareholders, and of shareholders only. This is what managers are paid to do – it is their job.

Friedman's Main Argument

"In a free-enterprise, private-property system, a corporate executive is an employee of the **owners of the business**. He has direct responsibility to his employers. That responsibility is to **conduct the business in accordance with their desires**, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom. Of course, in some cases his employers may have a different objective. A group of persons might establish a corporation for an eleemosynary [charitable] purpose–for example, a hospital or a school. The manager of such a corporation will not have money profit as his objective but the rendering of certain services.

In either case, the key point is that, in his capacity as a corporate executive, the manager is the agent of the individuals who own the corporation or establish the eleemosynary institution, and his primary responsibility is to them."

(Friedman, 1970, p. 211)
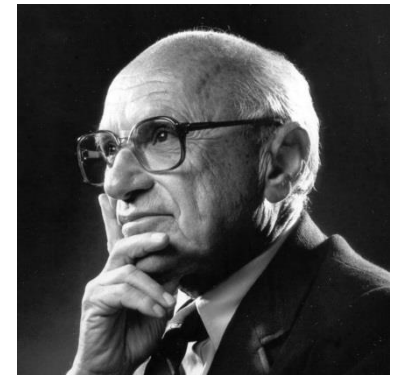
Milton Friedman
(1912-2006)

Friedman's Main Argument

1. In the modern corporation, the role of "manager" exists because there is a **separation between ownership and control**

2. The separation between ownership and control creates a principal-agent problem: the owners (principals) have only imperfect ways of ensuring that the managers (agents) steer the company in the owners' best interests

3. When you enter a labour contract as a manager, you voluntarily accept a contractual obligation to act in the owners' best interests

4. To the extent that someone has voluntarily entered a contract, they are morally obliged to honour it

Criteria for a Good Ethical Theory

… or a good Code of Conduct, or a good answer to the question: "What are the moral responsibilities of managers?"

A good theory

1. Is helpfully action-guiding
2. Is backed up with solid arguments
3. Provides the right answers in intuitively obvious cases