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Chapter 15

The Domination Office: The Star System and Labor Unions

Chapter Overview

Chapter 15 "The Domination Office: The Star System and Labor Unions" investigates ethical issues raised by extreme disparities in income and wealth. Issues surrounding labor unions are also considered.

15.1 What Is the Star System?

LEARNING OBJECTIVE

1. Define and characterize the star system in contemporary business life.

Cash Break Zero

Hard times, according to the *Los Angeles Times*, have come to Hollywood: “Today, actors who used to make \$15 million are making \$10 million. The filmmakers who used to make \$10 million are making \$6 million. As one prominent agent put it, ‘Everyone is in free fall. It’s just brutal out there.’” Patrick Goldstein and James Rainey, “Hollywood Gets Tough on Talent: \$20-million Movie Salaries Go Down the Tubes,” *Los Angeles Times*, August 3, 2009, accessed June 9, 2011, http://latimesblogs.latimes.com/the_big_picture/2009/08/want-to-make-10-million-a-movie-forget-about-it-hollywood-gets-tough-on-talent.html.

The news isn’t all bleak, however, for Hollywood’s top actors, directors, and producers. Though they’re being forced to settle for these embarrassingly small up-front paychecks, they’re getting a higher percentage on the back end. The key concept is *cash break zero*—the point where the money a studio spent making, promoting, and distributing a film is balanced by the income from ticket sales in theaters, cable rights, home rentals, and similar. Once that break-even number has been hit, actors and film-makers who are being forced to cut their up-front salary are getting a large chunk of the profits. This arrangement can lead to huge rewards, but the talent only rakes it in if they’re willing to bet on themselves making a movie that generates more money than it cost.

According to the *Times*, one exemplary winner is director Michael Bay, who pocketed \$80 million for his successful—but not earth-shatteringly popular—movie *Transformers*. In the new Hollywood arrangement, just modest box-office success can translate into a giant payday. For those who make stinkers, however, they’re walking away with their reduced up-front salary and nothing more. One major result, finally, of tying compensation to profits is that the distance between the big winners and everyone else in Hollywood increases dramatically. Just like a few movies every year break through the clutter of entertainment options to become must-see shows, so too some paychecks rocket above the rest.

The question about whether stars should get less at the beginning but potentially much more later on is a hot topic in Hollywood, but it doesn't connect with too many people's actual lives. In the words of one successful producer, "The studio pays for the lead actor or actress, but after that, well, the talent is just getting grinded. Everyone else is lucky to be working." Patrick Goldstein and James Rainey, "Hollywood Gets Tough on Talent: \$20-Million Movie Salaries Go Down the Tubes," *Los Angeles Times*, August 3, 2009, accessed June 9, 2011, http://latimesblogs.latimes.com/the_big_picture/2009/08/want-to-make-10-million-a-movie-forget-about-it-hollywood-gets-tough-on-talent.html.

Young people stepping off the bus in Hollywood and getting grinded is a long tradition. Even the biggest names tell stories about working the restaurant night shift six times a week so they're free to audition all day long, and then getting nothing but bit-parts for years. Once in a while someone catches a real break, but most of the time what breaks is the actor. After absorbing endless rejections, there's no direction left but the one leading back to the bus station, and then a long ride back home. The Hollywood blogger T. R. Locke provides a list of the reasons why:

- There are 120,000 SAG (Screen Actors Guild) actors in Hollywood.
- At any given time 85 percent of them are out of work.
- The average salary of a SAG actor is less than \$10,000 a year.
- Most of them are just trying to earn the required \$7,500 a year to keep their health benefits.
- Less than 1 percent are the ones you read about and know: the real stars, the actors who make million-dollar salaries. T. R. Locke, "I'm an ACTOR... Should I Move to New York or Hollywood?," T. R. Locke, October 16, 2009, accessed June 9, 2011, <http://www.trlocke.com/2009/10/i'm-an-actor...-should-i-move-to-new-york-or-hollywood>.

The reality is sobering. In Hollywood the real paycheck difference—the salary separation dividing top talent from just the average—is \$10,000 versus \$80 million. When Michael Bay cashed his *Transformer's* check, he got enough to pay the yearly salary of *eight thousand* actors. That \$79,990,000 gap separating Bay from each one of those aspiring stars explains Locke's good advice for Hollywood newcomers: "The best way to achieve your dreams is to wake up." T. R. Locke, "I'm an ACTOR... Should I Move to New York or Hollywood?," T. R. Locke, October 16, 2009, accessed June 9, 2011, <http://www.trlocke.com/2009/10/i'm-an-actor...-should-i-move-to-new-york-or-hollywood>.

Hollywood actors aren't the only ones staring across giant wealth gaps. If a typical employee at Microsoft who has, like many Americans, a net worth of about \$100,000, spends \$150 at the bars on a big Friday night, it would be about

proportional to what Microsoft chairman Bill Gates would do to his net worth (\$57 billion) were he to blow through...\$85 million. In fact, just one Bill Gates party night could pay a weekend-long bender for every single adult in Wyoming. And if Gates wanted to hire actors in Hollywood, he could get a year of services from six million of them. If every single man, woman, and child living in Rhode Island, Montana, Delaware, South Dakota, Alaska, North Dakota, Vermont, and Wyoming were actors, he could hire them all for a year.

Bill Gates is not the richest man in the world. The Mexican Carlos Slim is. Rounding the numbers off, and using the average Mexican per-capita earning, he could hire ten million people to work a year for him. In US terms, he could hire a personal assistant for every adult in Florida.

Wall Street executive Stephan Schwarzman earned \$702,440,573 in 2009: about enough to hire twelve thousand teachers for New York City's public schools. Oracle CEO Larry Ellison earned \$560 million: enough to pay ten thousand junior-level software engineers. Occidental Petroleum CEO Ray Irani got \$223 million: enough to pay five thousand gas station attendants. The list goes on. Reality imitates Hollywood: nearly every field of work has its stars. David, "12 Highest Paid People of 2009," *Business Pundit*, December 28, 2009, accessed June 9, 2011, <http://www.businesspundit.com/12-highest-paid-people-of-2009>.

What Is the Star System?

The **star system**¹ in the economic world is a winner-take-almost-all structure for distributing wealth: those who are successful in any particular field take home a vastly disproportionate share of the revenue. This is easy to see in the movies and some other places (big-time professional sports, for example), but what makes the star system a pressing issue in business ethics is that it seems to be expanding through our economic lives. To begin getting a sense of the expansion—exactly what it is and means—two distinctions may be drawn:

1. Individual worth versus salary (or income)
2. Vertical versus horizontal expansion of the star system

1. In the economic world, a winner-take-almost-all structure for distributing wealth.

2. How much money someone has.

3. How much money someone makes at work.

Individuals can separate from the larger population mass in terms of **individual worth**², and in terms of **salary**³. Loosely, the first is how much money someone would have if they sold everything they owned and concentrated the dollars in a single bank account; the second is the amount an individual gets paid each year to do something. These two measures may be very distinct—someone may be a star in one category and ordinary in the other. Indra Tamang is a Nepalese immigrant who served a wealthy New Yorker as butler for many years. In terms of salary, he could

not be called a star. When his matron passed away, however, she left him just under \$10 million (and cut her own children out in the process). That rocketed Tamang into the upper end of the net-worth scale, even while his always-modest salary went to zero. Coryn Brown, “New York Butler’s \$8.4 Million Inheritance Includes 2 Dakota Apartments,” *AOL Real Estate*, *aol.com*, May 18, 2010, accessed June 9, 2011, <http://www.housingwatch.com/2010/05/18/new-york-butler-inherits-8-4-million-and-dakota-condo>.

At the other extreme, but still in New York, basketball player Eddy Curry received \$10 million to play a single year’s worth of basketball for the New York Knicks, clearly establishing him in the top echelon of earners. Still, he’s not worth much. In fact, he’s worth around zero: his house is in foreclosure, and creditors are suing for his cars. It’s not clear where all the money went, but a pretty good clue comes from the fact that one of his creditors is charging a jaw-dropping 85 percent interest rate, and that’s only legal in Nevada. Trey Kerby, “Eddy Curry Makes a Lot, Spends a Lot and Owes a Lot of Money,” *Yahoo! Sports*, May 25, 2010, accessed June 9, 2011, http://sports.yahoo.com/nba/blog/ball_dont_lie/post/Eddy-Curry-makes-a-lot-spends-a-lot-and-owes-a-?urn=nba-243600. Finally, it’s clear that the Nepalese butler and the high-rolling basketball player are extreme cases. More typically, individual worth and salary dovetail: those who make a lot end up having a lot. Still, the difference between them remains as two dimensions of a star system.

The second distinction to draw through an examination of gaping wealth differences is horizontal versus vertical. **Vertical wealth imbalances**⁴ measure the distance between top earners and typical ones. It’s the distance between the hyperrich, a Bill Gates in Seattle or a Carlos Slim in Mexico City, and the guy pouring cement at a Seattle construction site or the waitress serving tamales in a Mexico City restaurant.

According to Internal Revenue Services tax returns, in the fifteen years from 1992 to 2007, the four hundred wealthiest Americans have seen their average yearly income jump from about \$50 million a year, to \$350 million. That’s about \$300 million of extra space between the big earners and everyone else. Sam Gustin, “Super Rich Made \$345 Million Each in 2007 as Their Tax Rates Plummeted,” *AOL DailyFinance*, accessed June 9, 2011, <http://www.dailyfinance.com/story/super-rich-made-344-million-each-in-2007-as-their-tax-rates-plu/19362705>. As a parallel statistic, according to a Hofstra political science professor, “The ratio of executive salary to the average paycheck during the mid-twentieth century was about thirty to one. In the last decade it has ranged from three hundred to over five hundred to one.” David Michael Green, “America’s Race to the Bottom,” *David Michael Greens* (blog), *The Smirking Chimp*, December 12, 2009, accessed June 9, 2011.

4. The distance between the top earners and the typical ones.

Though there are many ways to measure the star system, there's a common conclusion: in terms of pure dollars, the rich are getting richer relative to everyone else.

As against the star system's vertical measure, **horizontal**⁵ expansion refers to the number of fields of activity where large wealth imbalances are prevalent. Some occupations fairly naturally lead to all or near-nothing incomes: wildcat oil drilling, hedge-fund managing, movie acting. Other fields seem naturally inclined to resist divergences. There aren't many farmers on lists of the hyperwealthy. Plumbers frequently earn a solid income, but rarely climb above that. The idea of the star system's horizontal expansion is that more and more careers resemble the first set of occupations, while fewer and fewer resemble the second set. It's difficult to find raw statistics to prove this expansion, but it's not hard to locate reasons for suspecting it.

One important reason the star system may be spreading is technological advancement. Justin Bieber, for example, is a cute adolescent boy from Canada with a nice singing voice and good instincts for catchy pop licks. Had he appeared forty years ago, he may have become known around his hometown of London, Ontario. With a lot of long drives and late nights, he may have become a star in his Canadian province and earned a nice concert income for a while. Thanks to YouTube, however, he was able to jump straight from singing a few songs a few times in remote Canadian towns to international superstardom. Similarly, lawyers that may once have become successful in a single courthouse can now buy cheap, late-night advertising on a cable network and set up branch offices around an entire state or even the nation. Anyone sitting at home with a laptop can use the camera to film themselves pitching some product or service and then display the commercial around the world using Google Ads for only a few pennies. What's happening is that people who have a good product or service or pitch are today able to scale up their success very rapidly and inexpensively. No one is saying that it's easy to become an overnight international sensation in any profession, but the *opportunities* to do that are expanding as our world becomes more interconnected.

One further point. Twenty years ago, if Justin Bieber had become successful in Ontario, he would've taken attention and economic opportunity away from some other aspiring singers in a Canadian province. Today, his success crowds out other potential preteen heartthrobs all around the world. Something similar has happened in corporate boardrooms as companies that used to operate in a state or a region have become international behemoths. It used to be that big-time CEOs managed hundreds of employees. The CEO of Walmart today is responsible for millions. For young and ambitious employees entering the Walmart company, that means, there's a lot more competition than there used to be for that one slot on top of the pyramid.

5. Within the star system, the number of fields of activity where large wealth imbalances are prevalent.

Conclusion. The star system isn't measured or defined by one specific statistic; it's a constellation of ideas involving the increasing concentration of wealth within a profession—and within the economy generally—in the hands of a few individuals.

KEY TAKEAWAYS

- The star system in the economic world is a winner-take-almost-all structure of wealth distribution.
- In the contemporary economic world, wealth imbalances are growing vertically and horizontally.

REVIEW QUESTIONS

1. Name a field of economic activity characterized by the star system. Explain.
2. Name a field of economic activity that resists the star system. Why does it resist?
3. With an example, explain the difference between vertical and horizontal wealth imbalances in a society.

15.2 Questions Provoked by the Star System

LEARNING OBJECTIVES

1. Discuss different formulas for distributing wages and wealth in society.
2. Consider different ways individuals are compensated for their labor.
3. Define cronyism and distinguish it from a star system.
4. Discuss theoretical notions of envy.

How Should Wages Be Distributed?

From a business ethics perspective, a modern society striated by extreme income or wealth imbalances provokes questions:

- How should wages be distributed?
- What counts as compensation?
- What's the difference between a star system and crony capitalism?
- Why do we want to be stars?

Beginning with the question about wage distribution, in today's economy a multitude of architectures may determine compensation levels for individuals at work. The appeal to **market forces**⁶ is the most straightforward. When the question is "How much should Bill Gates get?" the direct answer is whatever he can find a way to earn. This rationale has nothing to do with how hard Gates works. He may well struggle mightily, but it could also be that he sat down for a few mornings, jammed the lines of code composing the Windows operating system into his computer, and he hasn't done a thing since. He'd still be fully justified in claiming his billions because people are willing to pay his company to get the product.

Expanding the logic that people should receive whatever they can get someone to pay them, no one thinks twice about applying that way of thinking to paintings. The worth of a Picasso that goes on sale tomorrow is no more or less than what the highest bidder offers. So too, the argument goes, should wages be determined.

This subject will be returned to later, but provisionally it may be stated that this method of apportioning money fits well with the contemporary star system. It fits because if some few people find ways of accumulating huge sums in the open marketplace, that's not a problem or an injustice. If anything, it's an indication that

6. The determination of prices, wages, and similar in accord with basic economic laws of supply and demand.

the market economy, which privileges individual initiative and freedom, is working as it should.

Another way of thinking about how wages and wealth should be distributed is **value generated for society**⁷. Under this formula, few would deny that Bill Gates—whose software contributes mightily to making our lives easier—deserves healthy compensation. However, does he deserve more than the top-notch elementary school teacher who every year sends thirty children forward, ready to contribute to society? What about a paramedic? It's true that Gates has touched most all our lives, but he hasn't *saved* any.

With respect to ethically justifying this form of wealth distribution, it fits together well with the utilitarian ideal of acting in the name of the common welfare. When economic incentives are put in place to highly reward those performing tasks that provide for happiness when measured across an entire community, even those who don't care about anyone but themselves will find their efforts channeled toward the general welfare.

On the question, finally, about gaping imbalances in income and wealth distribution, deciding to apportion money in terms of value added for society may not shrink the disparities. It's true that Wall Street speculators may have a harder time justifying million-dollar bonuses, but others may claim their place on the spectrum's upper end (Scientists? Teachers?). And with respect to someone like Gates, he'd stand on solid ground demanding huge riches based on his role in software development.

A third structure for dividing wealth is **effort**⁸, measured by, say, number of hours toiling or amount of measurable work done. American Apparel employs this formula when dividing up wages among sewers at its Los Angeles factory. The sewers are grouped, and each member receives a respectable hourly base wage, and then a bonus depending on how many garments their team produces. Some groups produce faster than others and so make more money, but no individual rises above the pack as drastically as financier Stephan Schwarzman did on Wall Street when he earned \$702,440,573 in one year. To underline the difference, if Schwarzman worked twenty-four hours every day of the year, he'd be getting \$80,000 an hour. No sewer at American Apparel gets anything close to that.

Ethically justifying a structure for wealth distribution based on pure effort may lead toward the duty to fairness. If there's broad agreement that all individuals should have an equal opportunity to pull down a big paycheck, then aligning the paycheck with effort makes sense. It works especially well by eliminating advantages some people have over others as a result of luck. Someone born with a knack for math

7. As a formula for wage distribution, the assignment of wages to reward those performing tasks that provide happiness as measured across an entire community.

8. As a formula for wage distribution, the assignment of wages to reflect number of hours or amount of force exerted toiling.

may do better on Wall Street than another born without, but both have it in their power to work equally hard. If, consequently, we want to ensure that all society's members have the same shot at becoming wealthy, setting paycheck decisions to accord with effort may function well.

With respect to a star system, finally, it's immediately clear that this method of dividing wages drastically suppresses income differences. It may be that Wall Street maven Stephan Schwarzman works harder and longer than any sewer at American Apparel (or he may not), but there's no way he works \$80,000 an hour harder.

A still flatter system of wealth distribution is precisely **flat wealth distribution**⁹—that is, everyone gets the same check at the end of the month. Retirees collecting Social Security approximate this reality. Though it's true that Social Security payments vary depending on factors including how much individuals contributed during their working lives and how early they began accepting benefits, there's no room whatsoever for a star system. Near-blind equality across the board, in fact, is one of the main principles guiding the Social Security system.

Of course, one reason people are willing and, for the most part, happy to participate in Social Security's relatively flat payment system is that they *aren't* working. When people are working, when they receive a check for labors accomplished during preceding weeks, it becomes difficult to justify giving everyone the same amount regardless of how many hours they may have put in or effort exerted. In a certain sense, it actually becomes impossible because such a distribution breaks the link between work and payment (even someone who sucked their thumb all day would receive the same wage as the dedicated nurse) and so the entire discussion about dividing up salary levels evaporates. Dispersing money to the population becomes a political task more than an economic one. It is, it must be underlined, quite possible to ethically justify a flat wealth distribution system; it's just that the justification would rest on social and political grounds, not economic and business ones.

The last structure for wealth division is in terms of **need**¹⁰. Everyone gets the funding necessary to maintain a quality of life comparable with that of everyone else. A gesture in this direction is made in the United States by government welfare programs, a notable example being food stamps (about 40 million Americans, or 12 percent of the population, receive them). The idea behind the benefits is that those unable to afford the grocery store should receive a supplemental income to guarantee a sufficiently stocked kitchen cabinet. There are many and heated debates about the extent to which government institutions should be redistributing wealth by channeling tax revenue. It is clear, however, that giving to all members of society in accordance with their need will eliminate the star system. It may be true

9. A formula for wage distribution where everyone gets the same amount.
10. A formula for wage distribution where everyone gets the funding necessary to maintain a quality of life comparable with that of everyone else.

that some will *receive* vastly more than others (for example, those with serious physical disabilities), but there wouldn't be any outsized accumulation of wealth; there wouldn't be any Bill Gates out there with \$50 billion in the checking account.

Conclusion. The star system in American business life is not necessary; other systems of wealth distribution are possible and justifiable. However, the star system does fit together well with the proportioning of wealth through open market forces.

What Counts as Compensation?

The president of the United States receives “only” \$400,000 annually. Then again, he also gets a brass band striking up a tune in his honor every time he goes out the front door. Michael Bloomberg spent 108 million of his own dollars to be elected mayor of New York City in 2010. Since the job's salary is \$225,000, he'd need to work 480 years just to break even. On the other hand, with a police escort he has a lot less trouble with the cross-town traffic frustrating so many New Yorkers, no matter how wealthy they may be. On Wall Street, *quants* are quantitative analysts: people who use mathematical algorithms (among other tools) to buy and sell stock. Their compensation can reach astronomical heights, which explains why some people who have the talent to be math professors at universities give up campus life for the world of finance. Others, however, decide against finance and in favor of the campus and a paycheck that struggles to reach six figures. In 1993, basketball superstar Michael Jordan left the game and signed up to play minor league baseball with the Birmingham Barons. Not everyone, reality teaches, wants to be a star, at least not in purely financial terms.

It's also true, however, that most people who could be financial stars forgo that possibility only because they get what *they perceive* to be a better offer. The better offer may not appear so wonderful to many—it takes a certain kind of person to choose minor league baseball over the NBA, or campus life instead of glittering Wall Street—but the decision nonetheless makes sense for the deciders (and to enough outside observers for the choice to avoid being labeled insane). The point is that compensation, what you want to get back for doing your job, comes in many flavors, and it's hard to put a universal price tag on them. Many would thoroughly enjoy the perks of being president, but probably few see why living a life of the mind at a remote university is preferable to being rich in New York City. Regardless, one of the difficulties in gauging and fully delineating the star system as it exists in professional life is accounting for the kinds of benefits that don't appear on paychecks.

What's the Difference between the Star System and Crony Capitalism?

Cronyism is partiality to others because they're friends and allies. Normally, cronyism also includes some expectation of reciprocity: favors are exchanged. **Crony capitalism**¹¹ is an insiders' game in business, one where decisions are made on the basis of personal relationships and loyalties more than unbiased judgments and professional considerations.

About cronyism, everyone engages in it to some extent. When children come around in December selling gift wrap to raise money for their school, one girl may knock on the door and give a tremendous presentation along with some discount options, but you still buy more from the boy who mumbles and forgets most of the samples because he's your sister's son and also because you hope that when your children get older, your sister will do the same favor for you.

In the neighborhood and on a small scale, it's difficult to object to outbreaks of personal allegiance at the cost of economic purity. In fact, an ethics of care—one that sets the preservation of social and family bonds as the highest moral good—actually endorses this kind of cronyism. The problem comes further up the scale when personal relations guide decisions about *other people's* money, either directly or indirectly. One example is the bailout of Boston's OneUnited Bank. It was located in the district of a powerful congressman and led at one point by the husband of a powerful congresswoman. When the bank collapsed under the weight of bad loans, it should've been put out of business. In fact, the Federal Deposit Insurance Corporation, a regulating arm of the US government, ordered the bank to stop making loans. Still, after a string of telephone calls stretching from the bank to the congresswoman and then on to the congressman in charge of doling out government bailout funds, a \$12 million check got written. The incompetent bankers at OneUnited got to keep working, and US taxpayers got a seven-figure bill. John Stossel, "Crony Capitalism," *John Stossel's Take* (blog), *Fox Business News*, December 23, 2009, accessed June 9, 2011, <http://www.foxbusiness.com/on-air/stossel/blog/2009/12/23/crony-capitalism>.

The purely economic description of this kind of bailout is "privatizing the profits and publicizing the losses," meaning that when a company does well, the private sector people—the managers and shareholders—keep the profits, and when money is lost, the bill is charged to the public sector, to taxpayers. This kind of practice may well encourage wealth accumulation among a few people with powerful friends in government since their insider connections grant them a tremendous advantage on the economic playing field: they can bet everything knowing that if they lose, they'll just get their stake back to try again.

11. Decisions made on the basis of personal relationships and loyalties more than unbiased judgments and purely professional considerations.

Ethically, a number of arguments may be quickly mounted against cronyism:

- In terms of basic duties, including the duty to fairness, cronyism fails because economic players aren't getting the same opportunity to succeed. In the banking example, the duty to fairness doesn't mean all bankers necessarily succeed equally, but it does require that the difference between winning and losing gets determined in terms of the skills of banking (attracting depositors, correctly determining which loans are good and which should be avoided, and similar). Cronyism replaces banking expertise with social and political maneuverings at the core of success, which is unfair by definition, just as it would be to screen applicants for a bartending job by asking them all to participate in a running race.
- Another duty-based argument against cronyism is that it can be construed as a form of stealing. When political friends provide taxpayer dollars to a business, there's no one person who can claim to have been robbed, but as a collective, taxpayers find someone has taken their money.
- A utilitarian argument against crony capitalism would succeed by showing that an economic system distorted by political favoritism is less efficient, and therefore, less supportive of the general welfare than one where only those who are best at one or another activity gain rewards.

Conversely, and in support of crony capitalism, an ethics of egoism could be mustered. Viewed from the perspective that whatever is best for me personally is also ethically recommendable, it's hard to find fault with individuals in the world seeking to use *all* their resources—including friendships and discreet deals with government bigwigs—to succeed. An argument could even be made that if everyone simply accepted that we should all use every resource at our disposal, there might be a balance in the distribution of favors and underhanded advantages.

Regardless of the ethical defensibility of crony capitalism, there are important differences between it and a star system, at least a star system conceived in its purest form. The central contrasts:

- The concentration of income in the hands of a few within a working star system generally traces back to their professional talents, as opposed to their personal connections.
- The income concentration frequently results from an economic system allowing for successes to be transparently replicated on a tremendous scale, as opposed to sneaky, back-room deals.

An illustrative example of the difference comes from the top of the *Forbes* 400 list. The world's two wealthiest individuals, according to the ranking, are Carlos Slim and Bill Gates. While everyone knows Gates, few people outside of Mexico have heard the name Carlos Slim, which isn't remarkable given that he's never invented anything, participated in the providing of an improved service, or even found a way to get typical goods and services to market more efficiently than anyone else. What Slim *has* done very well is pay off politicians.

In the early 1990s, Mexico, like many developing nations, was selling off inefficient state assets. One of them was *Telefonos de Mexico* (Telmex), the sole provider of telephone services for the country. Slim, together with a group of investors, bought the company in a shady deal (it's not clear how much, if any, money the Mexican people received in exchange for the company their taxes built) and then got national legislators to grant them an effective monopoly. With no competition, the new directors of Telmex were free to charge whatever they wished for phone service, and they didn't hesitate. They also didn't bother investing in system improvements, so, until recently, multiline technology was not even introduced in the country. People and businesses who wanted to have more than one line had to have a second (or third, or fourth) line physically wired to their location. As the telecommunications industry around the world exploded—the demand for services including Internet shooting through the roof—people in Mexico had to wait for a crew to come out and run a wire. The wait was months or more. The people at Telmex were in no rush since their friends in the national legislature were busy assuring that no competitor could sweep in and take the client. The result, twenty years later, is that Slim is one of the world's wealthiest individuals, and Mexicans pay among the world's highest phone bills for abysmally poor service.

Except for the accrued wealth part, Slim's story is completely different from Bill Gates's. Though defenders of Apple enjoy pointing out that Microsoft's Windows operating system came after, and looked suspiciously like the early Apple operating systems (almost as though it was a copy with just enough changes to claim originality), few deny that Windows, along with MS Office, have responded nimbly to consumer demands, and responded more skillfully than comparable offerings from competitors. And in a world where software can be mass-stamped as a small plastic disc or downloaded rapidly over the Internet, the Microsoft success has galloped across the economy: the Windows operating system along with MS Office almost immediately went to the extreme of creating a monopoly in America and elsewhere. No payoffs to politicians or other cronyism-stoking was necessary. The lesson is that in at least some parts of the interconnected world, quality differences (even small ones) between competing products can translate quickly into huge business success because consumers across the spectrum almost all make the same buying decision.

Something similar could be written about Walmart, as well as other companies. Though it's true that the price difference between a Walmart cart of items and one from a competitor isn't too great, the fact that there's even an incremental difference quickly leads to a slaughtering of huge chunks of competition because there's no difference between winning by a little and winning by a lot. In an interconnected world, most people hear very quickly that Walmart is cheaper, and overwhelmingly respond by going there. What's important is that whether the company is Microsoft, Walmart, or a similar enterprise, market domination—along with the associated enrichment of a few individuals—has followed from genuine quality as determined by consumer decisions flocking together in an open market.

Both crony capitalists and the leaders in an economic star system build mountainous wealth, but the former do so at the cost of others by denying consumers choices or by short-circuiting the market's natural functioning, while the latter do so by satisfying consumer demands and taking full advantage of a smooth-running market economy.

Do We Want to Want to Be Like the Stars? The Psychology of Envy

Though questions about envy—"What is it?" "What causes it?" "Is it OK to feel it?"—generally belong to studies in psychology, they're inescapable in the economic world when a few participants have money flowing in so fast that it's not worth the five seconds of their time required to bend down and pick up a twenty-dollar bill they dropped.

In sweeping terms, there are two broad emotional—as opposed to ethical—reactions to the hyperrich and the question about whether the rest of us want to be like them. The first response is, "Yes, obviously." This makes sense. Most of us have lists of consumer goods we'd like to buy—an iPad, a new dress, a vacation trip—and it'd be nice to swipe the credit card without worrying about the balance. This reaction, it should be noted, isn't just a pleasant thought: it may also contain traces of envy or, stronger, of resentment and even anger. Anyone who internalizes what it would mean (and how great it could be) to receive a wage that exceeds by thousands of dollars per hour the one we currently get, is going to be vulnerable to disliking or even hating those who have so much more.

The other way to make sense of the star system's vast wealth disparities comes from a proposition on the subject found in Aristotle's *Rhetoric*, book 2, chapter 10. There, Aristotle proposes that envy of others decreases as their distance increases. These distances may include years: few of us envy the medieval kings and queens of Europe. We know they had servants waiting on their every desire, but that doesn't make us want to be them or get angry at their privileged lives. No one's mad at

Henry VIII; he's just someone we see portrayed on the History Channel. Alternatively, the distance separating us from others who have more than we do could be measured in space and culture. We feel less envious of those people we hear about who may be tremendously wealthy but who live in some far-off place we've never visited and speak a language we'll never understand. We may read about their exotic lives in a magazine, but it doesn't affect us emotionally. Finally, the distance can also be economic: Aristotle's proposition is that the hyperwealthy—Bill Gates, Warren Buffett—are so far away from us that we don't feel stung and angry when confronted with statistics about their wealth. Their lives are just too different to relate with.

We only sense envy, Aristotle affirms, for those who come from similar backgrounds, for those who desire and chase similar things, and for those whose economic and social status isn't too far above our own. We need, in other words, to already be like others in some ways in order to want to be like them in others. For this reason, it can drive you crazy when your next door neighbor gets a sparkling Mercedes, but when a Saudi prince buys his seventh Rolls Royce, you don't bat an eye.

Why is envy **distance limited**¹²? According to Aristotle, when those who are like us end up getting more than we do, it's a reproach to us: *it's our fault* that we didn't get the promotion or the better-paying job at the start-up company. If we're like our neighbors in most every way except for the fact that they're bringing in more money, that means we somehow blew the chance to get that much ourselves.

Finally, these two very different reactions to astronomically wealthy members of our society have important consequences for the ethical verdict reached about the star system. One of the criticisms launched at modern economies characterized by extreme wealth disparities is that the disparities poison society with rancor and envy. No matter, the argument goes, how positive the inventions of a Bill Gates may be, the social welfare his work generates is cancelled by the sourness and resentment his personal wealth creates. If that's true, then maybe we should impose limits on the economic success of individuals.

On the other hand, if Aristotle is right and we don't rage when we find ourselves dwarfed by giant wealth, the star system becomes much easier to justify on the grounds that the prospect of endless money incentivizes people to invent goods and services that make all our lives better.

12. As a conception of envy, the idea that we only feel jealous of those who are like us in important ways.

KEY TAKEAWAYS

- Wages and wealth may be assigned in accordance with multiple formulas.
- The assignment of wages and wealth may be justified by reference to multiple theories.
- Money is only one of several ways people are rewarded for their work.
- Cronyism, which works through personal favors, may result in wealth disparities, but it is not synonymous with or necessary for a star system.
- A decision about how envy works affects ethical evaluations of an economic star system.

REVIEW QUESTIONS

1. Name a field of work where market forces typically determine wages. Does the star system naturally take root there? Why or why not?
2. What's the difference between wages based on "value generated for society" and "effort exerted"? Can you cite examples to indicate that one resists a star system more than another?
3. What's a job where the main compensation isn't money? Why do people want that job?
4. What are two ethical arguments against crony capitalism?
5. Why might someone be more envious of a neighbor whose house is slightly larger than their own than of a Saudi prince with eight luxury homes scattered around the world?

15.3 Ethics: Justifying and Criticizing the Star System

LEARNING OBJECTIVES

1. Define and consider the main ethical arguments supporting a star system.
2. Define and consider the main ethical arguments reproaching a star system.

Justifying the Star System: Rights

In evaluating the ethics of the star system, three arguments are commonly mounted in favor of respecting vast wealth disparities:

1. The rights argument
2. The social welfare argument
3. The fairness argument

The **rights argument**¹³ defends the respectability of wealth concentrations by affirming that *not* allowing those accumulations is a violation of human freedom. From this perspective, all ethics centers on individual opportunity: right and wrong is about guaranteeing that free individuals can pursue whatever goals and as much money as they like on the way to finding their own happiness. Concerns about society's overall welfare become secondary and derivative.

Ethics that make freedom the highest value can be used in a thought experiment inspired by the philosopher Robert Nozick to produce a substantial defense of an economic star system. It goes this way:

1. Imagine that everyone in our society has the same income, everything goes forward as perfect equality, and no one complains.
2. Next, imagine that NBA superstar Kobe Bryant proposes a new contract with his team. It stipulates that the ticket price for every home game will go up five dollars, and that extra five bucks goes directly to him.
3. The team owners say, "No."
4. Kobe says, "I'm going to quit, and go get a job as a gym teacher at the school near my house."
5. The owners change their mind.

13. Arrayed to defend the ethical respectability of the star system, it affirms that disallowing accumulations is a violation of human freedom.

6. Some season ticket holders, angry at the new price, cancel their purchase, but most say, “Yeah, it’s worth an extra five dollars to see Kobe.”
7. A total of 17,500 people fit into the Forum, the Los Angeles basketball arena where Kobe Bryant plays, and he plays forty-one games there each year.
8. Kobe pockets an extra \$3,590,000. Annually.

Does anyone have a problem with this? Is there someone who didn’t agree to the arrangement, to this new society where one guy—Kobe Bryant—is suddenly a lot richer than everyone else? Is there someone who’s being forced to do something they don’t want to do? Is anyone else being denied the chance to renegotiate their own contract or search for a different job? Are there *any* legitimate grounds someone can stand on to launch a complaint?

Further, if someone *does* complain, if they say Kobe shouldn’t have proposed the new contract, the owners shouldn’t have agreed to it, or the spectators shouldn’t have ponied up the extra money, then isn’t the complaint itself unethical? Isn’t anyone launching those criticisms really just trying to limit the freedom of someone else?

The rights-based argument affirming the star system’s respectability is powerful and hard to stop once it gets going. If you buy the premise—if you accept that business ethics is fundamentally about ensuring the right to individual freedom—it’s nearly impossible to break the chain of arguments against those who’d try to limit the choices Kobe Bryant and his adoring fans can make, no matter how much wealth piles up for the one player.

Moving the argument over to a broader consideration of the American star system, something like the Kobe Bryant thought experiment actually happens with respect to Hollywood celebrities, especially within the cash-break-zero reality currently gripping the movie capital. Big-name actors are essentially saying that they want a dollar (or whatever the relevant number is) from everyone who pays to see their movie. In this case, as in the Kobe example, the owners of the enterprise are perfectly free to find different actors if they don’t like the terms of the deal they’re being offered. And on the consumer side, moviegoers entering a theater are free to look up at the listings and choose another show if they don’t like the idea of padding the pockets of a particular Hollywood celebrity. Moviegoers are also perfectly free to walk out of the theater and redirect their entertainment dollars at museums, vacation travel, web browsing, or a novel. The list is interminable, and as long as it is, it becomes difficult to deny ethical acceptance to the movie attraction that’s making one star incredibly rich.

The Logic of Rights: License or Responsibility?

The Kobe Bryant thought experiment illustrates how a rights-based ethics licenses individuals to accumulate wealth without accumulating moral guilt. In the hands of its most dedicated defenders, however, the logic of rights goes further. It's not just a license to accumulate; it's something nearer to a responsibility. Taking the case of Bill Gates, when he piles up astronomical wealth, he isn't only expressing his freedom; he's inciting others to pursue *their* freedom: he's providing them an example, he's offering them products they may freely choose to purchase or reject, and he's offering them tools they can use to pursue their own goals. With respect to those tools, many small businesses have gotten off the ground with the help of—and been *able* to get off the ground because of—the spreadsheet, publishing, and word-processing software found in MS Office. The fact, therefore, that Gates (and his fellow stars) are so rich in an open market economy shows that their ethical aptitude and performance is just as stellar as their economic one. They aren't obnoxiously greedy; they're the most dedicated servers of pure ethics because they're living free and helping others be that way too.

Those who criticize Gates's wealth in the name of spreading the money around to more needful members of society may sound noble, but they're not. They should be reprimanded for distorting expressions of human freedom. Stronger, broad demands for wealth's redistribution—which may occur, for example, through increased taxes levied on the wealthy or through pressure to donate to charitable causes—are *not* virtuous calls to social responsibility: they're deplorable violations of basic human rights.

Justifying the Star System: General Welfare

The **utilitarian argument**¹⁴ defending the star system as ethically acceptable affirms that the general welfare can be served by wealth imbalances. If moral good and bad only reflect whether the general welfare is served, the argument builds this way:

1. Breakthrough developments of consumer goods are encouraged by a star system because it allows inventors to reap a significant portion of the economic reward.
2. Breakthrough developments can positively impact social welfare incrementally (Apple's iPad), and sometimes be revolutionary (the invention of the assembly line).
3. The broad social happiness provided by these breakthroughs outweighs unhappiness attributed to giant wealth imbalances. (This is especially true if the imbalances are sufficiently great to preclude envy in the terms Aristotle proposed.)

14. Defends the star system as ethically acceptable by claiming that the general welfare can be served by wealth imbalances in society.

This argument may be formulated slightly differently as a hypothetical question. Imagine you could have one of these two lives:

1. A typical middle-class European or American today. You're far from rich but you can always afford decent food and a night out here and there. You've got a car that doesn't break down too much. There's a microwave to make popcorn in the kitchen, a TV in the main room, and some clothes you like in the closet. On the other hand, you need to go to work in the morning and clean grime out of the shower occasionally.
2. King of England. In 1600. You never have to clean the shower, but then again, the shower hasn't been invented. There are no flush toilets either. You get whatever clothes you want, but they better be warm since there's no heat for your castle except the fireplace. You don't have a microwave, and even if you did, there's no electricity to run it. You get from place to place fairly well on the country's best horse.

This is a hard choice: live better in objective terms in the present or better in subjective terms in the past. It's a way of asking, "What's more important: how well you live, or, how well you live relative to everyone else?" There's no right or wrong response here. This is a question that's as much about psychology and economics as it is about morality. However, if you go for the first, you're leaning toward the utilitarian argument justifying wealth imbalances. As long as those imbalances are functioning to encourage life-improving innovations, then the stark economic inequalities they leave in their wake become acceptable.

Justifying the Star System: Fairness

The **fairness argument**¹⁵ justifying the star system is increasingly persuasive as technological advances allow communication and operational organization to cover the globe instantly. That has opened the way for single individuals to amass tremendous responsibilities in vast organizations and then claim that it's only fair that their reward be equally massive.

Only fifty years ago the largest department and grocery stores in the United States were mostly local concerns; crossing one or two state lines was a big deal. Of course expansive companies including the telegraph transmitter Western Union (which now specializes in international money transfers) and the Ford Motor Company have been around for more than a century, but neither compares in size, reach, or number of employees to today's Walmart. With more than two million workers spread across the globe, CEO Michael Duke holds management responsibilities dwarfing the ones known by corporate heads in the past. To the extent that's right,

15. Defends the star system as ethically acceptable by claiming that extraordinarily high levels of responsibility merit extraordinarily high levels of compensation.

if it's true that Duke's responsibilities are astronomically high, then shouldn't he receive a wage commensurate with the difference?

The fairness argument favoring the star system—at least in those cases where high salary reflects high responsibility—is that it would be arbitrary and unequal to simply put a lid on managers' compensation if there's no corresponding lid on the size of management responsibility. Concretely in Walmart's case, a store manager overseeing the work of, say, a hundred employees makes about \$100,000. By that logic (the business pays \$1,000 of salary for every employee managed), Michael Duke, who oversees the work of two million people, should make about \$2 billion. That's a hundred times what he actually makes.

When Walmart wanted to open a store in Chicago recently, a local alderman complained about the CEO's salary this way: "How can you go to bed at night and sleep knowing you make this kind of money?" Alice Gomstyn, "Walmart CEO Pay: More in an Hour Than Workers Get All Year?," *ABC News*, July 2, 2010, accessed June 9, 2011, <http://abcnews.go.com/Business/walmart-ceo-pay-hour-workers-year/story?id=11067470>.

One response allowed by an argument appealing to fairness is that it's difficult for CEO Duke to sleep because he's making so little. His wage is massively unfair in its paltriness.

Criticizing the Star System: Social Welfare

In evaluating the ethics of the star system, these arguments are commonly mounted against respecting vast wealth disparities:

- The social welfare argument
- The duty to beneficence argument
- The virtue argument

The **social welfare argument**¹⁶ against the star system is the most obvious and commonly cited, it's that, essentially, Aristotle is wrong and wealth differences—especially extreme disparities—are ethically reproachable because of the emotional turmoil they cause within a community. While it may be true that allowing vast wealth accumulation motivates innovators and managers to perform exceptionally well, and while their work may benefit society significantly, the upside fails to outweigh the human cost of the resentment. The social rancor of inequality isn't worth the benefits provided by highly paid innovators.

16. Set against the star system, it's the argument that extreme wealth disparities are ethically reproachable because of the emotional turmoil they cause within a community.

Criticizing the Star System: Duty to Beneficence

The **beneficence**¹⁷ argument against the star system operates from the duty to help others when doing so requires no unreasonable sacrifice of our own interests. Most discussions of beneficence revolve around acts. For example, if a man is drowning in a lake and you don't know how to swim, you have no responsibility to jump in. But if you're Michael Phelps in exactly the same situation, then the duty to save the flailing man applies.

Transposing the discussion into monetary terms, one basic question is, "At what point does my accumulated money translate into a responsibility to charity?" If a woman works a few overtime hours to buy a new pair of boots for the upcoming winter, there's no clear duty to share the cash with a neighbor in similar circumstances. By contrast, when Alice Walton (daughter of Walmart founder Sam Walton) who's worth \$18 billion walks down a street near her home outside of Fort Worth, Texas, she'd have a hard time convincing those passing by that she couldn't establish, say, a generous college scholarship program for society's neediest members without suffering any tangible loss. Probably, most people at the very top of the wealth pyramid could dedicate large chunks of cash to charitable causes without severely denting their quality of life. In these circumstances, the duty to beneficence becomes pressing.

With respect to the star system, it's important to note that beneficence doesn't form an argument against high incomes or even astronomical wealth accumulation; it does, however, argue against the *maintenance* of large disparities. A society oriented by the duty to beneficence would, in other words, tolerate a star system, but only a fleeting one, a reality where people could make tremendous amounts, but not without feeling a charitable responsibility (or something similar) that would significantly diminish the economic gap separating them from the general population.

Criticizing the Star System: Virtue

Virtue ethics eschews reliance on social outcomes (the utilitarian model) as well as strict rules for action (the duty model). Instead, decisions are left in the hands of those who've been taught to think and be virtuous, with the key to virtue frequently being located as those actions that take a middle road between extremes.

A **virtue argument**¹⁸ against wealth concentration begins by locating extreme situations. At one pole, the star system grows exponentially. Market rules function without reserve, and traditional wealth-redistribution measures are scuttled. The progressive income tax, for example, is replaced by a flat charge for all citizens.

17. The requirement to help others when doing so requires no unreasonable sacrifice of one's own interests.

18. Set against high wealth concentration, it recommends that formulas for wealth distribution avoid extremes.

(The justification: everyone uses roads and other services more or less equally, so they should all pay the same tax dollars). Further, social attitudes could be adjusted. The idea of earning huge amounts and accumulating even more usually elicits both respect and also suspicion of greed. That could be changed: schools and other institutions could be adjusted to teach that getting extremely rich is an unmixed good, and suspicions by others of greed is nothing more than cloaked envy.

Toward the other extreme, there's the vision of a broadly equitable society. Redistributive taxation is heightened. In Denmark, for example, the highest earners pay an eye-popping 68 percent of their salary. On top of that, estate taxes paid on an individual's death could be hiked to ensure that money doesn't build up over successive generations. Then, on the social level, attitudes could be bred in our schools, churches, and similar institutions that any significant wealth difference above the mean is worrisome, and their possessors aren't admirable so much as ugly hoarders. These combined economic and social actions would almost certainly reduce wealth differences across the social spectrum.

Next, and building above this foundation of extremes, the virtue ethicist would navigate a moderate course. Redistributive measures undertaken by the government may not reach the 68 percent taxation rate, but they wouldn't allow the wealthy to use accounting tricks and similar measures to drop their total payments to levels comparable with what middle class individuals pay. Then, with respect to social attitudes, a balanced sense of pride and shame would need to be instilled in the community, one that granted successful entrepreneurs like Bill Gates respect for their accomplishments, but one that also taints his (or anyone's existence) when that wealth reaches a point where it's enough to hire six million struggling Hollywood actors for a year.

KEY TAKEAWAYS

- Arguments ethically justifying the star system may be based on rights and freedom, the general welfare, and appeals to fairness.
- Arguments criticizing the star system may be based on the general welfare, the duty of beneficence, and virtue.

REVIEW QUESTIONS

1. Can you take the Nozick-inspired thought experiment concerning Kobe Bryant and re-create it in your own words and with a different example?
2. What is an example of the star system serving the general welfare by promoting innovation?
3. Why might the contemporary star system be considered fair?
4. Why does the star system harm the general welfare?
5. How might the duty to beneficence be applied to Bill Gates? Why would the duty tend to preclude an economic star system?

15.4 Unions

LEARNING OBJECTIVES

1. Define a labor union.
2. Discuss the ethics of union membership.

Hollywood Writers

Movie theater lobbies are inevitably lined with advertising posters for upcoming attractions. A standard poster carries a recognizable celebrity face (or, if you don't recognize it, the expression is so beaming and confident that you immediately assume you missed the news of a huge new star's arrival). The movie's title is there, and the lead actors' names too. Sometimes the director gets big billing. The producer, the studio, they're easy to locate. You need to go a long way down the poster, though, and into the fine print, to find the writer's name.

Inside the industry's day-to-day working life, writers don't get much respect. Longtime agent Nancy Nigrosh writes that frequently they're not invited to the screening or any other film-opening festivity. She paints the situation bleakly: "Unless you hire your own hardworking publicist you'll be sitting at the kiddy table and arguing politely with security at the star's tent at the premier because here's the other thing: nobody cares." Anne Thompson, "Screenwriting in Hollywood: A Modest Proposal," *Variety*, October 2, 2008, accessed June 9, 2011, http://blogs.indiewire.com/thompsononhollywood/screenwriting_in_hollywood_a_modest_proposal#.

The heart of the reason no one cares is the way films are composed. It's not like a novel or a poem or even journalism where one person more or less shepherds a work from beginning to end. Instead, scripts are written and then rewritten by someone else. Then another author is called in for some further adjustments and it's all reworked while the filming actually happens, and by the time the movie's done, it's almost impossible to figure out who deserves credit for which words. In that kind of situation, writers find themselves in a bad spot when it comes to bargaining for money. It's true that the studios need writers, and that provides some leverage, but they don't usually need any *particular* writer. There are exceptions, but since movie scripting is usually an assembly-line process, substituting one with another probably won't affect the final product too much in most cases.

One response to this reality is that workers organize and sell their labor collectively. Conceptually, the idea is simple. When employers threaten to replace individual workers with others who'll perform the same services for even less credit and at a lower price, the other employees—seeing that they could be next in line to face replacement—stand together in support of their colleague.

Whether the workers are Hollywood writers, Detroit autoworkers assembling cars, or hotel maids cleaning the rooms and making up the beds, the strategy of forming an alliance to defend common interests can work by reversing the star system. The star system promotes the general welfare by freeing individuals to pursue their own interests. In labor unions, individuals promote their own interests by defending the general welfare or, at least, the collective welfare of their fellow laborers.

Unions: Definition and Quick History

A **labor union**¹⁹ is an organization of wage earners formed to promote job-related interests, especially with respect to wages and working conditions. A union can be as informal as a band of salespeople telling the boss they're not going to come in the next morning unless the coffeemaker is fixed. Most discussion, however, surrounds larger and more formalized unions: members pay dues, hold elections to choose leaders, and in the largest instances, hire a professional management team to advocate for the laborers' common interests.

Two inflection points mark the history of labor unions in the United States. The Wagner Act (more formally, the National Labor Relations Act) was approved in Washington, DC, in 1935. It blocked employers from mistreating or firing workers attempting unionize a shop's workforce. The act also prohibited the summary firing of workers who've gone out on strike. The freedom to organize, along with the power to strike effectively, quickly translated into more unions, more walkouts, and two large organizations guiding the efforts of many smaller trade unions: the American Federation of Labor (AFL) and the Congress of Industrial Organizations (CIO). While it's true that in the years after World War II business-damaging strikes grew more frequent, wages also rose and nourished a broad American middle class. Organized labor came to play a central role in business life.

The maturation of organized labor in the United States harmonized with world events. Political parties dedicated to workers—especially the hard labor sectors—swept the globe, frequently leading to socialist and communist societies. Those movements eventually reached US shores. In 1947, communists eager to maximize their influence took control of sectors of the United Auto Workers Union, the Detroit collective making nearly all the cars Americans drove. Pictures from the time—auto workers waving signs announcing they're for “Tommie the Commie”

19. An organization of employees formed to promote their job-related interests, especially with respect to wages and working conditions.

seem far out of sync with today's reality but serve to remind how quickly the world's orienting values and ideologies can change. June 9, 2011, *Life Magazine* 22, no. 12 (March 24, 1947), 31, accessed June 9, 2011, http://books.google.com/books?id=AUoEAAAAMBAJ&pg=PA31&dq=uaw+membership+local+600+ford&hl=en&ei=5KbBTKbcNML98Ab01LGdBg&sa=X&oi=book_result&ct=result&resnum=6&ved=0CEoQ6AEwBQ#v=onepage&q=uaw%20membership%20local%20600%20ford&f=false.

In that same heated year, 1947, congress responded to sweeping unionization and complaints that the workers' organizations had become too powerful with the Taft-Hartley Act. It prohibited the so-called closed shop, which is a workplace where being hired carries with it the requirement to already be a union member. It allowed, however, a **union shop**²⁰, a workplace where all employees are required to join or at least pay the dues associated with joining. Later, the US Supreme Court ruled that even though striking workers couldn't be fired for walking off (in accordance with the Wagner Act), they could be permanently replaced. Over time, this significantly diminished union strength since those going on strike were now risking their jobs.

As decades rolled forward, the counterunion tide on the legal front eventually replicated as important changes in American industry. Many of the skilled and heavy laboring jobs involving cars, steel, and similar industries that had responded well to organizational efforts began drying up for at least two reasons. Increased international trade allowed companies to shift many labor-intensive tasks to other countries with lower wages. Also, jobs that remained Stateside faced the threat of machines taking over many functions. Detroit assembly lines formerly composed of blue-collar workers are now dominated by sophisticated robots. Politically, organized labor also dimmed over the second half of the twentieth century. In the 1980s, the nation's air traffic controllers went on strike. President Reagan fired them all and hired new ones. Reagan also challenged the world's communist nations; the collapse of countries explicitly guided by the collective welfare of laborers was rapid and nearly complete.

Today, organized labor unions play roles in most sectors of American economic life, but their influence is limited, except in a few areas. Government workers continue to be very highly unionized: more than half of all union laborers in the United States today have government jobs. Unions also remain in small fields that resist marketplace forces. The National Football League players, for example, are unionized: you can't just send their jobs overseas. Also, workers in the health-care field have a fairly high unionization rate: you can't replace a nurse with a machine (at least, not yet). In political terms, and though diminished, unions continue to be a notable force. The single largest outside spender in the 2010 election campaign was the American Federation of State, County and Municipal Employees. AFSCME spent

20. A workplace where all employees are required to join the local union, or at least pay the dues associated with joining.

a whopping \$90 million (much coming from workers' dues) to support candidates around the country. Still, with only 1.6 million members, the group is no larger than the United Auto Workers union back in 1970 when US population was only two-thirds of today's number. Currently, the UAW has about 400,000 active members.

Three questions asked about unions in the field of business ethics are:

1. Who should be a union member?
2. What kinds of demands should unions make?
3. What kinds of actions can unions justifiably undertake?

Membership

In principle, a unionized workplace incorporates all employees: the idea of a union is a united workers front presented to management when wages and conditions are discussed. In practice, however, the ideal often falls short. For example, the Writers Guild of America (WGA) represents Hollywood's writers: they're the people penning scripts for everything from TV sitcoms to big-budget movies to the annual Oscar Awards. With around twelve thousand members, the union members produce around one hundred scripts and rewrites a week through the major studios. Without their work, quite a bit of the showtime industry halts. It doesn't all halt, though. According to the *New York Times*, in the 1980s, nearly all Hollywood's writing came from Guild members, but the percentage has now dropped to about half. Union writers are being displaced by freelancers. Michael Cieply and Brookes Barnes, "Writers Say Strike to Start Monday," *New York Times*, November 2, 2007, accessed June 9, 2011, <http://www.nytimes.com/2007/11/02/business/media/02cnd-hollywood.html?pagewanted=all>.

While the scriptwriting evolution from the 1980s to today is essentially the move away from—though not a complete departure from—unionization in Hollywood, there are three strong arguments in favor of reversing the trend and refortifying the writers' collective. They're based on

- fairness,
- solidarity,
- respect.

On the other side, there's one main argument frequently set up against the proposal that the model workplace become something close to a union shop:

- the right to free agency, along with a derived duty to individuality

The first argument supporting broad union membership rests on fairness. Gains in wages and improvements in working conditions don't come for free. Take, for example, the WGA demand that residuals go to writers. The union is saying that those receiving credit for the program script should receive money not only at filming but also later on if the show is a hit and ends up getting repeatedly shown into the indefinite future. On almost any night somewhere in the United States, one of the *Die Hard* movies is broadcast, and licensing rights are subsequently divvied up among those who made the film. The actors, the directors, the producers, everyone wants as much as they can get, and for writers to take a share, they need professional negotiators who can bargain hard, as well as lawyers and other experts who understand the complicated laws and dynamics of residual payments. The money to pay for these services comes from union dues, and if writers who aren't in the union nonetheless receive these hard-bargained benefits, they're free riders. They get the advantages of unionization without paying the cost. If, the argument concludes, freelance writers want to receive long-term benefits, then they should pay their fair share to the operation making them possible.

The second argument in favor of drawing workers into unions rests on a notion of solidarity. **Solidarity**²¹, in this sense, is the moral obligation to share in the struggles of others facing challenges similar to those we face. For example, when William Russell Grace immigrated to New York in 1865 and set up a successful business (now called simply Grace Incorporated), one of the steps he took as an expression of solidarity with immigrants coming after him was to set up a free school where new arrivals could learn basic skills helping them find employment in their new country. Called the Grace Institute, there's an ethical solidarity incarnated in the school, one uniting immigrants around their shared experiences and common hardships. Broad social movements also provide abundant examples of the ethics of solidarity. A case could be made, for instance, that women and African Americans have a special obligation to unite with homosexuals seeking workplace equality because women and African Americans too know, and have shared the suffering of discrimination.

It's true that the case of Hollywood film writers isn't so dramatic as immigration or broad job discrimination, but the ethics are the same. Because all scriptwriters share a common vocation, similar challenges, and common hardships, they have a duty to stand together. Unionization is an expression of that solidarity. People don't sense the obligation to join up as a way of getting higher wages; instead, the union becomes a site of empathy, of mutual experience and support.

21. The moral obligation to share in the struggles of others facing challenges similar to those we face.

The third argument in favor of obligating new workers to join the union is based on a duty of respect. When a group of individuals have labored to form a cooperative in the name of their mutual benefit, those joining the occupation have a duty to honor those efforts by not undercutting them. The crucial point here is that, in many cases, there's no middle ground. It'd be one situation if Hollywood writers could work on their own without affecting the efforts of unionized script producers, but that's not usually the case. Workers who refuse to join and participate in the WGA and who forge their own contracts and reimbursements are also undermining union efforts because, presumably, the reason producers go outside the union to hire is that freelancers are cheaper. If that's right, and if new writers coming to town don't respect the existing union structure, then market forces are eventually going to put the union out of business: instigated by the need to maximize profits, owners and managers will hire nonunion workers to replace the more expensive, organized ones as fast as possible.

This is, in essence, what has started happening in Hollywood. To the extent the studios are funding independent projects pitched by freelancers, they're replacing higher-cost union talent with writers who are willing to work for very little in exchange for the chance to get a break, be famous, and be a star (in the relatively dim world of script writing). There's a problem here, obviously: if writers are allowed to work for something near slave wages to get a break, then as soon as they're established in the industry, some younger dreamers are going to come along and undercut them just as they earlier undercut the WGA workers. That's economics, though. The moral imperative is that respect for others' unionization efforts is also an obligation to not undermine them.

Set up against these three arguments in favor of union shops, there's the powerful rights-based argument. If ethical discussion starts from the premise that each of us owns ourselves, and we're free to use and sell our abilities as we like, then no one can pressure us to sign up for a union without violating our intrinsic liberty. In terms of Hollywood scriptwriting, this is the **right to free agency**²².

Derived from the right to free agency there is a **right to self-definition**²³: each of us is uniquely qualified to define who we are and which desires guide our working life. This derivative argument resists the entire concept of unionized activity because collective bargaining eliminates individuality. What allows labor unions to work, what gives them strength at the negotiating table, is precisely that they compact an entire workforce into a single model of interests and demands; it's that focus and the united voice of the workers behind it that allow union leaders the strength they need to bargain effectively. This strategy can, no doubt, work, but only by forcing all scriptwriters to renounce their singularity and uniqueness in the business world: they all demand to be paid in accordance with the same pay

22. The claim that each of us owns ourselves, and we're free to use and sell our abilities as we like.

23. The claim that each of us is uniquely qualified to define who we are and which desires guide our life; possessing the right is also a responsibility to express it.

structure, to be covered by the same set of benefits, to labor in the same working conditions, and so on.

The lynchpin, finally, to this argument is that because unions function by erasing the individuality of specific workers, we're all morally prohibited from joining. Doing so is a violation of the fundamental obligation we all have to ourselves to express our freedom by being who we are. We are duty-bound to resist any nameless, faceless mass, whether that mass happens to be a labor union or any other collective.

The Card Check

One hot spot of union membership debate is the proposed Employee Free Choice Act or so-called card check legislation. If enacted, this law would make an important change to the process of forming a workplace union. As currently regulated, the process typically goes like this. It's necessary to get at least 30 percent of the workforce to sign cards stating their preference to be represented in collective bargaining. Once the number has been reached, the list is forwarded to the National Labor Relations Board and to the employer. The list is checked. If the numbers are verified, a secret-ballot election follows: workers are asked to vote on whether they want to be represented by a labor union. The majority rules. What **card check**²⁴ legislation changes is the secret ballot component. No longer necessary, if organizers can simply accumulate a list of 50 percent of the workers requesting unionization, then the structure will be applied.

The main objection to the secret ballot's elimination is that workers may be intimidated into putting their names on the list. The reason for a secret vote in the current system is to allow those preferring not to be unionized a chance to express that without fear of retribution from their peers. Not surprisingly, the US Chamber of Commerce and other business groups lobby against the legislation. For their part, the major unions see card check as an opportunity to expand their membership and lobby in favor.

Regardless of the legislative value, the ethical debate underneath the card check parallels the one about a union shop. For those valuing solidarity, unionization—even with pressure—may seem recommendable. More, because a union draws its strength from forcibly uniting the divergent workers into a set of single demands, the greater good that's served by the united front simply outweighs protests that may be expressed by individuals. So while it's true that workplace pressures following the approval of card check legislation may make some employees uncomfortable, they should be more strongly guided by a sense of fairness (if they want to benefit, they've got an obligation to join), by a sense of

24. The Employee Free Choice Act or "card check" legislation allows unions to be organized without a secret ballot vote.

solidarity (“we’re all workers”), and by a sense of respect (some workers are dedicating their energy to lead a cause serving everyone).

On the other side, for those whose ethical orientation begins from the idea of individual rights, self-ownership and the duty to self-definition, any organizational structure that presents the risk of violating individual freedom will, on principle, be rejected. The kinds of pressures on individuals that may be applied by peers in the attempt to get them to sign the union card are so fundamentally in violation of our deepest rights that the legislation must be voted down, even at the potential cost of power for workers at the bargaining table.

Union Demands: The Workplace and Public Policy

The two stalwart demands made by organized labor unions on behalf of employees are wage hikes and working conditions. The balance between these two concerns shifts depending on the kind of work being done. When a Hollywood writer arrives on a soundstage to straighten out final kinks in a script, the kinds of working-condition issues being faced may be trivial (Is the coffee hot? Are there some nonfattening snacks around somewhere?). When a coal miner takes the elevator down into the earth, the questions are more serious. What kind of emergency safeguards protect against a collapsed shaft? How careful are foremen to ensure that tired workers nearing the end of their shift aren’t assigned to work on the more dangerous of the heavy machines or set off dynamite charges? A coal miners union, clearly, is going to expend a greater effort bargaining for safe conditions than the WGA.

On the compensation side, one challenge unions face is melding the distinct interests of diverse members into a single bargaining strategy. If you check the WGA website, you’ll find union involvement on issues ranging from direct pay for work to health-care benefits and pensions. A twenty-five-year-old just breaking in is going to be more concerned, possibly, about getting as much cash now as possible for work done, while an older writer will begin asking about paying medical bills and living decently in retirement. In translating these diverse situations into a collective set of negotiating points, simple market forces will play a role (a union active in a field heavily stocked with younger workers will have to take account of that, or people will stop participating), but other structures may be erected to resolve problems also. A utilitarian structure, for example, may provide a way for union leaders to justify decisions making some members unhappy.

Finally, unions don’t only represent workers before employers; they can also carry labor issues into the political arena. As noted, AFSCME spent \$90 million supporting (and opposing) candidates around the country during the 2010 midterms. Unions

can also—and frequently do—provide voting guides advising members on which candidates will better respond to their immediate interests. With respect to specific issues, and besides the already mentioned card check legislation, unions lobby elected representatives and government agencies in areas including workplace safety, the minimum wage, and health care.

KEY TAKEAWAYS

- Labor unions allow workers to organize and bargain collectively for improvements in wage and working conditions.
- Ethical arguments in favor of workers joining unions may be built upon notions of fairness, solidarity, and respect.
- The right to free agency, along with a derived duty to individuality, forms the basis for an ethical stand against joining unions.
- Unions take sides in workplace issues, and broader political debates.

REVIEW QUESTIONS

1. Why might the notion of fairness convince a worker to join a labor union?
2. In your own words, and with respect to labor unions, what does *solidarity* mean?
3. How does joining a union harm one's sense of individuality? Why might that harm be an ethical argument against union membership?
4. What is card check legislation, and how might it advance the interests of labor unions?
5. How can a union represent the interests of members beyond negotiating with a specific employer?

15.5 Union Strikes

LEARNING OBJECTIVES

1. Define a labor strike.
2. Consider ethical justifications for striking.
3. Weigh responsibilities set against striking.
4. Consider the rights of employers and strikebreakers.

The Hollywood Writers' Strike

The most contentious area, both economically and ethically, of union action involves **strikes**²⁵: workers collectively walking off the jobsite in an attempt to pressure employers to accede to their demands. The Writers Guild of America (WGA) led one of the most publicized recent walkouts when Hollywood script writers put down their pencils and closed their laptops—at least officially—in November of 2007. By the time they returned in early 2008, the economic damage wrought in the Los Angeles basin was massive, \$3.5 billion according to some estimates, but the resolution ultimately satisfied most members of the moviemaking community.

During the strike, two constellations of ethical issues came to the fore. First, questions involved

- the right for workers to not work,
- the right of employers to find someone who will work,
- the rights of third parties to go on with their lives and work.

The second set of questions involved responses to the strike:

- Who in Hollywood, if anyone, is obligated to support the writers?
- Is it OK to take a striker's job?

Justifying Not Working

Some Hollywood writers are contracted by faceless studios to churn out rewrites for movies; others generate TV dramas and soap operas. There's work to be done inventing jokes for sitcoms like *The Office*, and opening monologues for Jay Leno's

25. Workers collectively walking off the jobsite in an attempt to pressure employers to accede to their demands.

Tonight show need to be written a few days every week. As the writers' strike extended, the walkout's effects beamed into living rooms. Almost immediately, Leno went into reruns. *The Office*, which had a few episodes in the can, lasted several weeks. The moviemakers—many of whom live underneath piles of scripts submitted unsolicited by writers—kept going.

Out on the picket lines, Leno zipped around in his vintage sports car to support the stoppage, and occasionally stopped to chat with the strikers and crack good-humored jokes. Of course Leno, who makes millions a year, probably didn't really need his paychecks. Others in Hollywood, however, live from day to day and without much room for unemployment. Set designers, prop companies, on-site catering services, all the people surrounding the now-halted industry saw their income wither. In the face of the injurious consequences, three arguments nonetheless favor and justify the writers' walkout.

1. The *rights argument* in favor of the workers' strike is direct and convincing for many: all individuals have a right to *not* go to work in the morning. Whether we're talking about a union action or just someone who wakes up with a hangover, any ethical theory that takes its bearings from individual rights is generally going to turn in a verdict in favor of the worker's right to stay home.
2. The *last resort argument* affirms that workers are justified in striking when three conditions are met: First, there must be a just cause. The driving issue cannot be petty angers or interpersonal conflicts of some kind; instead, the motive must be wages or working conditions that are out of step with industry norms or reasonable expectations. In the writers' case, this condition may have been met because they represented one of the few talent sectors not benefitting from payments for programming broadcast over new media, especially the Internet. Second, there must be proper authorization, which means the workers themselves must support the action, and have reached a well-deliberated decision. In the writer's case, most did support the action, which had been planned for months. Third, the strike must be a last resort, meaning attempts to find solutions must've been fully explored. Here too writers met the condition as long negotiations had explored most possible solutions.
3. The *marketplace argument* is the rawest of the justifications for striking, and it answers the ethical question with economic facts. If workers can get away with striking, the reasoning goes, then they're justified. The argument is less flippant than it sounds. If workers *really are* being underpaid for their labors, then when an employer seeks others to replace those who've walked out, none will emerge, at least none capable of doing the work well. On the other hand, if market conditions

determine that the striking workers are demanding more than they legitimately should within the current economic context, then when an employer tries to replace strikers with fresh hires, the cost of doing so will be less than the wage increase the strikers are demanding.

On the other side, the kinds of arguments normally set up to obligate striking workers to return to their stations involve responsibilities to the larger community:

1. The *public safety* argument applies only in selected situations. The famous air-traffic controllers' strike in the 1980s involved the safety of fliers. Similarly, police officers, firefighters, and similar may find it difficult to justify a full-fledged strike given the serious suffering that may result. There are many borderline cases, however. For example, in Tennessee some fire departments collect fees directly from those they protect. In one case, a man who hadn't paid found that his house was on fire and called the department; they responded, but only to protect nearby homes from the fire's spread. They watched the flaming home burn to the foundation without intervening because the bill hadn't been paid. Of course, the situation would've been different had a person been trapped inside. In this case, however, the loss and dispute was entirely about money. Jason Hibbs, "Firefighters Watch as Home Burns to the Ground," *WPSD*, September 29, 2010, accessed June 9, 2011, <http://www.wpsdlocal6.com/news/local/Firefighters-watch-as-home-burns-to-the-ground-104052668.html>.
2. The *public welfare* argument against workers going on strike weighs in when strikes affect third parties, people outside the initial dispute. The scriptwriters' walkout, for example, left a large chunk of Hollywood unemployed. The most rudimentary way to elaborate the argument is simply to note that the suffering caused across the entire industry by the five-month writers' strike almost surely outweighed the benefits the writers finally obtained. It should also be remembered, however, that if some workers somewhere don't draw the line against owners and employers, those employers will have no incentive to not push *everyone's* wages down, ultimately affecting the welfare of most all the industry's participants.
3. The *immediate welfare* argument against the writers' strike finds support in an ethics of care. An ethics of care values most highly an individual's immediate social web; concern for those people who are nearest outweighs abstract rules or generalized social concerns. In the case of the Hollywood writers' strike, the suffering incurred by families and friends related to particular strikers may be taken to outweigh any benefits the broad union collective won from the action.

Finally, it's important to note that strikes don't need to be long-term walkouts. The dynamic and ethics surrounding the refusal to work change when, for example, a union decides to go on strike for only a single day as a way of pressuring management.

Standing in Line and Crossing It: The Ethics of Supporting Strikes and Breaking Them

The Hollywood writers' strike featured some big-name backing. Jay Leno cruised around in his Bugatti; Steve Carell, star of *The Office*, refused to cross the picket lines; and Sally Field mingled with writers in the Disney Studios lot. These shows of support scored public relations points and provoked this question: what obligation do workers in related fields hold to support strikers?

The range of responses corresponds well with those already outlined to justify the unionization of workers in a particular shop.

- One way to oblige workers in related fields to support strikers is the argument from fairness. When workers in a certain industry strike and win concessions, those gains may be cited by other workers as justifying their own demands. In fact, in Hollywood the writers themselves had used this strategy in the past: instead of going on strike, they'd waited for the directors union (Directors Guild of America) to negotiate demands with the major studios and then used those results to make their own case for concessions. The argument for supporting striking workers based on fairness is that *all* workers for a particular company or across an industry may well benefit when one group makes gains, and if that's so, then those other groups also have a responsibility to support the strikers when they're sacrificing.
- A second argument is based on solidarity, on the idea that an alliance between workers in an industry is ethically natural: there's an obligation to share in a struggle when facing similar challenges. Because other members of the Hollywood community are uniquely positioned to understand the realities and hardships of screenwriting life, they have a duty to act on that empathy.

As events transpired, the WGA did, in fact, receive wide support from across Hollywood, but the solidarity was far from complete. As this outburst from a writer's blog shows, some network studios tried to keep their soap operas in production by hiring **strikebreakers**²⁶, or scabs, as they're known to picketers:

26. They occupy the posts of striking workers during walkouts, alleviating pressure on employers.

The scab writers work under fake names, work from home and use different email addresses so only the executive producer knows the real identities of the scabs. These tend to be experienced soap writers who aren't currently on a show. They are then promised employment after the strike is over. While they're scabbing, they get paid less than union writers. John Aboud, "Scabbing Doesn't Pay (For Long)," *United Hollywood* (blog), November 8, 2007, accessed June 9, 2011, <http://unitedhollywood.blogspot.com/2007/11/scabbing-doesn-pay-for-long.html>.

This under-the-table scripting captures a conflict inherent in the union's attempt to use economic force against employers. On one side, by cutting off their labor, strikers are trying to win concessions through economic force. But their success depends on the suspension of basic economic rules: as this blogger is admitting, there *are* scriptwriters out there willing to work at current wages for the studios. It sounds like they may even be willing to work for less.

For these secretive scriptwriters, what ethical justifications can be mounted for what is, in essence, picket-line crossing? The blog post decrying scab workers actually rallied some to post arguments in the strikebreakers' defense. One comes from a poster named Jake: "Maybe he [the blogger writing the original post complaining about strikebreakers] has unlimited funds somewhere and can stay out of work forever, but some need to support themselves now." Jake, November 8, 2007 (6:44 a.m.), comment on John Aboud, "Scabbing Doesn't Pay (For Long)," *United Hollywood Blog*, November 8, 2007, <http://unitedhollywood.blogspot.com/2007/11/scabbing-doesn-pay-for-long.html>.

The argument here is that we all have fundamental duties to ourselves that must be served before deferring to others. It's not, in other words, that scriptwriters should feel no obligation to their colleagues, but all of us have a deeper responsibility to our own welfare (and possibly to that of our family members who may depend on us), and that responsibility takes precedence when the situation becomes extreme, when going without work represents more than just an inconvenience.

Another argument wraps through the following exchange between two blog readers. The first, who registers his comment anonymously, writes, "I'm a little amazed by some of these comments....Do you guys [who support strikebreakers] not know about unions? Do you not understand what it *means* to cross a picket line?...People need to work for just (as in fair) pay." Anonymous, November 8, 2007 (8:15 a.m.), comment on John Aboud, "Scabbing Doesn't Pay (For Long)," *United Hollywood Blog*, November 8, 2007, <http://unitedhollywood.blogspot.com/2007/11/scabbing-doesn-pay-for-long.html>.

This response comes from a poster named Tim: “Anonymous said, ‘Do you not understand what it means to cross a picket line?’ Yes, it means you are trying to work for someone who wants to pay you. In moral terms, it’s just a voluntary mutually beneficial exchange that for the most part is no one else’s business. Members of a union do and should have the right to refuse to provide a service, but they don’t have a right to prevent others from providing the service.” Tim, November 8, 2007 (8:32 a.m.), comment on Anonymous, “Scabbing Doesn’t Pay (For Long),” *United Hollywood Blog*, November 8, 2007, <http://unitedhollywood.blogspot.com/2007/11/scabbing-doesn-pay-for-long.html>.

Tim’s argument is based on the principle of free agency and the ethics of freedom. According to him, what’s morally right is any action particular scriptwriters and studio owners agree to undertake. The only ethical obligation individuals have is to *not* violate the freedom of others and, according to Tim, everyone involved in this strikebreaking is acting freely without stopping others from doing the same. The strikers, like the strikebreakers, may go to work—or not go—whenever they like. To the extent that’s right, ethical objections shouldn’t be raised against either choice.

The key phrase in Tim’s response is that the strikebreaking writers’ actions are “no one else’s business.” Those defending the union could choose to intervene here and assert that the claim is fundamentally wrong. Ethics depends on compassionately taking account of others’ interests, and factoring them into your own decisions: what writers decide to do must serve not only their own but also the general welfare. Possibly, Tim could respond to this by asserting that in a market economy the best way to serve the general welfare is for individuals to pursue their own success. There are responses to this argument too, and the discussion continues.

KEY TAKEAWAYS

- A rights argument and a marketplace argument may lend ethical support to workers’ decision to strike.
- Ethical arguments against striking may derive from broad social concerns, or justifiably privileging one’s own interests.
- Arguments in favor of supporting strikers from outside the union may stand on conceptions of fairness or solidarity.
- Both strikebreakers and employers may claim the right to bypass union demands based on economic realities, or their rights as free agents.

REVIEW QUESTIONS

1. Explain the marketplace argument in favor of the right for workers to strike.
2. How could a union worker ethically justify not joining companions on the picket lines?
3. Outline an argument from fairness that could be made against strikebreakers.
4. Sketch two arguments that could be made in favor of independent writers swooping in and taking union jobs when the SGA goes out on strike.

15.6 Case Studies

Jim Webb's Speech



Source: Photo courtesy of Mike Baird, <http://www.flickr.com/photos/mikebaird/2202443907>.

At the height of the American economic boom running from 2000 to 2008, a freshly elected senator from Virginia gave a sobering speech. He said,

When one looks at the health of our economy, it's almost as if we are living in two different countries. The stock market is at an all-time high, and so are corporate profits. But these benefits are not being fairly shared. When I graduated from college, the average corporate CEO made 20 times what the average worker did; today, it's nearly 400 times. In other words, it takes the average worker more than a year to make the money that his or her boss makes in one day. In short, the middle class of this country, our historic backbone and our best hope for a strong society in the future, is losing its place at the table. Our workers know this, through painful experience. Jim Webb, "Democratic Response of Senator Jim Webb to the President's State of the Union Address," *New York Times*, January 23, 2007, accessed June 9, 2011, http://www.nytimes.com/2007/01/23/washington/23webb-transcript.html?_r=1&oref=slogin.

QUESTIONS

1. What is the star system?
2. According to Senator Webb (and doing the math), when he was in college around 1966, a corporate CEO had to labor eighteen days to make the money the average worker earned in about a year. Now, CEOs only need a day to reach a worker's yearly total.
 - What is vertical wealth imbalance?
 - In terms of the days a CEO must labor to net the average worker's yearly pay, where does the star system line get drawn? Webb seems to think it's somewhere between eighteen days and one day, but where would you draw the distinction? How would you justify your decision?
3. Webb says the "middle class of this country" is disappearing. How does this claim relate to the idea of horizontal wealth imbalances?
4. When Webb asserts that the benefits of a healthy economy aren't being "fairly shared," he's making an ethical claim, saying the wealth concentration is wrong. He was speaking on national TV and so didn't have time to flesh things out, but how could an argument be formulated to support his claim?
5. Jim Webb is a United States senator. When the United States was founded, there was about one senator for every twenty-five thousand people. Today, it's one in three million. The salary of a US senator is \$175,000; the salary of the average American worker is about \$40,000.
 - Besides money, what kinds of compensation do you imagine Webb gets for his job?
 - Do you believe Webb's compensation (salary plus other nonmonetary benefits) qualifies him as a star? Why or why not?
 - Does the fact that Webb represents more constituents than the original senators convert into a case that Webb's salary should be higher relative to his constituents than the salary granted to senators two hundred years ago? Explain.
 - Make the case that Webb has an ethical responsibility to donate a significant part of his salary to public service causes.

6. Part of the reason Webb's talk lacked specifics was that, as a US senator, he doesn't want to offend any particular person or large company. (He probably wants their money for his reelection campaign, or at least he doesn't want them funding his opponent.) Others, however, who share his opinion about wage imbalances aren't similarly constrained. One notable example comes from the web page *Daily Kos*, a politically oriented site with a huge readership and located on the left fringe of American politics, somewhere between rowdy and rabid. On that page, the following point was added to Webb's speech:

As an example of this inequality, look no further than Ford Motor Company. Just this week, Ford announced a staggering \$12.7 billion loss, the highest in company history. This came after a year in which the company announced that it was cutting more than 40,000 jobs (30,000 of them union jobs). So what to do in a company that's failed to deliver innovative products to the market, completely misjudged consumer trends, and managed itself into a fiscal bind? You award bonuses to the top management. Mark Sumner, "Jim Webb and Economic Reform," *Daily Kos*, January 26, 2007, accessed June 9, 2011, <http://www.dailykos.com/storyonly/2007/1/26/295137/-Jim-Webb-and-Economic-Reform>.

The web page went on to explain that Ford CEO Alan Mulally would be giving performance bonuses to his top executives because, according to Mulally, "You have to keep the talented people you really need."

- Just from the provided facts, why might someone be suspicious that CEO Mulally participates in crony capitalism? How might he respond to the charge?
- Justify the *Daily Kos* attack on Mulally's bonuses in terms of general social welfare, and in terms of the duty to beneficence.
- Make the case that the bonuses are justified in ethical terms with the language of rights.
- Through the language of rights, argue that those who criticize the bonuses—like writers at *Daily Kos*—are ethically despicable.

7. Consider these four jobs: US senator, political commentator on a widely read web page (regardless of whether it happens to tilt left or right), CEO of Ford, and union worker on a car assembly line.
 - Who do you expect would earn most and least were wages divided only by market forces? Loosely, how would wages be apportioned? Would the differences reach star system proportions?
 - How would you rank their wage order in terms of value generated for society? Loosely, how would wages be apportioned? Would the differences reach star system proportions?
 - How would you rank their wage order in terms of effort? Loosely, how would wages be apportioned? Would the differences reach star system proportions?

First You Get the Money...



Source: Photo courtesy of
xelusionx,
[http://www.flickr.com/photos/
xelusionx/452851416](http://www.flickr.com/photos/xelusionx/452851416).

The film *Scarface* cost \$25 million to make and has earned back about \$200 million so far. The story follows Tony Montana as he enters the cocaine dealing business. His mentor tells him that to survive over the long term you've got to fly under the radar and stay small. Comfortably wealthy, yes, but wildly rich, no. Montana isn't so sure. Later he decides the advice is directly bad, kills the mentor who gave it to him, and expands his business as far and as fast as he can. As moviegoers learn at the film's end, the mentor was probably right.

QUESTIONS

1. Though the initial reviews were mixed, time has proven the film's popular appeal. More than twenty years after its release, *Scarface* continues to be a rental favorite, a standard campus feature, and a late-night TV standard.
 - How can the notion of the general welfare be used to justify giving big bucks to the stars making the film: actor Al Pacino, director Brian De Palma, and writer Oliver Stone?
 - Can you form an argument against the concentration of money in the hands of a very few people that would work equally well against Al Pacino's (presumed) wealth and Tony Montana's?
2. Given the way Montana got wealthy, can the duty to beneficence argument against the star system still be applied to him? Why or why not?
3. Possibly the movie's most repeated line is Al Pacino as Tony Montana explaining that to be successful in America, "First you get the money, then you get the power, then you get the women."
 - What is Aristotle's theory of envy?
 - Does the story the movie tells about Montana's life—coming to America with nothing as an immigrant and getting ahead by killing and drug dealing—make you more or less envious of his success (at least the money and power parts), or does it not make any difference?
 - How does envy factor into ethical considerations of the star system?
4. Amado Carrillo Fuentes—better known as *Lord of the Skies*—was a serious innovator before he died in a Mexico City Hospital during a plastic surgery procedure to transform his appearance. While everyone else in his profession was flying small Cessna-like aircraft around Latin America and over the border into the States, he broke every limit by buying full-size Boeing passenger planes, hollowing them out, filling them with cocaine, and flying multimillion-dollar shipments. Though he never made the *Forbes* list of the world's most powerful and wealthy (unlike other

traffickers from the same Mexican state of Sinaloa, including Joaquín Guzmán), there's no doubt that Carrillo Fuentes got extraordinarily wealthy by bringing innovation to the cocaine business.

Bill Gates got extraordinarily wealthy by bringing innovation to the software business. One argument frequently presented in favor of outsized rewards in the business world is that it can stimulate innovative ideas. Does the fact that creativity in the business world can do social good *and* social harm weaken this argument in favor of the star system? Explain.

The Delta Vote



Source: Photo courtesy of Anthony Easton, <http://www.flickr.com/photos/pinkmoose/2955932263>.

When Delta Airlines absorbed Northwest Airlines in 2008, the expanded Delta employed about twenty thousand flight attendants, or *FAs* as they're called in the industry. The thirteen thousand Delta *FAs* weren't unionized; the seven thousand that came over from Northwest were.

The nation's largest flight attendant union, the Association of Flight Attendants (AFA) saw the opportunity to build membership numbers and lobbied the united workforce to unionize. The question went to a vote and the results were excruciatingly close: votes in favor fell 328 short out of 18,760 cast. Subsequently, the *USA Today* published a roundup of media reports and readers reactions. Ben Mutzabaugh, "Delta Attendants Vote Against Union," *USA Today*, November 4, 2010, accessed June 9, 2011, <http://travel.usatoday.com/flights/post/2010/11/delta-attendants-vote/129933/1>.

QUESTIONS

1. One argument in favor of joining labor unions works from fairness, the idea that if workers are *benefitting* from the work done by a collective, they should sign up and contribute their share of the dues required to pay for the lawyers and the negotiators a major union needs to operate.
 - How does the following reaction to the “no” vote intersect with the fairness argument? Flight attendant Cindy Hanks said, “I’m ecstatic. There is no reason for a union at Delta. I get paid more than my co-workers [who worked for Northwest before the merger]. I have an open-door policy with my management. Whenever I have a complaint, I am listened to, and there is always a resolution. I’m not left in the dark.” Ben Mutzabaugh, “Delta Attendants Vote Against Union,” *USA Today*, November 4, 2010, accessed June 9, 2011, <http://travel.usatoday.com/flights/post/2010/11/delta-attendants-vote/129933/1>.
2. One person added this comment below the story about the culture around Delta: “Nobody cares about workers’ rights, including the workers.” distinctM, November 4, 2010 (11:02 a.m.), comment on Ben Mutzabaugh, “Delta Attendants Vote Against Union,” *USA Today*, November 4, 2010, accessed June 9, 2011, <http://travel.usatoday.com/flights/post/2010/11/delta-attendants-vote/129933/1>.

One argument in favor of joining labor unions works from a notion of solidarity. With respect to labor unions, what’s the solidarity argument for joining the FA union at Delta?

3. Delta spokeswoman Betsy Talton reacted this way to the “no” vote, “We have said all along that we believe our direct relationship works well for our people and our company,”
 - One argument against joining a labor union is the duty to individuality derived from the right to free agency. What is the right to free agency? What is the derived duty to individuality?

- How can Talton's reaction be buttressed in ethical terms by reference to the right and derived duty?
4. The vote at Delta was a secret ballot. What is *card check* legislation, and what does it do? How might that law have changed the results at Delta?
 5. Some of the responses to the Delta vote didn't concern the specific FA union but the question of unions generally. For example, one commenter believes a stigma attaches to union membership, a bad one. As he puts it, "I have read pro union people are lazy and want protection." Another commentator adds that unions have, "basically destroyed the auto industry and the steel industry." Timatl2002, November 4, 2010 (10:08 p.m.), comment on Ben Mutzabaugh, "Delta Attendants Vote Against Union," *USA Today*, November 4, 2010, accessed June 9, 2011, <http://travel.usatoday.com/flights/post/2010/11/delta-attendants-vote/129933/1>.

How can this criticism of unions and union workers be converted into an ethical argument in favor of an economic star system?

6. A person identified as distinctM wrote, "Labor unions BUILT the American middle class. The middle class that is shrinking as unions have been decimated." distinctM, November 5, 2010 (3:17 p.m.), comment on Ben Mutzabaugh, "Delta Attendants Vote Against Union," *USA Today*, November 4, 2010, accessed June 9, 2011, <http://travel.usatoday.com/flights/post/2010/11/delta-attendants-vote/129933/1>.

This is an economic claim. Assume it's true. How can it be converted into an ethical claim in favor of the FA union?

Responding to a Transit Strike



Source: Photo courtesy of
Neilhooting,
[http://www.flickr.com/photos/
neilhooting/2424703385](http://www.flickr.com/photos/neilhooting/2424703385).

The web page titled “How to Commute By Bicycle, All of a Sudden” begins this way: “There is a transit workers’ strike in NYC today. If you need to get somewhere, consider riding your bike. Even though it’s 22 degrees right now (8:33 EST), this is not a crazy suggestion.” “How to Commute By Bicycle, All of a Sudden,” *Days of Leisure* (blog), accessed June 9, 2011, [http://www.daysofleisure.com/writing/How to commute by bicycle, all of a sudden.html](http://www.daysofleisure.com/writing/How_to_commute_by_bicycle,_all_of_a_sudden.html).

When you need to preface a suggestion with the assurance that it’s not crazy, you can be pretty sure that the situation is bad.

The New York City transit strike began on December 20, 2005, and ran three days. Representing the subway operators, bus drivers, and some related personnel, there was the Transport Workers Union, Local 100 (TWU). On the other side, representing the city—and the traveling, tax-paying public—there was the Metropolitan Transit Authority (MTA). Wages and retirement age were the main issues. The MTA argued (correctly) that the transit workers’ wages were much higher than the national norm, and their retirement age extremely low. The workers argued (correctly) that the job of driving in New York City was more stressful than in most other places. When negotiations failed, public transportation stopped a few days before Christmas, leaving millions of daily commuters stranded.

For some commuters, the bike became an option. In the abstract—sitting in a warm room reading about it—the possibility doesn’t sound so bad, get some good exercise and brisk fresh air on the way to work and back. There are real

problems, though. The air can be dangerously cold and streets in winter are icy. It also needs to be remembered that the sun goes down early in December, so people biking home at night along the roadside are pedaling in the dark. Falls are common. Falls in front of oncoming cars are especially bad.

QUESTIONS

1. The transit workers strike was actually illegal. After a similar walkout years before, the Taylor Law had been enacted; it barred transportation workers from leaving their posts and implemented arbitration methods for settling disputes. When the workers ignored the law, a judge hit them with fines and sentenced their leaders to short jail terms.
 - In the face of the strike's illegality, how can a rights argument be mounted to ethically justify the walkout?
 - Is the rights argument affected by the fact that many commuters suffered?

2. The “last resort argument” justifying a workers strike is activated when three conditions are met: (1) There must be a just cause; (2) there must be proper authorization; and (3) the strike must be a last resort—that is, attempts to find solutions must've been fully explored.

In this case, the transport workers national union actually ordered the local to go back to work. The national union, in other words, didn't authorize the strike, but the actual workers on the scene did. Does this count as *proper authorization*? In a union organization, who, ultimately, gets to decide whether a strike is appropriate, the organizing management selected to speak for the collective, or the individual workers on the ground? Explain.

3. What is the public safety argument against a union going out on strike? From the information provided, how could it be implemented in this case?
 - How would the public safety argument against the strike differ from the public welfare argument?
 - In general terms, is there public welfare argument that could be sketched in *favor* of the strike?

Air and Bus Traffic: Stars and Collectives



Source: Photo courtesy of Ekavet,
<http://www.flickr.com/photos/ekavet/3680866253>.

The early 1980s were seismic years in American business. Newly elected President Reagan promoted waves of deregulation legislation, and the openness loosed a breed of entrepreneurs bringing innovative goods and services to the marketplace so rapidly that entire segments of business life erupted in disorder. One especially affected area was transportation, and one very affected transporter was the venerable Greyhound bus lines. This report from San Jose State University summarizes:

Deregulation of the transportation industry made the competition for passengers stiff. New entrepreneurs who paid low wages entered the business and offered fare prices much lower than the more established inter-city lines. The newly deregulated airline industry made things even worse for Greyhound. Low-cost passenger airline carriers sprang up. People Express, for example, charged only \$23 for a flight between New York City and Buffalo. Greyhound charged \$41 for the trip. A flight by Southwest Airlines from San Francisco to Phoenix was only \$60, compared to a Greyhound's bus ticket to the same location costing \$79. Herbert Oestreich, "The Great Greyhound Strikes," Mineta Transportation Institute College of Business, San Jose State University, September 2001, 2001, accessed June 9, 2011, <http://www.angelfire.com/al/silverball/strikes.html>.

When a higher-quality service (a fast plane ride) actually costs *less* than a lower-quality service (a slow bus trip), the simple rules of economics are, sooner or later, going to put the bus company out of its misery.

To survive, Greyhound had to cut its prices, which meant cutting costs. The prices of buses and gasoline and similar were fairly fixed, leaving wages to be

targeted. Greyhound went to the workers collective, the local Amalgamated Transit Union, and proposed a 9.5 percent wage cut.

The answer was no. Greyhound insisted. A strike ensued.

Greyhound was prepared. They'd already recruited more than a thousand new hires in anticipation of the walkout, and agreed to pay them the salary the union had refused. A tremendous segment of business was lost while the company struggled to bring still more drivers aboard but, eventually, it became clear that the union would have to break, which it did.

In the aftermath, a stinging article was written: "Leave the Slave-Driving to Us." That's a play on the Greyhound advertising line "Leave the Driving to Us," and it pretty clearly displays where the author comes down on the ethics of labor walkouts broken by replacement workers. Daniel, "1983: Leave the Slave-Driving to Us—Chris Fillmer," *Libcom.org*, June 17, 2007, accessed June 9, 2011, <http://libcom.org/library/1983-leave-slave-driving-us-chris-fillmer>.

QUESTIONS

1. From the “Leave the Slave-Driving to Us” article: “After the strike got underway the Bus Lines tried to run scab buses. In response, the striking Greyhound workers carried out militant actions that were effective as far as they went. For example, pickets from Local 1225 in San Francisco, together with some supporters, tried to block the departure of buses from the 7th Street depot in downtown San Francisco. There was then a cop attack on the picket line and a melee ensued. Only one bus left the station. It soon experienced a collision with another vehicle (the driver of the other vehicle just happened to be a striking Greyhound driver) and it was forced to retreat to the S.F. depot.”
 - When the striking Greyhound driver drove his car or pickup into the bus, he probably damaged his own vehicle. Who should pay for the repairs? Justify.
 - Is it possible to argue that, ethically, Greyhound should pay? Explain.
 - Who should pay to repair the damaged Greyhound bus? Why?
 - The “cop attack” was, presumably, police officers clearing strikers from the public road. The police are frequently unionized. Do they have, as union workers, any responsibility to leave the strikers alone?
2. From the “Leave the Slave-Driving to Us” article: “During any strike material pressures (rent or house payments, utility bills, RV financing, etc.) may influence strikers’ decisions. Since Greyhound is not merely a bus line, but a conglomerate with revenues from many lines of business, its capacity to bear losses from a strike is much greater than that of individual strikers to bear the loss of wages. Even those who have substantial savings may run short during a long strike. To succeed, they had to convince other transport workers and their unions to strike in sympathy with them. But of course, that’s illegal under existing contracts and laws. But that only means that the ranks needed to take matters into their own hands from the very beginning. The rank and file did not have to respect the law.”

- What is Greyhound's structural economic advantage over the workers?
 - Does the Greyhound economic advantage provide an ethical justification for the workers to illegally (in terms of contractual commitments) try to get others in related fields to strike in support of the Greyhound workers? Explain.
3. The marketplace test showed the strike was, in purely economic terms of supply and demand, not justified. The company was able to find workers at the wages it wanted to offer.
- Ethically, does the economic reality justify the strikebreakers' actions in crossing the picket lines? Explain.
 - The "Leave the Slave-Driving to Us" author considers these strikebreakers to be slaves. What is the ethical argument behind this insult?
4. From the "Leave the Slave-Driving to Us" article: "Greyhound Lines Chair Frank Nagotte pulled down a hefty \$447,000 in salary and benefits' in 1983 [that's 1,004,000 in today's dollars]. In general, Greyhound management was slated to receive a 7-10% salary/benefit increase. Despite the competition from lower air fares cited by Greyhound management, the Bus Lines division alone earned a profit that has been estimated at \$5 million in the first nine months of 1983."
- The chairman's salary and benefits were about one million in today's dollars. In terms of basic rights, how could he justify taking that mountain of money home after firing the drivers?
 - In terms of the value his work generated for society, how could chairman Nagotte justify taking the mountain of money home after firing the drivers?
 - In terms of his responsibilities as chairman, how could Nagotte justify taking the mountain of money home after firing the drivers?
 - What ethical argument could the drivers use to justify demanding that the chairman take a salary and benefit cut in line with the one he was asking from the drivers?

5. The fundamental cause of the Greyhound problem was competition from new transportation companies providing better service at lower cost, including Southwest Airlines, founded by Rollin King and Herb Kelleher. They're both bright stars in the American economic star system.
 - Make the case that King and Kelleher have an ethical obligation to support the Greyhound drivers who lost their jobs. What is the case? What kind of support do they owe?
 - Convert the Greyhound experience into an ethical argument that no employee at Southwest should seek to unionize.