# Ethics and Public Policy Analysis: Stakeholders' Interests and Regulatory Policy

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ABSTRACT. This article asserts the need for the ethical analysis of regulatory policy. The article explores the conventional wisdom surrounding the proper role of government, the function of law, the role of lawmakers, the nature of business, and the relationship between business and government. It is the traditional thinking regarding these fundamental aspects of our social life which creates barriers to the ethical analysis of regulatory policy. It is argued that, in spite of the persistence of agency theories of the firm, a stakeholder theory of the firm best approximates a true descriptive and normative view of business organizations. If the role of government is to maximize the full range of public – private relationships for any given series of inputs, and the role of the firms is to maximize the balance of diverse stakeholders' interests, then a stakeholders' interests paradigm becomes the natural foundation for the ethical analysis of policies which regulate business.

We do not formulate public policy in a moral vacuum. Neither can we properly evaluate the consequences of public policy without the tools of ethical analysis. Because of the social context of human existence, and human nature to strive for the good, ethics and politics are necessarily intertwined. The idea is at least as old as Aristotle.

> Observation tells us that every state is an association, and that every association is formed with a view to some good purpose. I say 'good', because in all their actions all men do in fact aim at what they think good. Clearly then, as all associations aim at some good, that association which is the most sovereign among them all and embraces all others will aim highest, i.e., at the most sovereign of all goods. This is the association which we call the state, the association which is 'political.'[1]

Yet ethical analysis is noticeably absent from national debates on public policy, particularly debates on such "technical" topics as the regulation of business and industry. There are a variety of reasons for our reluctance to bring ethics into the center of our national debates regarding public policy. These reasons range from legitimate fears about majority views infringing on minority rights, to a kind of moral paralysis in the face of diverse values. The notion of ethics and moral responsibility has recently been introduced, albeit tentatively, into the public conversation regarding such important public issues as urban violence, welfare and health care. But in the area of regulatory policy, ethical analysis remains an anathema. Our aversion to discussing the ethics of regulatory policy is rooted in some of our most fundamental assumptions regarding:

1. the relationship between business and government
2. the proper role of government
3. the proper function of law and the role of lawmakers
4. the nature of business and the characteristics of "the firm"

This article examines these elements of our

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democratic-capitalist social order, not as separate or separable components, but rather as fundamental, inter-related and interdependent aspects of our shared social lives. Two general premises lie at the heart of the argument for the ethical analysis of public policy. The first premise is that ethical analysis is uniquely equipped to articulate an accurate descriptive view of public policy issues. The second is that ethical analysis provides a much needed normative framework within which we may scrutinize the inevitable tensions between: (1) the government as it discharges its obligation to protect the public interest; and (2) the various competing interests of other stakeholders. Grounded firmly in a moral perspective, ethical analysis takes into account such important considerations as the physical sciences, law, and economics, but it is not limited by those disciplinary boundaries. Rather, the lens of ethical analysis offers a systemic view of the choices we must make in the ordering of our shared lives, and the consequences of those choices. Given the complexity of our contemporary society, and the extent to which organized economic relationships are integrated into our social lives, the unwillingness to apply ethical analysis to the crafting or the consequences of regulatory policy should be troubling. And, as the distinction between social policies and regulatory policies becomes less discrete, the need for ethical analysis becomes more acute.

Substantive ethical analysis of regulatory policy will not be possible until we rehabilitate our implicit assumptions regarding the appropriate relationship between business and government. To accomplish this, we must first reformulate our normative views of the function of law, the role of lawmakers, and the nature of "the firm." In doing so, the barriers to ethical analysis of regulatory policy are substantially eliminated. Once these barriers are removed, we can develop analytic tools for the ordered and meaningful evaluation of the goals, methods, and consequences of regulatory regimes.

## The relationship of business and government

The relationship between business and government is central to the ethical analysis regulatory policy. Our understanding of that relationship, which is grounded in the distinction between public and private domains, informs our views of the proper role of government and the nature of organized economic systems. Classical liberal social theory maintains that public and private realms exist as separate spheres which contain distinct types of relationships and activities. This perspective is rooted in Locke's social theory which views the autonomous individual as the primary unit in society. Since the state of nature was perceived as one of perfect freedom, equality, and liberty, the purpose of civil government was to be non-arbitrary and non-transferable. The government was not to have the power to confiscate private property, its actions were to be in keeping with the law of nature, and limited to the public good. Liberal social theory continues to advance the view of government as the primary institution of the public sphere, and the market as one of the principle institutions (along with religion and family) of the private sphere. On this view, government intervention into organized economic activities represents an intrusion of the public domain into private activities.

There are, however, alternate views of the relationship between public and private domains which we may draw on. Barry Bozeman argues that all organizations are public, to some degree, because political authority affects some of the behavior and processes of all organizations. Because "publicness" is not a discrete quality, but rather a multidimensional property, Bozeman suggests "an organization is public to the extent that it exerts or is constrained by economic activity."[2] Political constraint is significant because of its (presumed) link to the public interest, and because it is this link with a broader purpose which expands the generalized constituency of an organization.

Terry Cooper has developed a more discrete analysis of the nature of public and private relationships which suggests a continuum from fully public to fully private, rather than separate

spheres. He notes, "[o]nce the distinction between public and private realms was acknowledge conceptually and legally, the relationship was a very unstable one."[3] Tracing the etymology of the term *public*, Cooper suggests its meaning transcends *government*. "Its most fundamental denotations are the shared, communal, universally accessible dimensions of collective life."[4] Applying this broader meaning, Cooper constructs a model of public and private relationships on a continuum, rather than in separate spheres. This paradigm includes eight gradations of relationships, from fully private to fully public.[5]

Organizational economic relationships may be characterized as "large scale structural relationships that compose the economy of a society. They include all the business relationships of the society, but are practically determined by large corporate organizations and government activity."[6] Cooper asserts that these organizations exhibit public as well as private attributes. Although the nature of corporate activities are highly interdependent, and the consequences of their activities are substantial, their goals are oriented to a limited rather than a general collective good.

There are at least two important implications of this alternative view of public – private relationships which are significant for the ethical analysis of regulatory policy goals and consequences: (1) the understanding of political systems of relationships as ecologies; and (2) the alignment of political interests with the interests of organized economic systems. Cooper argues that "an ultimately efficient government should be viewed as one that maximizes the full range of public – private relationships for any given inputs."[7] This line of reasoning complements the argument found in the stakeholder theory of the firm which suggests that the balance of stakeholders' interests maintains the stability of the organization and of the system of organized economic relationships which it occupies. The proximity of political and organized economic systems of relationships on the public – private continuum suggests that the nature of the interests pursued are similar (although the roles and responsibilities of corporate and government officials are distinctly different in certain aspects).

If Cooper is right about the location of organizational economic relations, and I believe he is, then what we loosely refer to as the "public interest" should be closely associated with the limited collective goods which corporate entities seek. The inference that we draw from this is that the interests of business and government are more closely aligned than may generally be believed when working out of an agency theory of the firm. Therefore, as we scrutinize the goals and consequences of public policy, sharp conflicts of interests may indicate something beyond the familiar dilemma of business attempting to avoid its public duties and obligations. It may indicate a fundamental mis-understanding on the part of government of (i) what the public interest truly is, or (ii) how that interest should be pursued.

## The role of government

Our understanding of the nature of democracy combines with the traditional view of separate public and private spheres to define the role of government. This normative view is closely tied to the ethos of democratic capitalism. The content values of the democratic ethos provide the historical framework of "the basic criteria we use for interpreting our general commitment to human well-being and the public good, and in evaluating particular institutions and policies."[8] The democratic ethos includes regime values,[9] public interest, and social equity. Regime values are rooted in the tradition of Lockean liberalism, and that historical focus on the free individual as the basic unit of society is affirmed in the contemporary regime values of the American democratic system. The ethical tensions inherent in those regime values and in a constitutional democracy were anticipated in the Federalist Papers' concerns regarding how to make rulers' self-interests coincide with those of a majority of the rules, while protecting fundamental interests or rights of the minority.[10] And, we continue to presume that democratic accountability will be maintained, and corruption avoided, through the identity of ruler's interests with the majority interest of the ruled.

Walter Lippman has suggested that the public

interest is "what men would choose if they saw clearly, though rationally, and acted disinterestedly and benevolently."[11] A realistic view of the social and economic diversity of contemporary American culture demands that we rehabilitate this view to admit the simultaneous existence of multiple, often competing, sometimes conflicting, public interest. Yet this diversity does not mitigate the obligation of public officials to discern and pursue the public good. Mark Moore suggests that serving the public interest is one of three principal obligations of public officials (along with respecting the processes that legitimate their actions, and treating colleagues and subordinates with respect, honesty, etc.).[12] Pursuit of the public interest requires, first, the discernment of those interests, and second, foresight regarding the consequences of public policies. It may be further argued that as interest conflicts increase, the duties and responsibilities of policy markers to clearly identify the basis on which "public interest" is determined also increases.

Setting aside the difficulties of discerning the public interest, Moore argues that foreseeing the consequences of public policy is central to the pursuit of the public interest. He identifies three common pitfalls, including: (1) misunderstanding the importance of the activity and the subsequent failure to articulate the values at stake; (2) operating from a too-narrow perspective which recognizes only those consequences which can be quantified in market terms; and (3) mishandling the "inevitable uncertainty" of public policy choices. Any normative analysis of public policy must attempt to bring to light the extent to which these potential mistakes are made or avoided in specific cases.

Social equity is also crucial to the ethical analysis of public policy. It is a synonym of natural right, or justice, and was articulated by David Hart as the "spirit and habit of fairness, justness, and right dealing which would regulate the intercourse of men with men."[13] On this view, social equity is understood to express an ethical obligation rather than a jural one and it is a value which remains central to the democratic ethos. Hart's definition of social equity ignores the familiar debate regarding the measure of equity and whether it is achieved through the equality of opportunity or the equality of outcomes. While this argument is significant, what is most important for the purpose of this discussion is that the content values of the ethos of democratic capitalism function as the criteria for interpreting our general commitment to human well-being. As such, they form a general foundation of culturally significant and pervasive values which we may incorporate into the ethical analysis of regulatory policies and their outcomes.

## Law and lawmaking

Our normative views regarding the proper function of law and the role of lawmakers develops out of the ethos of democratic capitalism and impacts directly on our willingness to place regulatory policy under the lens of ethical analysis. In its broadest context, legislative ethics deals with the relationship of politics and ethics, the proper aim of legislative bodies, the duties and obligations of legislators, and the outcomes of legislative activities. Jennings asserts that the political life is the means to achieving an overriding ethical ideal of happiness and well-being.[14]

Within the boundaries of the legislative role, two distinct categories of ethical dilemmas arise. They are: (1) problems of regulation, and (2) problems of obligation. Problems of regulation are those ethical dilemmas which arise in relationship to conduct, and may generally be dealt with by regulating the activities of legislators. Problems of obligation are those ethical dilemmas which arise over appropriate courses of action within the legislative process, and occur when there is conflict between the interests of various stakeholders. Problems of obligation also arise when evaluating a variety of possible legislative courses of action in what will always be (to a greater or lesser degree) conditions of uncertainty.

The dominant paradigm of legislative ethics which addresses problems of regulation and problems of obligation is *moral minimalism*. This perspective incorporates Madison's view of legislators as generally self-interested and motivated by the retention of power through re-election. With the exception of minimal sanctions against

the use of public office for personal financial gain, moral minimalism asserts that the only responsibility of the legislator "is to work as effectively as he or she can within the pluralistic legislative process, guided primarily by the political reward system institutionalized in the electoral process."[15] Jennings suggest,

> [T]he problematic nature of the study of legislative ethics comes from the peculiar nature of legislative activity in our political system, the functions that system calls upon legislators to perform, *and the widely held belief . . . that the effective, and indeed the democratically proper, functioning of legislative politics requires what I shall call a "moral minimalism"* vis-a-vis the demands that citizens place upon their legislative representatives, and vis-a-vis the demands legislators place upon themselves (emphasis added).[16]

Conversely, the case in favor of moral minimalism argues that

> injecting moral discourse into a complex social practice is like doctoring or lawyering or legislating and representing has important consequences for that practice: it restructures perceptions, limits defensible options, and imposes new burdens of self-explanation and self-justification on practitioners.[17]

The principal difficulty in moving from moral minimalism to a broader standard, it is argued, is that moral considerations effectively trump traditional utilitarian standards of expedience, advantage, and political self-interest. Moral minimalism attempts to maintain a clear distinction between moral principles and political prudence, and to keep all but the most basic of moral considerations out of political activities.

Advocates of moral minimalism argue that moral discourse impacts the governing process in such a way as to change how the practice is evaluated, and to change the public demands on legislative activity. Those changes are viewed as having a deleterious impact on the process on its outcomes. Rather than improving the process, this view asserts that moral discourse is socially polarizing and divisive and that moral convictions undermine democratic responsiveness. Therefore, the representative process is made more cumbersome and tenuous.

There are several important weaknesses in the moral minimalist argument. The view of moral discourse as socially polarizing and divisive ignores important positive contributions which value-clarification can make to public debate and to the outcomes of public policy-making processes. The underlying view of legislators as generally self-interested and motivated to retain power does not adequately recognize the multidimensioned nature of advocacy roles (public official/trustee, representative/delegate) and the ability of legislators to act in ways that transcend their own interest. Most importantly, the moral minimalist paradigm for legislative ethics ignores the broad spectrum of politically viable policy choices which legislators regularly evaluate. Moral minimalism may be sufficient as an ethical paradigm for resolving problems of regulation – maximize constituents interests while playing by the rules. Moral minimalism is insufficient, however, in the face of the problems of obligation (on what basis do I differentiate between equally politically viable options?) which legislators regularly face. Therefore, it is necessary to adopt a view of legislative ethics that goes beyond moral minimalism in order to support the ethical analysis of public policy. And, this wider view must move beyond the confines of problems of regulation to incorporate scrutiny of the legislative product and dilemmas of obligation.

Lon Fuller's paradigm of the internal morality of law offers an alternative to moral minimalism as a standard for legislative ethics.[18] It provides a useful framework within which to explore regulatory policy to the extent that its application enables us to test the internal, or procedural, integrity of law and to identify changes in the substantive aims of law which should also be subject to scrutiny. The components of the internal morality of law align closely with the content values of democratic ethics. The general purpose of law in a constitutional democracy is to protect those regime values of liberty, property, and equality. As an ideal type, the internal morality of law functions to maintain the procedural justice and the "spirit and habit of fairness" which is the hallmark of social equity.

## The nature of business and characteristics of the firm

Another significant barrier to the ethical analysis of regulatory policies is our traditional view of economic markets and "the firm". Drawing on Adam Smith, and appropriating the contemporary distinction between public and private, conventional market theory asserts that business activities are by nature private and, because of property rights and the natural efficiency of an unfettered market, should be free from interference. A companion view of the individual firm is agency theory. The key components of agency theory include: (1) a view of the firm as the nexus of explicit contracts between resource holders; (2) an understanding of the agency relationship as existing when a principal (stockholder) engages an agent (management) to perform services on their behalf; and (3) the definition of management's role as that of maximizing the interest of the shareholders (understood as wealth maximization). The agency relationship which is of central importance to the firm's operation arises when principal(s) (owners) engage agent(s) (managers) to operate on their behalf.

It is precisely from this normative view of markets and firms that Milton Friedman argues the social responsibility of business is to increase profits.[19] Management functions as the agent of the owners. This agency relationship creates a fiduciary responsibility on the part of management which requires the exclusive pursuit of profit maximizing goals. Management lacks a social mandate. Therefore, the pursuit of goals other than those which maximize owner's wealth is, according to Friedman, a tax imposed on shareholders and a breach of management's fiduciary responsibility. John Ladd extends this argument further by suggesting that the organizational ideal is incompatible with ordinary principles of morality.[20] He asserts that formal organizations are decision making structures which exhibit rationality in pursuit of goals. In order to maximize goal attainment, organizations utilize empirical input exclusively. This renders management "ethically neutral," Ladd argues, and as such the official actions of management are subject only to standards of rational efficiency.

What is central to each of these arguments is a very particular and clearly identifiable normative view of the roles and responsibilities of managers. It is a view which asserts that management's role is as the exclusive agent of the shareholders and that management's sole responsibility is to maximize shareholder wealth. Although Friedman's position is the dominant view of corporate and managerial roles and responsibilities, Kenneth Goodpaster has articulated a detailed refutation of Friedman which leads us towards a stakeholder theory of the firm.[21] Goodpaster argues that the notion that managers lack a social mandate is an oversimplification of the relationship between business and society and a misunderstanding of the relationship between "public" and "private" sectors. No business entity exists independently of its customers, supplier, employees, or community, and the corporate world is a social and moral terrain with far reaching impact on the lives of a variety of constituencies.

Douglas Sherwin expands the general foundations of a stakeholder theory of the firm.[22] The *general* functional purpose of business, he argues, is to act as the principal mechanism for producing and distributing economic goods; but business' *specific* purpose is dependent upon the perspective of system participants. For example, customers expect goods and services; employees expect wages; and owners expect profits. The key components of stakeholder theory which emerge include: (1) a view of the firm as the nexus of implicit and explicit contracts between stakeholders (those who have claims on the firm); (2) the recognition of the different utility functions (interests) of different stakeholders; and (3) the definition of management's role as that of interest mediator between stakeholders.

Much like Cooper's view of the proper role of government, this view of the firm enables us to recognize the ecology of organized economic systems of relationships – an interdependent system of customers, owners, employees, managers, etc. Each of these diverse constituencies has unique interests which are related and sometimes conflicting. The interdependence of

stakeholders arises because each stakeholder needs a relatively stable business environment and the other system participants in order to satisfy their own needs. Conflicts occur in the form of resource allocation disputes, and it is not possible to resolve every conflict equitably for every stakeholder. The interdependence of the system does create a rough equality between the stakeholders, however, such that resource allocation decisions will be generally equitable *over time* if the system is to remain stable.

For example, profits may be distributed to owners (through stock dividends), employees (by increasing wages), management (through bonus pools), or customers (in the form of reduced prices). A firm may engage in any combination of these alternatives and no one distribution (regardless of how it is allocated) will be fully equitable to all parties. Over time, however, if prices are inflated in order to satisfy stockholders' wealth maximization goals, customers will buy elsewhere, thereby de-stabilizing the system. Likewise, if profits are returned primarily to employees in the form of increased wages to the neglect of dividends, stockholders are likely to divest their shares, thereby driving down the value of the firm.

## Stakeholders' interests and regulatory policy

Our traditional view of the role of government, the function of law and the role of lawmakers, the nature of business, and the characteristics of the firm comprise a powerful belief system regarding fundamental components of our shared social lives. These beliefs coalesce to create, among other things, a particular understanding of the relationship between business and government. This view, which is captured conceptually by the separation of public and private spheres, moral minimalism as a legislative ethic, and agency theory of the firm, largely accounts for our reluctance to subject regulatory policy to ethical scrutiny.

The traditional values of the democratic ethos – liberty and equality, private property and public interest, and the notion of social equity – remain core values of our contemporary culture. However, the classic separation of public and private spheres is an inaccurate framework within which to describe the complex society in which we live. Likewise, conventional wisdom regarding law and the role of lawmakers does not provide adequate ethical guidelines for the problems of obligation which legislators regularly face. Moral minimalism is simply inadequate as a modern legislative ethic. Agency theory of the firm is also inaccurate as a descriptive and normative view of business entities. Agency theory not only fails to recognize the full range of stakeholders with claims on organizational resources, it also fails to provides guidelines for the strategic and tactical activities of management beyond satisfying the desires of the firm's owners.

Regulatory policies mitigate the relationship between industry, government, and other individual and collective stakeholders. Therefore, we must explicitly subject the goals and consequences of regulatory policy to ethical analysis because, properly structured, such scrutiny provides the best mean for evaluating the ultimate success of these policies. A productive way to conduct this type of ethical analysis is to evaluate policy choices and consequences by taking into account the competing and conflicting interests of all relevant stakeholders and scrutinizing the extent to which various courses of action maximize the balance of those interests. Figures 1 and 2 depict a conceptual model of ethical analysis based on stakeholders' interests which includes both descriptive and normative components.

The goal of the descriptive phase of the analysis is to identify the playing field and the players. The focus of the analysis is on identification of the issues at stake and the facts which have bearing on those issues. Key stakeholders and stakeholder groups must also be identified along with the interests of those stakeholders. Finally, the descriptive phase of analysis should estimate the impact of the subject policy on the interest of the stakeholders.

In the normative phase (depicted in Fig. 2), the analysis focuses on determining the extent to which policy impacts (or anticipated impacts) are balanced across stakeholders. In other words,

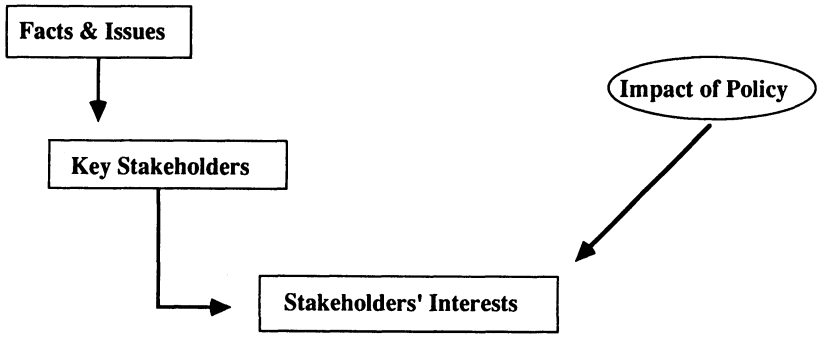


Fig. 1. Descriptive stage.

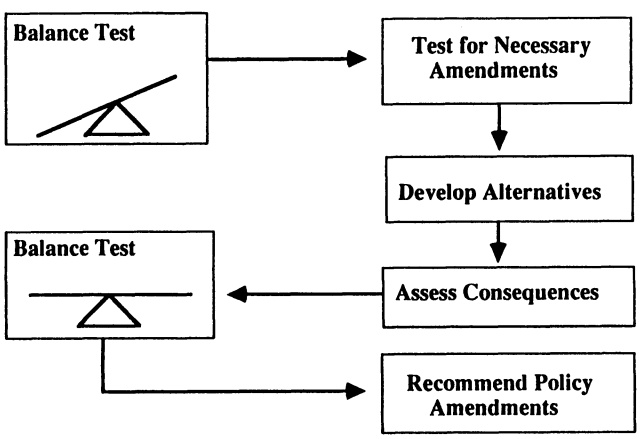


Fig. 2. Normative stage.

does a particular regulatory policy provide disproportionate benefits to certain stakeholders at the expense of others? The results of such a "balance test" will determine whether policy amendments are desirable or necessary. As alternative regulatory strategies are advanced and considered, they too may be subjected to a similar assessment in order to assure the greatest possible balance of interests. The model implicitly assumes that a balance of costs and benefits across stakeholders is ideal. This does not mean that every consequence of every policy should affect all stakeholders equally. Rather, the overall impact of regulatory policies *over time* should be relatively equal if the system is to remain stable.

Industry has typically shunned ethical analysis as a business tool. It is viewed either as a measure of "good deeds" which are not central to the mission of an organization or industry, or as a means of ferreting out improper conduct. Particularly in a climate of increased regulatory interventionism, ethical analysis which focuses on a balance of stakeholders' interests can be a unique ally of corporate managers. Instead of placing additional or inappropriate burdens on business, ethical analysis structured in this way can enhance the ability of business entities to meet the needs of their stakeholders by moving regulatory policy debates toward the balance of all stakeholders' interests.

## Applying the model

The recent deregulation of the savings and loan industry provides an interesting retrospective on how a stakeholders' interests model of ethical analysis could have enhanced the regulatory policy making process, and provided a mechanism for the ongoing evaluation of consequences of the legislation. Faced with the imminent insolvency of the FSLIC, and an apparent epidemic of questionable practices on the part of thrifts, in 1989 Congress moved to substantially strengthen the regulatory guidelines for the industry. The result was Financial Reform Recovery and Enforcement Act (FIRREA). This federal legislation, which was intended to restore the industry's financial health, represented a substantial reversal of the de-regulation which had been implemented in 1982. Significant components of the Act included increases in capital requirements, the elimination of previously permissible lines of business, and increased regulatory oversight.

The newly enacted capital requirements

notably included the phase-out of supervisory goodwill for the purposes of capital compliance. In essence, the disallowance of supervisory goodwill was a nullification of government promises made to in the early 1980's as an inducement for healthy thrifts to take over ailing institutions. In exchange for favorable capital treatment of failing institutions' negative net worth, these institutions assumed what would have otherwise been the government's liability for their losses. This provision of FIRREA alone – the disallowance of supervisory goodwill as regulatory capital – immediately placed over 150 previously healthy thrifts outside of capital compliance and subject to regulatory intervention. Five years and some $300 billion later, the savings and loan industry was again profitable, but had shrunk to 60% of its former size. This severe contraction of the industry resulted in the loss of approximately 125,000 jobs, depressed real estate prices, and caused a significant reduction in the availability of financial services particularly to rural, small, and/or disadvantage communities.

A stakeholders' interests analysis of the consequences of FIRREA indicates that the only "winners" in the S&L bailout were banks and other financial services companies who benefitted from the severe contraction of a competitor industry. During the crafting of FIRREA, there was testimony from the Secretary of the Treasury that "the Administration anticipates there will be some loss of shareholder value" as a result of the new regulations. Likewise, the Administration anticipated the costs associated with the savings & loan "bailout" to be somewhere in the range of $45 billion. In fact, there was severe loss of shareholder value, but the owners and managers of thrifts were not the only ones damaged by this Draconian approach to restoring the industry's financial health. The impact on taxpayers as been onerous, as evidence by the cost of the "bailout". The impact on individual communities may prove to be even worse, as they have absorbed unemployed industry workers, as well as faced the simultaneous depression of real estate values and constriction of credit availability.

The failure to systematically consider all stakeholders and their interest rendered the Administration and the Congress unable to anticipate the true impact of the regulations. Even worse, as evidence of the policy's impact became known, Congress had no established means for adjusting the policy to better balance the consequences across stakeholder groups. The result has been that a regulatory policy intended to return an industry to financial health and to assure the continued availability of financing sources for home purchase has in fact caused the near extinction of that industry, at the expense of the communities in which those institutions operated, and at an approximate cost to the American taxpayer of $300 billion.

## Conclusion

There are a number of diverse public policy issues involving potential government regulation which would benefit from the type of ethical analysis we are suggesting. The impending reform of health care delivery and the EPA's proposed restrictions on the use of chlorine are only two examples. The debate over health care reform is severely fragmented and argued, principally, from the perspective of various special interest groups. Likewise, the debate regarding the negative impacts of chlorine is presently being argued primarily between chemical manufacturers and environmental groups. While we do not argue that ethical analysis assures perfect vision, we do strongly suggest that without taking into account *all* stakeholders and their interests, the goals consequences of regulatory policies cannot be fully understood or evaluated.

The benefits of such an approach are threefold. First, this form of ethical analysis requires public conversation regarding the relevant stakeholders and their interest. Stakeholders' interests analysis offers a means of separating noise from data without pre-judging the merits of competing interests. Second, by judging regulatory policy on the basis of its ability to balance competing interests of stakeholders, the legitimate interests of all stakeholder groups are honored. Such an approach encourages explicit instead of implicit choices with regard to policy alternatives and consequences. Finally, by scruti-

nizing regulatory policy choices through the lens of ethical analysis, we acknowledge that our social and organized economic systems are so integrate that we can no longer set certain types of policy debates outside the purview of moral scrutiny.

## Notes

[1] Aristotle, *Politics*, Book I, Chapter I, 1252a, *A New Aristotle Reader*, J. L. Ackrill, editor, Princeton University Press, 1987, p. 507.

[2] Bozeman, Barry, *All Organizations Are Public*, Jossey-Bass, San Francisco, 1987, p. 84.

[3] Cooper, Terry L., *An Ethic of Citizenship For Public Administration*, Prentice-Hall, Englewood Cliffs, NJ, 1991, p. 178.

[4] Ibid., p. 177.

[5] The most private category is that of personal experience (1), described as "one's own thought and felling processes that remain isolated from all other persons" (Cooper, p. 183). Progressing toward public relationships, personal experience is followed by intimate (2) and fraternal (3) relationships. Moving into the realm of the quasi-public are associational (4) and affiliational (5) relationships as well as personal economic (6) relationships, which encompass "transactional relationships involved in one's decisions about employment, disposition of earnings, savings, and personal expenditures" (Cooper, p. 187). Finally, the most public of relationships are described as organizational economic (7) and political (8) relationships.

[6] Cooper, ibid., p. 188.

[7] Ibid., p. 197.

[8] Price, David, "Assessing Policy", *Public Duties: The Moral Obligation of Government Officials*, Fleishman, Liebman, and Moore, editors, Harvard University Press, 1981, p. 144.

[9] Regime values are defined as those values incorporated into the Constitution, such as personal liberty, property, and equality.

[10] *The Federalist*, Nos. 10 and 51, Random House Publishers, New York, 1941.

[11] Ibid., p. 5.

[12] Moore, Mark, "Realms of Obligation and Virtue", *Public Duties*, ibid., p. 8.

[13] Hard, D. K., "Social Equity, Justice, and the Equitable Administrator', *Public Administration Review*, 34, 1974, p. 3.

[14] Jennings, Bruce, "Institutionalization of Ethics in the U.S. Senate", *Revising the United States Senate Code of Ethics*, A Hastings Center Report, Special Supplemental, February 1981, p. 5.

[15] Jennings, Bruce, "Legislative Ethics and Moral Minimalism', *Representation and Responsibility*, ibid., p. 158.

[16] Ibid., p. 153.

[17] Ibid., p. 156.

[18] Fuller articulated eight distinct standards against which the law may be tested for that procedural integrity which is constitutive of the internal morality of law: (1) there must be general rules; (2) those rules must be made known; (3) they must not be retroactive; (4) they must be reasonably clear; (5) they should not be contradictory; (6) they should not require the impossible or the extremely unreasonable; (7) insofar as possible, they should be constant through time; (8) legal rules and administration of law should not conflict.

[19] Friedman, Milton, "The Social Responsibility of Business is to Increase its Profits", *New York Times Magazine*, September 13, 1970.

[20] Ladd, John, "Morality and the Ideal of Rationality in Formal Organizations", *The Monist*, LaSalle, Illinois, 1970.

[21] Goodpaster, Kenneth E. and John B., Jr., "Can a Corporation Have a Conscience?", *Harvard Business Review*, January–February, 1982.

[22] Sherwin, Douglas, "Ethical Roots of the Business System", *Ethics in Practice*, Andrews, Kenneth R., editor, Harvard Business School Press, 1989.

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