

# THE IMPORTANCE OF ETHICAL PRINCIPLES IN INDUSTRIAL ENVIRONMENTAL PROTECTION

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## Summary

Today's complex environmental *problematique* is the result of both ethical and economic factors. Economic instruments are inappropriate for solving ethical problems because economics and ethics are fundamentally different dimensions of human behavior. To solve the environmental *problematique*, ethical considerations should be integrated into corporate decision making. Taking both ethical and economic considerations into account in business decisions is possible by using ethical criteria to choose the set of possible alternatives. Market pressure and legal coercion are necessary but insufficient to push companies towards proper environmental performance. The ethical commitment of managers is essential to ensure less environmentally harmful operation of companies. Establishing an ethical commitment is hindered by several obstacles, including the ethical disengagement of managers.

## 1. Introduction

Industrial production is a significant contributor to almost all elements of the environmental *problematique*. Both the scale and the structure of today's industrial production are problematic from an environmental point of view. The global scale of industrial production and the huge variety of hazardous materials generated impose significant risks upon society and the natural environment. Industrial firms are considered the primary cause of environmental degradation because corporations

exploit natural resources on a large scale and usually release highly concentrated hazardous substances and wastes. Moreover, environmental problems caused by firms are clearly visible; the activities of companies are highly scrutinized by consumers and environmental nongovernmental organizations (NGOs); companies must report on their emissions; and authorities control the destiny of used hazardous materials.

## **2. Traditional Environmental Protection Motivations: Regulations and Profit**

Companies apply several approaches to cope with the environmental challenge. The challenge most often appears in the form of public pressure, that is, environmental regulations, press articles about pollution, consumer boycotts, and public protests. The simplest corporate answer to environmental challenges is to claim “the solution to pollution is dilution.” Companies following this attitude will release as much pollution as before the environmental challenge appeared but in smaller concentrations. This may be achieved, for example, by diluting waste water. Thus, the direct harmful effects of their emissions decrease although the quantity of emitted pollutants remains the same. Such actions may be acceptable when the environment is capable of assimilating the emissions. Obviously, this approach provides only limited opportunities for real environmental improvement and the motivation behind the approach is self-interest and not ethics. While self-interest is a vital type of motivation, it is insufficient to address the roots of environmental degradation.

Most frequently, environmental regulations require that the quantity of the emissions (not their effects) be reduced. This goal can partly be achieved by applying end-of-pipe methods (for example, filters and scrubbers on smokestacks). End-of-pipe equipment prevents direct pollution release into the environment. However, the resultant problem is how to dispose of the large amount of highly concentrated pollutants collected at the “end of the pipe.” Though a better option than dilution, the end-of-pipe approach is unable to provide comprehensive solutions to pollution. End-of-pipe equipment does not attack environmental problems at their source but treats problems after they have been generated (a reactive approach). The end-of-pipe approach assumes that compliance with current environmental regulations is sufficient to protect the environment.

A higher level in the hierarchy of environmental solutions is pollution prevention (P2). P2 aims at preventing the generation of wastes and pollutants, thus the approach is proactive instead of being reactive. P2 aims at reducing the quantity or hazardousness of wastes and emissions. For example, companies may prevent the generation of pollution by replacing highly polluting raw materials or technology with cleaner ones. P2 is a significant step towards effective corporate environmental protection because it may enable companies to operate in a more environmentally sensitive manner and at the same time more economically. In this approach, economics and the environment can be linked in the following ways:

- Prevention is environmentally more secure than finding a cure after the problem has occurred.
- The reduction of the quantity or hazardousness of wastes reduces the costs of protective measures and the costs of clean up.

- P2 often means more efficient resource use, which, in turn, reduces procurement costs.
- Prevention reduces the probability of pollution-related problems, thus the risk of litigation and environmental fines may be avoided.
- Effective environmental protection improves the image of the firm for authorities, creditors, consumers, and environmental advocacy groups.
- Many P2 measures (for example, better housekeeping and preventing leakages) are inexpensive and result in relatively high cost savings (nevertheless, more sophisticated solutions, including technology change, may be very expensive).
- The methods of P2 are integrated into the production processes and into the daily routines of employees, which makes continuous compliance with environmental regulations and the improvement of environmental performance easier (compared to end-of-pipe methods).

The P2 approach often provides effective tools for achieving environmental and economic goals simultaneously. Nevertheless, it is impossible to eliminate completely waste generation and pollution; therefore, end-of-pipe methods (including recycling) will need to be continued in the future. More importantly, P2 is a powerful tool of environmental protection but, like the dilution of pollution and end-of-pipe approaches, this approach is also problematic from an ethical viewpoint. Although P2 provides cleaner production methods than any other approach, a significant drawback is that P2 remains within the framework of the economic paradigm that has basically resulted in today's global environmental crisis. This paradigm is based upon the following implicit premises:

- all problems of society (environmental or other) are fundamentally economic and therefore they must be expressed in economic terms, otherwise society will be unable to solve them;
- as a consequence, all social and environmental problems are to be solved by economic means;
- economic goals are superior to all other societal goals; in other words, in order to be justifiable, all problems should be subordinated to economic goals; and
- the most important concern related to the abovementioned economic paradigm is that the paradigm prevents society from recognizing the true nature of environmental and social problems. Thus, all efforts to solve those problems will remain particular at the best and destructive at the worst.

An environmental solution is *particular* when it deals with only a part of environmental degradation instead of treating the problem in a holistic way. For example, end-of-pipe methods transform one type of environmental problem into another but, ultimately, those methods do not eliminate the generation of pollution and wastes. Environmental approaches may turn out to be *destructive* when decision makers believe all environmental problems can be solved by economic means. For example, decision makers often fail to realize that, in particular cases, priority should be given to environmental and social considerations as opposed to economic goals. Another widespread illusion is that eco-efficiency (that is, the reduction of resource use per unit of output or pollution per unit of output) will solve all environmental problems. This approach may become dangerous if it considers the operation of only individual firms and fails to address the problem of the *scale* of the global economy (for example, how

much production is environmentally sustainable at the global level) (see *Economic Security and the Environment*).

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### Biographical Sketch

**Árpád Baranyi** holds an M.Sc. in economics and business administration and a Ph.D. in business administration from the Department of Environmental Economics and Technology, Budapest University of Economic Sciences and Public Administration (BUESPA), Hungary. He works for an environmental consultancy firm where his responsibilities range from economic analyses of environmental regulations to

assisting government in environmental and industrial policy making. At BUESPA, Dr. Baranyi taught environmental economics for several years and participated in a number of research projects ranging from the harmonization of Hungarian environmental regulations with those of the European Union to analyzing the environmental performance of Hungarian enterprises. In 1994/95, he was an environmental training project fellow at the University of Minnesota where he researched environmental management approaches of American enterprises. Dr. Baranyi has authored several articles analyzing the relationships among ethical commitment, environmental responsibility, and economic considerations. He is a co-author of the ethical values chapter of the university textbook *Ecosystem Management in Central and Eastern Europe—Decision Taking for the Future* (2002). Árpád Baranyi is a co-translator of several books, covering the relationships of economic activity and moral considerations, including David C. Korten's *When Corporations Rule the World* (1995). Dr. Baranyi is a founding member of the Altern group at BUESPA. The group's periodical represents new, alternative directions (e.g. ecological economics) of analyzing the interrelationships of contemporary economic, social, environmental, and moral problems.