

## **Utilitarianism: a protection for Volkswagen's immoral, but legal, emissions cheat?**

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The recent automobile emissions scandal involving Volkswagen provides us with the opportunity to explore corporate social responsibility, specifically relating to the concept of what is legal versus what is ethical.

In September 2015, news broke that the Volkswagen Group – which also includes Audi, Porsche, and Seat and Skoda in Europe – had been cheating emissions tests by installing a “defeat device” in over 11 million cars worldwide, 8.5 million of those in Europe. The software was designed to mask the emissions of nitrogen oxide, which can cause or worsen respiratory disease and has been linked to the premature death of around 23,500 Britons each year<sup>i</sup>.

The scandal was uncovered in the U.S. by the Environmental Protection Agency (EPA), who found that actual emissions from VW diesel cars were as much as 40 times higher on the road than initial factory tests were showing<sup>ii</sup>. The device allowed vehicles to continue to produce high emissions illegally, while showing an output that was acceptable to U.S. regulations.

The Volkswagen website lists its core values simply and succinctly: “Responsibility and sustainability.” The company is listed on the FTSE4Good Index, which recognises organisations who meet certain CSR criteria, and until the scandal, VW Group led the Dow Jones Sustainability Index automotive sector<sup>iii</sup> and was the largest car manufacturer for the last 15 years in terms of sales<sup>iv</sup>. But the use of illegal and deceptive methods to prioritise vehicle performance over the health of those who will breathe in the harmful pollutants is far from socially responsible. Then-CEO Martin Winterkorn apologised for breaking the trust of their customers and VW promised to begin removing the devices from affected vehicles.

What has caught the attention of many critics, however, is despite VW's admission to cheating in the U.S., the company argues that it has done nothing illegal under EU law, where emissions regulations are nowhere near as stringent as in America. VW has agreed to pay compensation of \$1000 to the owners of each of the 500,000 affected cars in the U.S., but refuses to do the same for the 8.5 million cars affected in Europe, where they will only remove the device.

In the wake of the scandal, blame has been placed on Europe's permeable regulatory methods, which currently allows manufacturers to control and manipulate emissions tests for their own benefit<sup>ii</sup>, rather than being evaluated by a third party. The EU, who has recently faced severe criticism for being too scared to take on the force of Germany's car industry, has now announced plans to implement stricter testing<sup>v</sup>. However, negotiations are likely to take months, or perhaps years, for lawmakers in every EU nation to agree on new legislation.

The accusations are essentially two-fold: for one, they have been found to be severely polluting the air and for two, they lied about it. Volkswagen owes its stakeholders an environmentally friendly measure against harmful diesel emissions, and also the transparency to be truthful in its claims. In October 2015, VW's U.S. boss, Michael Horn admitted he was aware of the device as early as September 2014 and in November of that year, VW engineers admitted to rigging CO<sub>2</sub> figures, blaming pressure from Winterkorn<sup>iv</sup>.

This scandal poses a moral dilemma: If a corporation's actions are indeed legal, can they still be wrong and warrant consequences?

From a utilitarian point of view, VW would look at the outcomes. More emphasis would be placed on good results – the benefits – rather than bad ones. This theory states that actions are right if they tend to produce happiness for the greatest number of people. Higher performance vehicles would certainly please the masses and the healthy sales would please all employees. These outcomes would be weighed with greater importance than the pain of those fewer people who will develop respiratory issues as a result, especially if no laws are being breached. With this approach, VW could attempt to reconcile their actions with their values. A problem with utilitarianism, and an issue VW would face with their reconciliation, is that it does not take into account how to objectively weigh these outcomes. As a theory with no socio-political commitments or sympathy for particular groups of people, it does not consider the severity of the health conditions of the minority. Therefore, it may be a useful theory for VW on which to base their defence.

The reality is that VW will not do itself any favours on the social responsibility front by hiding behind a legal veil. Their admission of wrongdoing with subsequent recalls and compensation payouts in America, where they hold a relatively small market share, will not do much damage to them. The same admission in Europe would have drastically worse effects to VW's reputation and cash flow. But arguing that EU restrictions on emissions testing provide more freedom to fudge the numbers is not an acceptable excuse for polluting the air at 40 times the level they claim, while seeming to only be concerned with protecting their financial interests. Business writer Leon Kaye claims that "the trend in CSR [lately] has been to focus more on goals and aspirations, and less on tangible results<sup>iii</sup>." This breeds a corporate culture in which a few people think they can do whatever they please as long as they style it well and say the right things. A utilitarian view might be beneficial to the board of directors at VW Group, but in all truth, it would not be a satisfactory justification for the media, for the government regulators, and most importantly, for the consumers.

If Volkswagen wishes to regain their former reputation as an environmentally responsible manufacturer – and status as a sales leader, not to mention – there must be commitment to the cause, no matter the legal allowances. They must make real change towards their corporate values and they must make honest transparency a priority. The ideal of corporate social responsibility is that measures are taken because it is the right thing to do regardless of mere business interests, not because it is the least possible requirement to pass a test.

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<sup>i</sup> Rankin, J. (2016). *VW rejects call to compensate European drivers over emissions scandal*. [online] The Guardian. Available at: <http://www.theguardian.com/business/2016/jan/21/vw-rejects-call-to-compensate-european-drivers-emissions-scandal> [Accessed 25 Jan. 2016].

<sup>ii</sup> Hakim, D. (2016). *VW Admits Cheating in the U.S., but Not in Europe*. [online] Nytimes.com. Available at: <http://www.nytimes.com/2016/01/22/business/international/vw-admits-cheating-in-the-us-but-not-in-europe.html? r=2> [Accessed 24 Jan. 2016].

<sup>iii</sup> Kaye, L. (2015). *VW Scandal Exposes What is Has Gone Awry with 'CSR'*. [online] Triple Pundit: People, Planet, Profit. Available at: <http://www.triplepundit.com/2015/09/vw-scandal-exposes-what-is-has-gone-awry-with-csr/> [Accessed 25 Jan. 2016].

<sup>iv</sup> Saarinen, M. (2016). *VW emissions scandal: defeat device an 'open secret' within VW*. [online] Auto Express. Available at: <http://www.autoexpress.co.uk/volkswagen/92893/vw-emissions-scandal-recalls-compensation-is-your-car-affected-latest-news> [Accessed 24 Jan. 2016].

<sup>v</sup> BBC News, (2016). *EU plans new rules for emission tests following VW scandal - BBC News*. [online] Available at: <http://www.bbc.co.uk/news/business-35420453> [Accessed 27 Jan. 2016].