



Mains Practice Question

Q. Briefly explain the following terms with the help of an example:

- (a) Ethical Fading
- (b) Fiduciary Duty
- (c) Bounded Ethicality

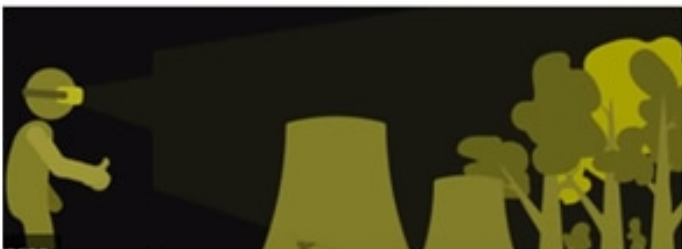
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A. Ethical fading

- Ethical fading occurs when the **ethical aspects of a decision disappear** from view.
- This happens when people focus heavily on one aspect of a decision, such as **profitability or winning**. People tend to see what they are looking for, and if they are not looking for an ethical issue, they may miss it altogether.
- Ethical fading is similar to **moral disengagement**. It is when people restructure reality in order to make their own actions seem less harmful than they actually are.
 - Both ethical fading and moral disengagement help people **minimize the guilt** they feel from violating ethical standards.

Examples:

- A manager asking a new recruit to appreciate his behaviour with their client for the sake of promotion.
- Many national leaders not accepting the phenomenon of climate change.



How people perceive industrialization

B. Fiduciary Duty:

- A fiduciary duty is the legal responsibility to act solely in the best interest of another party. 'Fiduciary' means **trust**, and a person with a fiduciary duty has a **legal obligation to maintain that trust**.
- It includes duties of undivided loyalty, due diligence and reasonable care, full disclosure of any conflicts of interest, and confidentiality.

Examples

- Civil servants have a fiduciary duty with the people of India to adhere to the constitutional values.
- The trustees of a mutual fund have a fiduciary duty to protect and further the interests of investors.

C. Bounded Ethicality

- Bounded ethicality is the idea that our **ability to make ethical choices** is often **limited or restricted** because of **internal and external pressures**.
- Outside pressures, such as the tendency to conform to the actions of those around us, can make it hard to do the right thing.
- Hence, people are susceptible to cognitive biases and organizational or social pressures that limit their abilities to make ethical decisions.

Examples

- People in India could not eliminate the practice of Sati even till 18th century. It was due to the efforts of great social reformers like Raja Ram Mohan Roy that common Indians could come out of their bounded ethicality.
- A Member of Parliament has to adhere to party's whip in the house on important issues restricting his/her personal preferences on the issue.

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