

The summary of this article by john orlando showing the understanding of his poin...



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Article Summary by John Orlando Downsizing to merely increase profits according to John Orlando requires careful analysis of harms and benefits that will befall the parties involved. The two main parties involved when corporations downsize are the workers who are harmed not in just terms of their lost jobs or lost source of income, and the shareholders who gain benefit due to increased stock price or increased profits of a company.

The author has three main arguments against downsizing: one, because it is simply morally wrong to "harm some to benefit others"; two, because between workers and shareholders - workers are the vulnerable party on the principle of "legitimate or critical expectations"; and three, it is unfair for workers to be held responsible for something they don't have control over as when whole divisions are laid off when they don't meet the profit expectations of the management, and it is also unfair for shareholders to gain benefit when stock prices soar after a firm downsizes because they are not responsible for it.

**Morally wrong:** It is morally wrong to downsize a company due to profitability reasons because it in effect causes a lot of harm for little benefits. The author says that on some aspects, harms and benefits are "incommensurable" - meaning it does not entail merely the loss of income on the part of the workers. He says that some statistics demonstrate that downsizing also leads to loss of homes and even to suicides. On the other hand, since investors in large corporations tend to diversify their assets, they only gain minor benefits when stock prices rise. He points to a distinction when downsizing is a means to an end: It is morally reprehensible for a CEO to layoff workers, consciously knowing that the act would boost the stock price of company as differentiated from an act when a company downsizes <https://assignbuster.com/the-summary-of-this-article-by-john-orlando-showing-the-understanding-of-his-point-of-view/>

to boost productivity.

Legitimate Expectations: For a worker, having a secure job is tied to his fundamental well-being. He relies on his job to provide him and his family a home. For shareholders, there is no such sense of legitimate expectations since they know that stock prices are volatile and they know the risks involved in investing in the market. No reasonable investor takes the security of his home on future expectations of how his stocks will perform in the market. If jobs are preserved and stockholder returns are diminished, no "critical expectations" are thwarted on the part of the investor. Moreover, shareholders did not expect upon investing that a company will run solely for their benefit since they know that the company has obligations to other parties.

Fairness: An individual does not deserve the rewards or punishments that come for which he or she is not responsible or outside of one's control. The worker who loses his job in downsizing does so through no fault of his own. Instead workers of whole divisions of a company lose their jobs because those divisions are no longer profitable. Oftentimes, the reasons are most likely because of mismanagement of those who run the corporation.

Shareholders have done nothing to deserve the sharp rise in their stocks due to downsizing. Mutual fund investors for instance have not invested in a particular company because they want to - but because investing in mutual funds release them from tracking the performance of every company where they invest. Even if when a firm dissolves, a device is created specifically to minimize the risk to shareholders. In the case of bankruptcy -- it may even keep a firm alive because courts give it a chance to restructure its debts.