

ON COMMODIFYING WHAT IS IRREPLACEABLE

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INTRODUCTION

On May 24th 2020, the mining company Rio Tinto destroyed two caves in Juukan Gorge, Western Australia, as part of an iron ore exploration project (Nagar, 2021). The caves were sacred to the Puutu Kunti Kurrama and Pinikura people (PKKP) and had been occupied by them and their ancestors for at least 46,000 years. While the significance of these caves to the PKKP was known to Rio Tinto, the mining company had the legal right to engage in mineral exploration in that area and had received ministerial permission for the blast. After the destruction of the caves, there was a swift public outcry against Rio Tinto's actions (Reuters, 2020). For the PKKP, the loss was immeasurable: according to a PKKP spokesperson, "our people are deeply troubled and saddened by the destruction of these rock shelters and are grieving the loss of connection to our ancestors as well as our land" (BBC, 2020).

The destruction could go ahead despite PKKP opposition because of legislation that—according to a spokesperson for the Banjima people, another Western Australian Aboriginal people—"place[s] traditional owners in a position of being expected to trade away their heritage for mining interests" (Parliament of the Commonwealth of Australia, 2020: 15). In practice, this legislation allows traditional owners to negotiate a package of benefits in exchange for the use of their land, but not to prevent the destruction of particular sites altogether. It was against this legislative background that Rio Tinto obtained the legal right to exploit the mineral value of the Juukan Gorge site.

For the PKKP, the site (in its original form) was unique and irreplaceable. However, by exercising its legal rights to the site's mineral resources, Rio Tinto transformed the site into a mere *commodity*: something that is in principle exchangeable with other goods, services, or resources. The severe public backlash against Rio Tinto suggests that people find something deeply objectionable about such acts of commodification. Anti-commodification theorists have argued that it is morally objectionable to commodify certain goods and services (Anderson, 1995; Sandel, 2000; Satz, 2010). However, while there is a long history of anti-commodification scholarship in both philosophy and management, there are few resources in the existing literature to extend anti-commodification arguments to the Rio Tinto case.

Anti-commodification scholars are usually concerned with the market transactions wherein 'contested commodities' are exchanged. For example, Satz (2010) and Sandel (2000) focus on identifying the limits to what should be bought or sold, arguing that markets in some goods express the wrong way of valuing them and lead to pernicious societal impacts. What the PKKP most object to in this case, though, is not the purchase of this site by Rio Tinto per se, since the changing ownership of the site had no direct bearing on the PKKP's ability to value it as a sacred entity—an extant, tangible link to their past. Instead, they object to the site's destruction for the sake of mineral resources, an act of commodification that is problematic not because it places a monetary value on the site but because it is incompatible with valuing the rock shelters as irreplaceable.

Anti-commodification arguments also focus on entities for which there are intrinsic, person-independent reasons against commodification. These arguments trade on the intrinsic

noxiousness of markets in things like gestational services, child labor, and human body parts, and they are not contingent on the attitudes or beliefs of particular people or groups of people. However, Rio Tinto's act of commodification was objectionable because of the unique value these caves had for the PKKP, not because there are intrinsic or person-independent reasons against commodifying similarly old sites. After all, it would be extreme to presume that there is something inherently wrong with commodifying old things—the repurposing, reuse, or sale of ancient land or objects is one of the constants of human history, and a complete reification of the past seems as objectionable as a myopic prioritization of the future. The PKKP valued the rock shelters as irreplaceable, while Rio Tinto valued the site as a mere resource; and it is because the PKKP valued the rock shelters as irreplaceable that they and their supporters objected to Rio Tinto's actions.

The Rio Tinto case points to a genre of objectionable commodification practices that has not yet received systematic attention in the business ethics literature: when companies commodify entities that stakeholders value as irreplaceable. This suggests that the range of goods and services that people should not be forced to exchange is in fact far wider than many anti-commodification theorists have argued. It also suggests that anti-commodification scholars have focused too narrowly on problems with markets and financial exchanges, passing over equally important questions concerning the liquidation and transformation of, and access to, certain goods and services.

This essay seeks to take a first step in elucidating some of the moral and strategic issues concerning the commodification by businesses of things that stakeholders value as irreplaceable. I will argue that when a stakeholder values something as irreplaceable, there are both moral and strategic reasons for companies to avoid violating it (such as by destroying or damaging it, otherwise altering it, or withholding it from the stakeholder, depending on what it is about the object that the stakeholder values as irreplaceable).

The essay proceeds as follows. In the first section, I introduce the theoretical foundations of my argument by differentiating between two ways of valuing things: as exchangeable, and as irreplaceable. In the second section, I explore what it means for businesses when stakeholders value particular entities as irreplaceable, introducing the notion of *irreplaceable resources*—firm resources that some stakeholders value as irreplaceable. In the third section, I draw on stakeholder theory to argue that businesses have moral reasons to safeguard what stakeholders value as irreplaceable.

THE IRREPLACEABLE AND THE EXCHANGEABLE

The PKKP valued the Juukan Gorge caves as irreplaceable. But what does it mean to value something as irreplaceable? There is a trivial sense in which anything can be seen as such. Any object has unique features which distinguish it from other objects, from the most complex natural formation to the most simple mass-produced product. And even when objects are overwhelmingly physically similar to others, they can develop unique histories that no other object can adopt; for example, a child's lucky blanket has, in virtue of its history with the child, a role in that child's life that no other blanket could fulfill.

However, regardless of whether an object is in an objective sense irreplaceable, it is not always valued as such. Someone may be equally happy to use any car, as long as it gets them from A to B. In the context of private property, Radin (1982) makes a distinction between what she terms personal property and fungible property. The former is property that one has a sentimental attachment to, which one would likely feel pain about if it were exchanged, while the

latter is property that is perfectly replaceable with other goods of the same market value. For example, suppose a wedding ring is stolen from a jeweler's shop. As long as the full market price is reimbursed by the insurer, enabling the jeweler to buy an equivalent replacement, then the jeweler will likely be satisfied. But if the ring is instead stolen from a married couple, then even if the full market price is reimbursed by the insurer, the married couple will likely feel that this does not make up for what they have lost. For the jeweler, the wedding ring is fungible property; for the married couple, it is personal property. This distinction does not just apply to property, but to anything that people see as their own in some way, such as their job, their local community, or their local scenery: someone may see their teaching job as fungible, for example, and be just as happy to teach in any similar school; they may equally see it as personal, requiring a large incentive to move to another similar job elsewhere (such as a significant pay rise, a much shorter commute, a higher status position, etc.).

There is a further distinction, however, that is not captured by the distinction between personal and fungible property. A married couple may value their wedding rings as personal property, but if they were offered an exceptionally large sum of money, they may be willing to part with them nonetheless. But there are other married couples who would be horrified at the thought of selling their wedding rings: no amount of money, nor any other good, could make up for their loss. A body of psychological literature suggests that while people view some trade-offs as legitimate, especially those usually subject to market norms (Fiske & Tetlock, 1997), there are some things that people are unwilling to countenance exchanging—especially 'sacred values' like justice, love, and honor, but also goods obtained in the context of special relationships. Tetlock (2003: 322), in a summary of some of the foundational findings of this literature, notes that scholars encountered "a surge in confusion and outrage—as well as in refusals even to consider assigning dollar values—when people were asked to sell objects acquired in intimate relationships." In other words, there are some things that people do not just give a high sentimental value, but are unwilling even in principle to countenance exchanging.

One interpretation of these results is that the sentimental value of these objects is so high that no amount of recompense would suffice for their exchange. Tetlock (2003: 322) suggests this interpretation when he glosses the results as showing that "[s]ome objects apparently became infinitely valuable." But even if these objects had infinite value, that would not explain the refusal of people to assign a monetary price, nor their confusion and outrage at being asked to do so.

Instead, it seems plausible that people object to assigning values to these objects because they do not see exchanging them as an option in the first place. If people rule out their exchange *ex ante*, then the question of how valuable they are compared to other entities makes no sense. Since at least Simon's (1955) behavioral account of rationality, scholars have recognized that decision-making can be conceptually broken down (at the risk of over-simplification) into three steps: determining a set of options under consideration; evaluating the value of each option; then choosing the most valuable option. The literature on sacred values and taboo trade-offs suggests that people take a principled stand on which options to include under consideration: some objects should simply not be up for exchange. Since determining the set of options under consideration occurs before the evaluation of the options, the relative value of the options eliminated *ex ante* has no bearing on what it is rational to choose.

With these findings in mind, let me distinguish between two ways of valuing things: *valuing as exchangeable* and *valuing as irreplaceable*. We value something as exchangeable when we are open in principle to exchanging it, as long as we receive something of suitable

value in exchange. By contrast, we value something as irreplaceable when we are not willing to exchange it, even in principle. The idea that valuing something as irreplaceable does not reduce to merely valuing it very highly challenges a tacit assumption underlying much of the literature in management and economics, namely that everything has a price. If people ever value things as irreplaceable, then this pervasive assumption does not hold: there are, for those people, some things whose exchange is simply off the table.

It is not difficult to find real-world examples of people valuing things this way. For example, Ewing (2018) describes the case of Dyett High School, which was earmarked for closure by the educational authorities after years of underperformance. The authorities proposed replacing it with a new, better-funded school. And yet the local community rallied together to save it, organizing months of protests that culminated in a month-long hunger strike. They did so not to extract more funding from the educational authorities, nor because they saw the school as infinitely valuable—on the contrary, they were fully cognizant of its faults. Instead, they fought to save it because it was the bedrock of their community, deeply and intrinsically connected to their history and identity. Ewing shows how the community had built their shared lives and their collective identity around the school. From this perspective, it did not matter how valuable the school itself was: its loss was unthinkable to the community precisely because, without it, the structure of meaning they had built upon it would come tumbling down.

MANAGING IRREPLACEABLE RESOURCES: STRATEGIC RISKS

The things that people value as irreplaceable are not just private possessions or public assets, but also things that businesses would consider resources—“all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness” (Barney, 1991: 101, citing Daft, 1983). Examples of firm resources include everything from natural resources, to human activities and relationships, to intangible assets such as corporate reputation, brands, and routines. When someone values a firm resource as irreplaceable, they become a stakeholder in the firm: “groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions” (Evan & Freeman, 1988: 100). I will define an *irreplaceable resource* as a firm resource that some stakeholders value as irreplaceable.

As the case of Juukan Gorge shows, there may be tensions between how a firm plans to use such a resource and how stakeholders want it to be treated. Rio Tinto planned to use the Juukan Gorge rock shelters for the purposes of mineral extraction; in contrast, the rock shelters were an irreplaceable resource for the PKKP, who wanted them protected. The managers at Rio Tinto knew that the PKKP were firmly opposed to the destruction of the shelters, but they also knew that they could extract highly valuable mineral reserves from the site if they were to mine it. When managers are faced with the decision of how to develop an irreplaceable resource, how should they decide?

At stake are both ethical concerns and strategic considerations. Much of the widespread condemnation of Rio Tinto after the destruction of the Juukan Gorge rock shelters reflected a belief that what Rio Tinto had done was morally wrong, in part because of the devastating impact of the loss on the PKKP. But the event also had significant negative strategic implications for Rio Tinto: as a result of the backlash, the mining conglomerate has (at the time of writing) placed a moratorium on all mining within 10 square kilometers from the site, foregoing far more than just the \$135 million Australian dollars of minerals they expected to extract from the site

itself (The Guardian, 2021). The outcry also led to the resignation of Rio Tinto's CEO, substantial reputational costs, and a parliamentary inquiry that proposed substantial changes in mining laws, all to the detriment of Rio Tinto's financial interests. From a strategic perspective, both Rio Tinto and the PKKP should have been aligned: in hindsight, it was in neither of their interests for the rock caves to be destroyed.

Businesses always have some incentive to protect irreplaceable resources. When a stakeholder values a firm resource as irreplaceable, there is nothing they would be willing to accept in exchange for its loss. This means that if a business violates an irreplaceable resource, they risk losing support from the stakeholders who valued it as irreplaceable. This not only places the business at risk of significant negative repercussions, but may even, at the extreme, jeopardize the business' survival, since businesses rely on the support of their stakeholders (Parmar, Freeman, Harrison, Wicks, Purnell, & De Colle, 2010).

Still, it is conceivable that in some cases the financial value that a business could obtain by violating an irreplaceable resource would outweigh any direct and indirect financial losses (such as reputational damage) from doing so. By exploiting irreplaceable resources, businesses may be able to generate more value for a wider range of stakeholders—such as greater shareholder returns, improved employee working conditions, lower prices for customers, etc. This makes it important to understand not just the strategic implications of violating irreplaceable resources, but also the moral implications.

A STAKEHOLDER APPROACH TO MANAGING IRREPLACEABLE RESOURCES

Scholars of business ethics have often argued that managers should make decisions that take into account the interests of stakeholders (Parmar et al., 2010). Exactly how managers should take stakeholder interests into account, and how these interests should be balanced, has been the subject of much contention (Orts & Strudler, 2009).

A key issue is whether the interests in question should be understood in terms of the subjective preferences of the stakeholder or in terms of some objective standard: if the stakeholder thinks it is in its interest to receive one thing, but the company thinks it is in the stakeholder's interest to receive something else, is the stakeholder correct analytically, or is there an independent normative standard to which the company can appeal? While some scholars assume the latter (e.g., Jones & Felps, 2013), many of the foundational writings by Freeman (1984; 2010) suggest the former: Freeman uses metaphors of stakeholders as 'customers' choosing between products, and describes business relationships as fundamentally voluntary, involving disparate stakeholder groups coming to a 'deal' with each other. In deals and purchases, the subjective interests of the participants are paramount.

If a subjective account of stakeholder interests is assumed—in other words, if the task of managers is to balance what stakeholders take to be in their interests—then it follows even from a relatively weak statement of companies' duties to stakeholders that managers should seek to avoid violating irreplaceable resources. A stakeholder that valued some resource as irreplaceable would never see its loss as in their interest, no matter how much they were offered in exchange; they would reject its violation out of principle.

An alternative perspective on stakeholder theory that does not assume a subjective account of stakeholder interests is stakeholder theory as an ethics of care (Burton & Dunn, 1996). This perspective aims to reconceptualize stakeholder relationships as caring relationships, rather than relationships of narrow self-interest. An ethics of care involves attending to other people's interests and needs, acknowledging and embracing differences in perspectives and

situations (Koehn, 1998; Lindemann, 2005) without assuming we understand their situation better than they do (Palmer & Stoll, 2011).

This approach would also caution companies against violating irreplaceable resources: it is hard to reconcile the idea of caring for a stakeholder with violating something that stakeholder values as irreplaceable, except if refraining from doing so would violate some other moral duty or cause other stakeholders severe hardship, in part because of stakeholders' deep vulnerability to the loss of what they value as irreplaceable. Even if managers feel that it is in a stakeholder's interest to relinquish something they value as irreplaceable, an ethics of care would caution the managers against assuming they knew better than the stakeholder, on pain of paternalism: at minimum, the managers would have both to be certain that keeping the resource is harming the stakeholder and to have exhausted their possibilities in trying to persuade the stakeholder of this.

On either approach to stakeholder theory, managers have a moral duty to avoid, where possible, violating entities that stakeholders value as irreplaceable. A management strategy that does not violate what any stakeholder values as irreplaceable is ethically preferable to a strategy that does, assuming that both are otherwise morally permissible, even if the latter maximizes shared value or provides greater benefits to stakeholders in other ways.

SUMMARY

In this essay, I have distinguished between two ways of valuing things—as exchangeable and as irreplaceable—and used this distinction to draw ethical and strategic implications for how businesses should treat irreplaceable resources. For businesses to act in the interests of their stakeholders, they should avoid violating entities that stakeholders value as irreplaceable. If stakeholders value something as irreplaceable, no compensation would make up for its loss.

REFERENCES ARE AVAILABLE UPON REQUEST FROM THE AUTHOR