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Cameron Christopherson
Seattle University

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Chickengate: Where Companies and Ethics Clash

Cameron Christopherson, Staff Reporter

If you have purchased chicken tenders at the Seattle University dining hall, a meal at KFC or Dino Nuggets from QFC's frozen food aisle, you were potentially a victim of a massive price-fixing conspiracy. Washington State Attorney General Bob Ferguson recently announced that Tyson Foods, one of 18 companies named in a lawsuit brought by the office, will pay a \$10.5 million dollar settlement for its role in the price gouging scheme, while not admitting to any criminal wrongdoing. The claim filed against the producers alleged that they violated state and national antitrust laws.



Natalie Schorr

Price-fixing is the practice of coordinating with competitors to set the price of a certain product. This is typically done by controlling supply and demand. In Tyson's case, they slaughtered flocks of breeder hens to artificially reduce the supply of chicken and raise the price. According to a press release from the Attorney General's office, an estimated 90% of consumers in the state have been harmed by the practice.

Boeing Frank Shrontz Chair of Professional Ethics Jeffery Smith pointed out that while the free market has the power to reign in unethical behavior, a different approach may be needed for companies as dominant as Tyson.

"Anytime where you have an industry like agriculture, where a few big players dominate the market, it becomes easier to perpetuate that lack of competition," Smith said. "Price-fixing is just one of the ways you can do it. I think this is one of the ethical problems that has to be fixed through public policy, not just by relying on the goodwill of certain board members or executives."

The theoretical purpose of a company, Smith went on to detail from an academic perspective, is the societal good they can accrue through their competitive profit seeking. This can go awry when profit becomes an end rather than a means to a larger good. This is where antitrust laws, which Tyson was cited under, come into play.

John B. Kirkwood, professor of law at Seattle U, outlined the purpose of antitrust laws, as well as the two major types of anti-competitive practices.

“There is a broad consensus in the judicial system that the purpose of antitrust laws is to prevent firms from using anti-competitive behavior to transfer customers’ wealth to the producers,” Kirkwood said. “One of the types of behaviors, which we see in the Tyson situation, is price-fixing and similar collaborative agreements that cause customers, not rivals, to suffer.”

This distinction serves as a pertinent example for Smith’s observation that profits, when considered the end goal, can lead companies astray from the greater societal improvement they should be seeking.

Kirkwood agrees with Smith that a fundamental part of business accountability lies in public policy, but believes that strengthening government prosecutors is a vital step towards deterring illegal activity.

“We already have in the federal antitrust laws a provision that can make the companies pay three times their price,” Kirkwood said. “The issue, then, isn’t a lack of deterrence necessarily but the fact that so many of these cartels can engage in illegal activities undetected. The key additional step would be to increase the resources available for criminal prosecutors at both the federal and state level to make sure these companies get caught.”

However, illegal activity isn’t the only ethical concern companies face. In 2016, Tyson Foods was named as the second largest polluter of American waterways by the Environmental Protection Agency. Tyson sources its products from factory farms, which aside from claims of animal abuse, contribute to climate change. Assistant Professor of Environmental Studies John Armstrong weighed in on the damages of factory farming.

“Factory farming has a range of environmental impacts, hence, they are a concern of people living nearby who may struggle with runoff that affects water quality. Nitrous oxide is one of the main consequences of chicken farming, which is even more effective at trapping heat than carbon dioxide,” Armstrong said.

While this lawsuit is a massive victory for consumers, this is not Tyson’s first legal rodeo. They have nearly 300 recorded violations since 2000, paying out over \$150 million in various suits. Although they have consistently been held to account by the law for violation and independently pledged to clean up their act, Tyson has shown through the price fixing conspiracy that legal action is not an effective deterrent. Beyond the scope of this lawsuit, Tyson raises dialogue about what purpose massive companies should serve in our society, and how those who break the rules can be effectively made to change.