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Why 'AI Ethics' Is a Misnomer — and Why That Matters for Business

Wharton's Cornelia C. Walther explains how the language around "AI ethics" can create confusion and misplace accountability. "The two words — "intelligence" and "ethics" — contain separate category errors. Fix those errors, and a more useful question emerges: one that belongs at the beginning of AI strategy, before the build, before the contract, and well before the incident."

The first misnomer, she says, is 'intelligence.' "Artificial intelligence began as a research shorthand and became infrastructure. Along the way, the word 'intelligence' acquired a passenger it never asked to carry: the assumption that what machines do resembles what humans do, only faster, better, more powerful."

It does not, she says. "Current AI systems predict, classify, generate and optimize. They perform specific tasks at remarkable speed and stumble on questions that require context, embodiment, or lived meaning. Natural intelligence is a living process, shaped by aspiration, emotion, thought and bodily sensation. It develops through action and consequence, through social belonging and moral formation, through the long curriculum of getting things wrong.

Hybrid intelligence, she adds, "distinguishes carefully between natural intelligence — rooted in human biology, biography and community — and the computational simulation of selected outputs of that intelligence. The distinction matters because organizations that confuse the simulation with the thing itself tend to misallocate authority. They let systems carry weight that requires human judgment, then express surprise when the outputs are technically correct and humanly wrong."

It is important to keep in mind the fundamental differences of natural and artificial intelligence, Walther advises.

She says that the second misnomer is 'ethics.' "In corporate life, ethics has become compliance: a set of rules, reviews and risk categories designed to keep organizations out of trouble. That is a legitimate function. It is also a significant narrowing of what ethics actually asks."

"Doing right by people predates machine learning by several millennia," she continues. "What AI introduces is a new operating environment for an old question: What do we owe one another? Which decisions deserve human deliberation, and which can be delegated to pattern-matching at scale? Ethics is not a new problem that emerged when large language models arrived. It is the oldest problem of humanity, now running inside recommendation engines, clinical triage systems, automated procurement, personalized learning platforms and intimate consumer chatbots."

The checklist approach — fairness metrics, bias audits, explainability scores, accountability trails — offers genuine value, she goes on to say. "These instruments form part of the necessary infrastructure. They become thin when organizations treat them as the destination. The harder work involves asking what kind of intelligence a system cultivates in the people who use it daily. Does a workplace AI tool sharpen judgment or gradually outsource it? Does a customer-facing system build trust or undermine it? Does an educational platform deepen curiosity or

manufacture the performance of engagement? Every system teaches something through repeated contact. Most organizations are not measuring the influence that their systems have on their people. What AI introduces is a new operating environment for an old question: What do we owe one another?"

If we reframe the misnomers, an intriguing business logic appears, Walther believes. "An organization that treats AI as a simulation of selected human capacities, rather than a substitute for them, designs its deployment differently. It keeps humans in the loop on decisions where context, dignity, and consequence matter. It measures the impact of AI use on employee agency, not just employee efficiency. It asks whether AI tools are narrowing or expanding the range of thinking that happens in the organization. Staff well-being and performance improve in sustainable ways."

An organization that treats ethics as upstream architecture, rather than downstream audit, builds AI strategy around purpose from the start. "The Prosocial AI Index offers a disciplined framework for this: a structured assessment asking whether AI systems are tailored, trained, tested and targeted to bring out the best in — and for — the people and the planet. It turns moral aspiration into a practice of monitoring, learning and correction, across the dimensions of purpose, people, profit and planetary impact."

For a whole lot more, read Why 'AI Ethics' Is a Misnomer — and Why That Matters for Business - Knowledge at Wharton.