

CHEATING

**THE ORIGIN, NATURE, IMPORTANCE
AND IMPROVEMENT
OF BUSINESS AND OTHER ETHICS**

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century, was that in England "ideas interacted vigorously with business interests" and this was "useful" knowledge "marrying economics to intellectual history" which included ideas like liberty and natural philosophy and perhaps ethics as well. This mixture according to the author constituted a "positive feedback loop that created the greatest sea change in economic history since the advent of culture".

The above considerations lead one to believe that even if ethical conduct and other non-business ideas are not necessarily a direct creator of wealth, like a creative business idea or hard-working imaginative people, it provides an important and necessary condition and lubricant in which society and its various parts function more harmoniously with less friction than in a lawless dog-eat-dog environment. Ethics is an important element in producing wealth and the long term survival of a community and the individuals in the community. This conclusion is also confirmed by the Transparency International's ranking of countries according to their reputation for corruption. It is probably true that corruption of leaders in the Roman and other empires have hastened their disintegration and decay.

13. CONCLUSION

After considering animal behavior some scholars believe that animals have ethical conduct and others that their behavior only provides the building blocks for ethical development by humans. We have also seen that a major creating, reinforcing and teaching source of ethics comes through the traditional religions thinkers and religions some of which are thousands of years old. Religious faith is more than an ordinary individual opinion because it purports to govern conduct more than other less important opinions on other matters. It repeats, celebrates and encourages ethical practices through forms of religious worship in religious institutions which tend to reinforce its strength in society. The religious community enforces its beliefs on its members

through social pressure to maintain one's reputation and sometimes through religious courts. Although religious belief is individual, it plays an important role in society and therefore has a critical social dimension. The religions often provide a certain conception of Man, his origin and his nature²²⁷. Unfortunately, man's improvement because of religious beliefs is difficult to measure if it exists. It doesn't seem to have gotten into the DNA yet after thousands of years. But according to E.O. Wilson religion probably helped groups who have it to survive.

We have noted a large majority of humans in the world believe, like and rely on their religion. Religion contains many good stories like in Genesis about the creation of the world and man. People love stories and like to believe we were created by God. A religious taxi driver once told me "Don't tell me we were created by monkeys". It is true that Darwin's theory of evolution is unattractive to many. It is complex, and has some gaps. But as other talented scientists fill in the gaps and we learn more about animals the story of man's origin seems to become more complete to most scientists. Thus we think we understand better our origin and behavior. People become better educated and scientific knowledge continues to spread and be accepted. It will be more accepted by more religious people as the Christian Catholics have done.

We have seen that many believe ethics are a by-product of life in groups or communities and helps groups which cooperate to survive as does religion.

It seems likely that Julian Huxley's theory that a new idea system is needed which should hopefully modify behavior for the better.

E.O. Wilson has suggested a new idea system exists in science and scientific research is piece by piece adding to

²²⁷ Remond, René (President of Fondation nationale des sciences politiques). March 2004. *Colloquium on Religions and Society*. UNESCO, pp. 7-9

our knowledge about human nature which may channel behavior into better patterns.

A majority in the U.S. and in Muslim and some other cultures attach their ethics to religious teaching and faith. Since there is a difference of opinion as to the origin of ethics, it is probable that each of the possible sources we have noted has had its share in providing an ethical framework in many people's lives. However, it is clear ethical conduct is insufficiently developed and painfully slow to improve. Our societies could work better with more ethical, considerate and happier people.

We have verified that ethics are different in different places and change in time and vary in different situations, cultures, genders, contexts, and with different types of people with different philosophies of life. This is particularly true between East and West. In the West, after the Enlightenment, emphasis has been placed on the rights of the individual. In eastern culture more attention is placed on relationships between people and their respective duties to one another.

In practice, conduct varies widely depending upon with whom one is dealing. Ethics also seem to be, to some extent, subject specific and vary depending upon the activity involved. They also are embodied and taught in many forms, including oral transmission in the family, in schools, in books and sacred writings, constitutions and by the study of philosophy and ethics as a separate field of study.

Varying Degrees of Ethics – Punishment or retaliation

Some businesses are clearly unethical and many needed to have unethical ways of doing business in some respects which were necessary to get started where innovation or government approval was necessary. Ethical conduct may serve to increase income of a business but we have seen instances where unethical conduct has been successful as well. Over the years it is surprising to note

how many reputable prestigious businesses have been prosecuted for criminal actions or reproached for ethical shortcomings.

Others voluntarily adopt codes of ethics for public relation reasons (window dressing) or because of a real belief in them as a part of an important and successful business strategy. Sometimes performing actions in the public interest is done through public private partnerships. It should be remembered that a corporation is an institution, a commercial entity designed to earn profit, not to produce ethical behavior or social improvement in society. Thus its form affects its nature and its nature affects its behavior which often poses problems and conflicts. However, ethical elements in corporate activity and public opinion, if mobilized through new habits and new laws, can affect corporate conduct especially where abuses become too great and there is public outrage and reform which unfortunately is often temporary. Like individuals, some companies are good and others evil in various degrees at different times.

We have found that it is difficult to conclude that acting ethically always pays for an individual or a company, because acting selfishly and unethically can be more profitable at least in the short run even though it hurts others' and/or the public interest. Great wealth is earned by those in the illegal drug trade but the violation of ethics (laws) carries serious jail terms and sometimes murderous competitors kill those in other criminal organizations so this is not a happy result for society.

In theory, if being unethical pays extremely well and the ethical violation is minor, the pressure to be unethical becomes almost irresistible for a businessman. On the other hand if acting unethically does not pay in a big way and the act is likely to lead to substantial prison time, there is less temptation to act unethically. Situations in between can go either way depending on how much non-ethics pay and to what degree ethics are violated. All these situations are

affected by how likely swift and severe punishment, retaliation or exclusion from the business due to loss of reputation will follow.

An exception to these pressures occurs when those who are ethical by conviction are not influenced by such profit policy issues.

Excessively unethical action, especially if illegal if it becomes public, can result in devastating consequences for a business and for a society as a whole. A healthy and wealthy business community works better when the playing field is level and fair conduct has become a habit and the necessary minimum rules of conduct are followed and enforced.

Corruption, Lack of Ethics and Poverty

Since there seems to be some correlation between corruption, lack of ethics and poverty, it is probably true that, for society as a whole, good ethics pay and individuals also profit from these conditions. But all societies seem to have a mixture. It is also possible that accumulating wealth in some instances encourages ethical conduct, in part because of the fear that someone will take one's property earned through hard work. If there is no security, people spend time and effort protecting their property rather than working to produce more wealth. This phenomenon has started in the U.S. and other developed country where the level of crime is high and security low. In this situation we find gated communities, private security systems, the expense of which would be better spent in producing more useful goods and services rather than protecting existing wealth. For people to retain wealth an efficient level of public security is necessary. If wealth is reasonably distributed throughout a society, probably more people will act ethically and that society will be a happier place to live than if there is great inequality of wealth. If everyone has enough there should be less incentive to steal. Uneven distribution which is growing in many developed and less

developed countries can often lead to explosive social and problems of security. If one is hungry, stealing food may not be ethical but it is understandable and more likely to happen. Envy also is a human characteristic that is not always positive but can motivate hard work.

Ethics and justice are closely related concepts which should go together. The likelihood of swift punishment present in a strong and equitable system of justice is important. Another effective sanction is excluding wrongdoers from a particular activity through community action.

Since society is imperfect, efficient encouragement and enforcement directly and indirectly of ethics by various means and new and better rules in society motivating ethical conduct are important for improvement.

Consideration of the questions raised in this book illustrates the dynamics and the complexity of these situations in a changing world.

Separation of Ethics from Business?

With regard to business ethics, the analysis of André Comte-Sponville (See Annex I) relating to the different domains is interesting. Separation of technical, scientific and business knowledge and legal and political systems from morality, love and ethics has its logic. Although all these domains may be separated analytically, individuals should act ethically in them all. They must be integrated or as André Comte-Sponville writes morality and ethics should control business conduct even though they are separate.

Ken Lay, the president of Enron was a reputedly good Methodist in his church but his ethics there apparently did not seem to penetrate into his business conduct.

***Peter Drucker: The Powerful Business Community
Necessarily has a most Important Role to Act in the Public
Interest.***

Peter Drucker, a celebrated U.S. management consultant who studied, large U.S. companies, knew and understood them well. He noted that business is so powerful in our modern world, locally and often globally, that it needs to develop management techniques more difficult and complicated than in the past where profit or asset growth were the only or principal objectives. He thought this change of objectives would take at least fifty years but he may have been optimistic. There has been a great deal written about Corporate Social Responsibility (CSR) but little or less actually accomplished. Peter Drucker wrote that:

"The success of management [...] has greatly changed management's meaning. Its success has made management the general, the pervasive function, and the distinct organization of our society of organizations. As such, management inevitably has become 'affected with the public interest.' To work out what this means for management theory and management practice will constitute the 'management problems' of the next fifty years."²²⁸

In order for our human community to survive and prosper socially and economically our managers (leaders) will need to be more intelligent and have more recourse to truth, forgiveness, love and charity and develop strong ethical convictions. New and better ideas will constantly need to be injected into our communities in order to spread them to all members of their community and other communities so they become universal to the extent they

²²⁸ Drucker, Peter. 1986. *The Frontiers of Management*. Pp. 192-193. Although his statement may be less true in China and Russia where the seat of most power is in the government, their business organizations directly or indirectly controlled by the government are subject to the same comment.

can be in each culture.²²⁹ To do so business behavior must become more responsible socially, commensurate with the business community's fast expanding financial, political and other power, social influence and its effect on society. Governments often can not efficiently and effectively regulate business because businesses are now too big and powerful and have more skilled personnel, money and financial power. At times and in different domains and places government can provide too much inefficient out dated regulation which restricts freedom and stifles production. Governments in the U.S. are usually or often subject to influence or control by powerful private interests, so they cannot be expected to succeed alone in taming unacceptable business misconduct.

***Professor Hautcoeur's European View of the Problem
Peter Drucker's Saw***

A recent Article written in France by Professor Pierre-Cyrille Hautcoeur²³⁰ in Le Monde on February 13, 2014 had the title "Multinationals Strong, Nations Weak" which reflects a top French scholar and teacher's point of view relating to the power if not domination of multinational corporations in the modern world. Although more international and European oriented than Drucker he is worried about the same general problem as Peter Drucker.

The figures for growth each year of foreign investment by U.S. companies were in billions of dollars: 1945 – 36.9; 1960 – 85.6; 1970 – 166.8²³¹ and an estimated 368 in 2013²³², an obvious indication of expansion of powerful

²²⁹ For a leader who appears to be an example of this type of ethical manager (high quality leadership) one could examine the work of John Dramani Mahama the President of Ghana. See http://wikipedia.org/wiki/John_Dramani_Mahama.

²³⁰ Professor Hautcoeur French text is translated into English by Wallace Baker.

²³¹ See French Michael (1997) U.S. Economic History, Manchester University Press pp 200 for 1945, 1960, 1970 figures.

²³² Jackson James K. December 11, 2013 Congressional Research Service U.S. Direct Investment Abroad: Current Issues for 2013 figures. The cumulative amount at book value of overseas direct position of U.S. firms on a cost basis reached 4.4 trillion in 2012, a very big number.

U.S. businesses in the world. It should also be noted that almost three quarters of U.S. direct investment abroad is in developed countries.

U.S. foreign investment grew extensively in the 1950 and 1960 then in 1970 slowed down but has grown more since then.

But Professor Hautcoeur also notes that while these numbers are very significant at the beginning of the 20th century the business sector relative to the total economy was about the same proportion as today. This seems normal since the economies of countries have also impressively increased.

Professor Hautcoeur notes that in the 20th century there was a struggle between the national governments and the markets as well as between politics and economic forces, the two organizing forces in society. He writes that the nations were stronger in the middle of the 20th century. Since WW II the power of the market has had the capacity to solve economic and social conflicts with less violence.

However, now the contention continues with the giant internet companies which have regulatory disputes with EU authorities and countries. But Professor Hautcoeur thinks that, nevertheless, large companies now can claim they are dominant given the relative retreat of nation states.

In addition as we have noted earlier in this book (see Institutional Corruption p. **Error! Bookmark not defined.**) corporations and wealthy businessmen have acquired power to shape or stop legislation through their lobbyists. This development also increases their power. Another factor is that governments usually move more slowly than private companies. Private companies also spread their ideology that they are “benevolent monsters”.

In France Professor Hautcoeur also mentions there is a different problem because the top civil servants and the chief executives of companies almost all went to the same

elite Grandes Ecoles so they reach their own decisions among friends (a sort of complicity) that often is not in the public interest. In addition, in Europe he notes a certain nationalism that prevents the EU authorities from making uniform tax rules that apply throughout Europe for all big companies. This inhibits both EU authorities and national governments from imposing uniform rates for large companies that is in the public interest of all Europeans.

Another view from Europe can be found in a study for the Belgian Senate by Paul de Grauwe from the University of Leuven and Senator Filip Camerman. They concluded that there was no need to worry about the size and power of big companies in their paper “How Big Are the Big Multinational Companies”²³³.

Size of Large Companies Comparison to Economic Power of Countries: Chinese companies now come first in size; the future of state capitalism

A well known study by Sarah Anderson and John Cavanaugh found that “of the world’s 100 largest economic organizations 51 are companies” and the companies are growing faster than the global economy, but this comparison of GDP and Sales has been criticized as comparing different measurements.²³⁴ The Forbes Global 2000 uses a mix of factors – sales, profits, assets and market value of shares as criteria for size and power. This list shows the biggest companies as follows: ICBC China, China Construction Bank, Agricultural Bank of China, JP Morgan Chase, Berkshire Hathaway, Exxon Mobile, General Electric, Wells Fargo, Bank of China, Petrochina, i.e. many big banks and financial companies, a few oil companies, and one manufacturer. And the biggest Chinese companies are at the top of this list as the largest.

²³³ <https://www.scribd.com/doc/77629123/>

²³⁴ Top 200 – The Rise of Corporate Global Power – Institute for Policy Studies (2000). <https://www.globalpolicy.org/soecon/tncs/top200.htm>

A June 2009 article in foreign affairs has the title “State Capitalism Comes of Age – The End of The Free Market? If there are no more free private enterprise markets Peter Drucker’s and Pierre Cyrille Hautcoeur’s concerns may become irrelevant. This article points out that “in the developing world the states heavy hand in the economy is signaling a strategic rejection of free market doctrine.”

The author Ian Bremmer notes:

- (1) Governments own the largest oil companies and three quarters of the energy reserves.
- (2) Sovereign Wealth Funds i.e. state owned investment funds account for 1/8 of global investment.
- (3) There are a great number of other businesses owned by governments around the world.

Thus levers of power are with States not through private enterprises in these cases. Many countries had economies that started to grow through capitalistic like reforms but government power is often predominant, i.e. in China and Russia, and to a lesser extent in Brazil, India, Indonesia, South Africa and Turkey. Thus the free market tide led by the U.S. has been in a relative retreat.

Professor Hautcoeur makes this point “If business and politics are closely linked, then domestic instabilities that threaten ruling elites begin to take greater importance” and can affect economic performance negatively.

This article is full of interesting points about state capitalism’s growth but Ian Bremmer hopes the free enterprise system will spread throughout the world as countries develop more to appreciate human rights and values present in the U.S. and Western Europe. But if they do, this will be despite the tide flowing away from it at present.

The author of this book believes the outcome is very uncertain and the special if not unique belief in western free

enterprise culture and human rights does not grow or is reduced. State capitalism may be the best way to go for many countries in the foreseeable future if it produces a better economic result for them.

The Forbes Global 2000 list cited above of mostly Chinese companies adds an additional complication since Chinese capitalism has been described as being more like State capitalism rather than private enterprise in a democracy like in the United States. The same thing can also be said about Russian capitalism where oligarchs who are friendly to Putin and the state are influential in deciding the nature and control of businesses like state capitalism. Former government leaders manage very large and important businesses so long as they stay on the right side of Mr. Putin. One very wealthy oligarch who started acting independently as a politician spent time in jail. He was considered a possible rival by Putin.

The conclusion to be drawn from this section and the previous one is that there is a difference of opinion how to evaluate the power and influence of U.S. and large multinational corporations.

Scholars studying this subject have different opinions about the effect of large multinational companies in the world economy.

It has also been noted that the free enterprise economy led by the U.S. may not remain or be the model for other countries with rapidly expanding economies and companies where ethics, cultures, and business practices differ from those in the U.S. and Western Europe. Business ethics will be different in a different context in the world. This situation will probably continue in the future as the economies and the players (companies) will continue to change and develop.

Can Management and the Business Community Perform their new Duties?

Rowan Williams, the former Archbishop of Canterbury, has written in his book review of two books and quotes from them, *What Money Can't Buy* and *How Much is Enough*²³⁵. He thinks that markets alone should not determine what is desirable nor does he think money should replace God as our primary inspiration, which our present culture tends to do by treating everything as a commodity.²³⁶

One sad example is that poor humans sell their blood to supply hospitals to support themselves or their families. According to Time Magazine, July 10, p 17, bone marrow cells are worth about \$ 3,000 provided payment is made in the form of "scholarship vouchers or donations to charity" and provided they are taken from blood stream not the bone. Other body parts go for the following prices: blood plasma more than \$ 20, eggs for infertility clinics \$ 8,000 and more than \$ 7,000 for sperm.

Some businesses tend to become inhuman in a desperate competitive effort to earn money. In his article, Archbishop Williams quotes the Sidelskys' book *How much is Enough?* Who wrote of a Faustian bargain. Rowan continues by writing this was "presupposed by Keynes [...] to allow capitalism to thrive for the time being and (hoping) it will deliver a sustainable level of security for all, despite its rapacious and ruthlessly competitive aspects. Then when this level has been reached, it can be honorably retired and our convivial and co-operative motives can be allowed to have full play. But Faustian bargains have a history of turning out badly."

²³⁵ Sandel, Mitchel. 2012. *What Money Can't Buy*. Allen Lane and Skidelsky, Robert & Edward. 2012. *How Much is Enough*. Allen Lane.

²³⁶ Williams, Rowan, Archbishop of Canterbury. April 2012. An article entitled *From Faust to Frankenstein. Markets alone should not determine our conception of what is desirable*, published in Prospect pages 26-30, London which reviews the two books mentioned in the previous footnote.

The Sidelskys write as follows: "Capitalism, it is now clear, has no spontaneous tendency to evolve into something nobler. Left to itself, the machinery of want-generation will carry on churning endlessly and pointlessly." Archbishop Williams comments that "we have moved from Faust to Frankenstein". In Goethe's dramas, Faust was a scholar who was discouraged with his pursuit of scientific, humanitarian and religious knowledge. In desperation he concluded a contract signed in blood with the devil to get his help in his search for knowledge.

The Archbishop believes that the Sidelskys study points out how unusual it is in human history that our civilization is the first to believe monetary accumulation is the primary if not the sole goal, which ignores the goal of shared wellbeing and the common good.

He thinks politics also is limited to assuring efficiency and increasing the chores for which the state is responsible by protecting financial competition everywhere. This reflects the idea of a "market state" in Philip Bobbitt's, *The Shield of Achilles: War, Peace and the Course of History* (2002).

In addressing the subject of business ethics we should always keep in mind that each business is different. Large businesses probably have more difficulty being an ethical community due to size. A small business is usually a more integrated part of its local community not a separate community in itself. Doing business in multiple countries increases the number and complexity of the problems.

But if Christopher Boehm's theory of how ethics and cooperation got started with the hunter gather societies of thousands of years ago is well founded, these values may now have infiltrated and been carried forward into our global industrial and commercial society to a large extent resulting in the creation of enormous wealth and more well being than in the past and the importance of a cooperative sharing society.

But in all these situations, corporate management will need to learn how to better manage the much more complex set of problems of multiple bottom lines – financial, social, environmental and ethical. As Peter Drucker has suggested this will probably be a long process of mostly developing new ideas, perhaps new forms of companies or entities, and trial and error in trying to improve human behavior through happy family life to produce better children, smarter people with improved education, appropriate training, laws and efficient enforcement.

Since businesses and corporations are designed to make profit for their shareholders partially escaping this tradition to accomplish other objectives in the public interest is asking a great deal. To what extent the business community can in practice innovate to also act in the public interest like a government but be in the private sector and still earn income remains to be seen. In his book author Gelinas, microlenders and B corporations and Ashoka's activities indicate that solid ideas and accomplishments exist but are not yet widespread enough. Based on previous experience a society grounded solely on the material enrichment of its citizens could have less survival value than one respecting other virtues in life.