Ethics in the Workplace

Selected Readings in Business Ethics



Robert A. Larmer

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To my father, J. Robert Larmer, with whom I have worked many happy hours.

PREFACE

Ethics in the Workplace is intended to provide an introduction to the field of business ethics for both upper- and lower-division undergraduate students. It aims to present, through a series of readings, a reasonably comprehensive examination of the major ethical issues associated with business and the professions.

Organizationally, I begin by demonstrating the relevance of moral theory to business and then structure the practical discussions so that they lead to widening spheres of moral relevance. A major goal in organizing the text in this manner is to help students realize that ethical problems typically intertwine and must be dealt with at both individual and societal levels. Part I explores the relation of morality to business and introduces the major ethical theories. Part II examines the ethical issues arising from the employer/employee relationship. Part III focuses on the relationship between business and the consumer and Part IV examines the relationship between business and society.

Throughout the text I have attempted to present articles that are readily accessible to the non-specialist, yet reflect the increasing philosophical sophistication of work in this area. In recognition of the fact that students using this text will often have little or no acquaintance with philosophy, I have sought to make the acquisition of the tools of the trade a little easier by providing brief introductions to the articles found within each chapter. I have also included case studies, review questions, and suggestions for further reading at the end of each chapter. In addition, I have included appendices providing sample summaries, advice on writing article summaries and critical essays and an explanation of Latin terms commonly used in philosophical discussions.

An instructor's manual is also available. In it I have provided sample summaries for each chapter of the text and the outcomes of the legal cases discussed. I have also included further cases to supplement those given at the end of each chapter.

Several expressions of gratitude are appropriate. David Tonen from West Publishing encouraged me to propose a text in the area of business ethics and Clark Baxter, Linda Poirier, and Deb Meyer at West have provided valuable editorial guidance. Further thanks are due to the following reviewers who read earlier drafts and provided a great deal of constructive criticism: Gary Cox, SUNY/Geneseo; David B. Fletcher, Wheaton College; Norris Frederick, Queens College; Geoffrey P. Lantos, Stonehill College; Richard N. Lee, University of Arkansas; Anne M. McCarthy, Indiana University; Marcia A. McKelligan, DePauw University; Peter J. Mehl, University of Central Arkansas; Steven K. Paulson, University of North Florida; Lena B. Prewitt, University of Alabama; Doran Smolkin, Kansas State University; Peter K. Steinfeld, Buena Vista College. I would also like to thank Ann Pugh of the University of New Brunswick Philosophy Department for her willingness to provide secretarial services above and beyond the call of duty. Most of all I would like to thank my wife Lorena Henry for her love and support.

My hope is that the enjoyment and intellectual challenge I have found in selecting and preparing these readings will be shared by students and instructors and that the material I have chosen will prove useful to those endeavoring to act ethically in the workplace.

Robert A. Larmer

Introduction: Philosophy, Ethics and Business

Why study ethics?

In writing this introduction, I have been reminded of the old joke about the millipede who was asked to describe the process of walking. After giving the question considerable thought, the millipede was unable to ever walk again. The point is that it is one thing to engage in an activity and quite another to give an accurate description of it. Plato long ago reminded his readers that a courageous person may give an inadequate account of what courage is. Similarly, there are many people who are highly ethical, but have little acquaintance with moral theory. It is also true that it is far better actually to be ethical than simply to be able to give an account of morality.

Nevertheless, it is important to reflect on what it means to be ethical. Unlike the millipede's walking, which demands no theoretical knowledge on the part of the millipede, attempts to be ethical pose practical problems that can only be addressed by appealing to ethical theory. A person may hold an ethical theory consciously, or, as is often the case, subconsiously, but it influences decision making. The person who claims that it would have been morally permissible to assassinate Hitler if that would have shortened the World War II and saved many lives, may not realize that she is appealing to what ethicists call the Principle of Utility, but it is nonetheless a theoretical belief that influences her ethical practice. The advantage of making implicit theoretical beliefs explicit is that we can then examine them in order to determine how they fit with other beliefs we hold and whether we should modify or abandon them altogether.

Making ethical theory explicit is valuable insofar as it helps persons who want to act morally to evaluate their experience and to assess situations they find ethically perplexing. Ethical theory does not by itself, however, produce moral individuals. Understanding this enables us to avoid the easy assumption that taking a course in ethical theory will develop moral character. Aristotle long ago warned that people often

take refuge in theory and think they are being philosophers and will become good in this way, behaving . . . like patients who listen attentively to their doctors, but do none of the things they are ordered to do. As the latter will not be made well in body by such a course of treatment, the former will not be made well in soul by such a course of philosophy. 1

In popular slang, his point could be put as "You can't just talk the talk, you gotta walk the walk."

A Brief Introduction To Philosophy

It is impossible to discuss ethical theory in any kind of systematic way without at least a nodding acquaintance with philosophy. Unfortunately, those who have never studied philosophy often think of it as a somewhat mysterious discipline. There is a tendency on the part of many to think of philosophy as especially profound or especially silly, or sometimes both. We have a curious respect for philosophers, but we often also picture them as rather strange individuals who have trouble dealing with the practical realities of life. Nor is this a particularly recent view. Thales, a Greek who lived in the sixth century B.C. and is generally given the title of being the first philosopher, was said to have fallen down a well while trying to observe the stars. Although the story is probably not true, it does illustrate the long history of this view of philosophers.

No doubt part of this ambivalence toward philosophy results from the fact that philosophers study important questions, but what they say in response to these questions is sometimes disturbing. We respect them for inquiring into difficult issues, but we sometimes fear that we may not be entirely comfortable with what they might tell us. Add to this the sneaking suspicion that, although a lot of intellectual horsepower is being expended, it is not easy or sometimes even possible to connect the abstractions of philosophers to the workaday world, and it becomes understandable why many people have mixed feelings towards philosophy.

It must be emphasized, however, that philosophy is not unique in these respects. All disciplines have implications for the important issues of our lives and it is possible in all disciplines for intelligent persons to expend a lot of time and energy, yet reach incorrect conclusions. Nor is philosophy unique in the sense that it can lose touch with the practicalities of everyday life. It is true that philosophical discussions can become quite esoteric, but then so can a good number of scientific discussions. It may be no easy matter to follow a philosophical discussion of the morality of whistleblowing, but I suspect it is less difficult to understand than a scientific discussion of "quaternary history of upwelling, paleoproductivity and the oxygen minimum on the Oman margin."2 At the very least, it is less clear that this particular scientific discussion is more relevant to the practicalities of life than a philosophic discussion of whistleblowing.

Many people might grant the point I have just made, namely that disciplines other than philosophy run the risk of becoming so abstract as to lose touch with reality, but they would suggest that philosophy is more apt to fall into this trap than most. The view that the sciences are much more tough-minded than the humanities, that the standards of what constitute good science are clear and concrete, whereas the standards in the arts and especially in philosophy are obscure and soft, is a common one even among academics.

Space does not permit a lengthy discussion but I think this view can be shown to be badly mistaken. In the present context, it is enough to observe that many of the specialized disciplines we now distinguish from philosophy were in the past considered to be part of it. Psychology, political science, physics, chemistry, and biology were all at one time included in the discipline of philosophy. These disciplines are no longer considered part of philosophy, not because philosophers have no interest in these areas or that philosophical questions are not relevant to them, but because the accumulation of knowledge and the development of sophisticated and specialized techniques for studying their subject matter has made it necessary for them to develop into independent areas of study. For these disciplines to be contemptuous of philosophy is like someone insulting the sexual morality and childrearing practices of his parents; it does not reflect well on one's own origin and history.3

With regard to gaining an initial understanding of what philosophy is and what philosophers do, we can begin by noting that the word "philosophy" comes from two Greek words *philo* and *sophia*, meaning love and wisdom respectively. Philosophy, then, means love of wisdom, and a philosopher is presumably, a lover of wisdom. It is noteworthy in the context of our present discussion, that for the ancient Greeks who began western philosophy, wisdom was understood not only to include knowledge, but the practice of virtue.

Philosophers are typically interested in four inter-related areas of study. These are:

- 1. logic, the study of correct methods of reasoning,
- 2. metaphysics, the study of what it is that exists,
- 3. epistemology, the study of how that which exists is known, and
- axiology, which includes ethics, the study of what is good, and aesthetics, the study of what is beautiful.

That these four areas cover, in one way or another, all of reality reveals that philosophy is what we might call an interdisciplinary discipline. Not only do various disciplines such as history, biology, sociology, and business administration, to name only a few, raise particular issues that are of importance for the pursuit of wisdom and hence philosophy, but they have foundations that are, in the final analysis, philosophical.

Ethical Theory and Its Application to Business

At its most general level, ethical inquiry is an attempt to comprehend the foundations of value and to systematize the principles of correct moral reasoning. Built into the ethical endeavor of determining what is of value is the view that people ought to pursue that which is valuable. Although for purposes of convenience we often treat ethical questions independently of questions of logic, metaphysics, and epistemology, it is clear that in the long run these questions are intricately interwoven. Questions of what is of value can scarcely be answered independently of answering logical questions concerning what constitutes correct reasoning, metaphysical questions concerning what is real, and epistemological questions concerning how we come to know. All inquiry must begin somewhere, however, and it would be a mistake to insist that we cannot begin to study ethics until we have studied logic, metaphysics, and epistemology. Nevertheless, if we are wise we will realize that the more we study any branch of philosophy the more its interconnectedness with other branches of philosophy will emerge.

Business ethics involves the practical application of ethical theory. We are familiar with the idea that an engineer wanting to build a bridge must know the principles of physics and chemistry and then creatively apply them to the situation at hand. We are also familiar with the fact that although there may be many different ways of applying these principles so as to produce a satisfactory bridge, it is not the case that

"anything goes." One cannot ignore the principles governing the design of bridges and expect a good result. Similarly, if one wishes to create an ethical company one must know the principles of ethics and creatively apply them to the situation at hand. There may be many different ways of applying these principles to produce an ethical company, but, as in bridge-building, it is emphatically not the case that "anything goes." One can no more ignore ethical principles and expect a moral company than one can ignore the principles of physics and expect a safe bridge.

I have been developing an analogy between engineering and the application of ethical principles in business. An important difference is that whereas very few of us have to design bridges, most of us are involved with business in one form or another; whether it be as worker, owner, or consumer. As individuals we can often safely ignore the proper principles of design for bridges because we will probably never need to build one. We cannot, however, safety ignore the principles of ethics, since we are all faced with ethical decisions not only in the business environment, but in many other areas of our lives. With this in mind, let us procede.

Notes

- Aristotle, Nicomachean Ethics, Bk. 2, Ch. 4, Lines 13– 18, transl. W.D. Ross in The Basic Works of Aristotle, ed. Richard McKeon (New York: Random House, 1941)
- 2. I am indebted to John Thorp's excellent article "The Emperor's Clothes," *The Canadian Federation for the Humanities Bulletin*, Vol. 13, No. 1, Winter 1990, pp. 1-4, for this example.
- 3. It is revealing in this regard that it is far easier to get a scholarly article published in a science journal than in a humanities journal. Recent surveys indicate that the typical science journal accepts for publication 65-70% of the manuscripts submitted, whereas the typical humanities journal accepts only 20-30% of the submissions it receives. One Canadian journal in philosophy accepts only 5% of the manuscripts it receives. (See Bulletin of the Canadian Federation for the Humanities, Vol. 13, No. 1, Winter 1990, p. 4) It seems difficult to hold, therefore, that other disciplines, especially the sciences, are inherently more tough-minded than philosophy and have higher standards of objectivity.

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Part I

Business and Morality

Chapter One

THE RELEVANCE OF MORALITY TO BUSINESS

Introduction

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For Further Reading

Introduction

Many people feel that the words business and ethics do not really go together. We are probably all familiar with the comment that business ethics, like square triangle or married bachelor, is a contradiction in terms. Underlying such comments is the perception that either in theory or in practice there exists tension between the requirements of business and the dictates of morality. Sometimes all that is meant is that in actual practise business people often act unethically. Sometimes, however, what is meant is that it is in principle impossible to engage in business and act morally. Implied in this latter claim is the view that, since it is impossible to be in business and act ethically, we cannot blame those in business for failing to fulfil the requirements of morality.

The view that business people often act unethically cannot be taken to support the assertion that business ethics is a contradiction in terms. Ethical claims describe not how in fact people act, but rather prescribe how people should act. They indicate not how individuals necessarily behave, but rather how they should behave. When, for example, I claim that people should not steal, I am not claiming that people do not as a matter of fact steal things, but that they ought not to.

Our aim is that ultimately people will come to act in the way that they should and that our descriptions of how people in fact act will come to coincide with our prescriptive claims about how they should act. To say that business people frequently act unethically in no

way demonstrates that ethics is irrelevant to business. On the contrary, if such a claim is true it indicates that special efforts are needed to bring business practice into line with the requirements of morality.

The view that it is impossible to engage in business and yet act ethically seems a stronger proposal if one wishes to support the idea that business ethics is a contradiction in terms. The problem with this view is that it seems clearly false. Not only do many successful business people take ethics very seriously, but it is hard to see how business could occur in the absence of a moral environment. To provide only one of many possible examples, unless those in business recognize the obligation to keep promises and honor contracts, business could not exist. This is not to suggest that business people never break contracts, but if such behavior ever became general, business would be impossible. Just as telling a lie is advantageous only if most people generally tell the truth, shady business practices are advantageous only if most business people recognize the existence of moral obligations. Immorality in business is essentially parasitic because it tends to destroy the moral environment which makes its very existence possible.

Generally, those who claim that it is impossible to act morally and engage in business do not mean to suggest that morality is entirely irrelevant to business, but rather that being morally responsible is quite different in business than in other areas of life. As for the claim that business ethics is a contradiction in terms, this can be understood in two ways. It might be taken as suggesting that an individual may have obligations and duties as a private citizen that he or she does not have as a business person. It could also be taken as making the more radical claim that fundamentally different principles of morality apply to business than to other areas of life; thus, what constitutes ethical behavior in business is completely different from what constitutes ethical behavior in other activities.

The suggestion that we have obligations and duties as private citizens that we do not have as business persons does not imply that there are no basic principles of morality that apply

to all spheres of life. I may have duties and obligations to my wife that I do not have to my secretary, but this scarcely implies that I have no common duties to both. The importance of respect for persons generate duties that cross the boundaries of life-activities. I should, for example, no more break a promise to my secretary than I should to my wife.

The more ambitious claim that radically different principles of morality apply to business would justify the conclusion that what constitutes ethical behavior in business cannot be judged by the standards we employ in other areas of life. The problem for someone who wishes to hold this position is to make clear what these other principles are and what justifies employing them in business, but not elsewhere. This is no easy matter, if for no other reason than there are no watertight divisions between business and other areas of life. How we conduct ourselves in the workplace affects how we conduct ourselves in other environments and vice versa. Attempts to argue that completely different moral principles govern the workplace seem in danger of falling victim to moral schizophrenia.

The selections in Chapter One illustrate that it is impossible to separate business from ethical issues. Albert Carr's well-known article "Is Business Bluffing Ethical" was an early attempt to make clear the relationship between business and morality. Carr has often been interpreted as suggesting that ethical considerations have no place in business, but this is not what he really says. His claim is not that ethics has no place in business, but that radically different standards of right and wrong apply. What would be clearly immoral in private life is not. and should not be considered immoral in business. Carr would not deny that business people should behave ethically and do indeed have moral obligations, but he would insist that we not measure these obligations by the standards of morality relative to private life, but rather by those relative to business.

Carr's view—that the principles of morality are in no sense absolute, but rather relative to different contexts—is a variation of a theory of morality known as *moral relativism*. Although many people find it initially attractive, deeper

inspection reveals that it has grave flaws as an account of morality. The difficulties inherent in moral relativism are explored both in the subsequent article, "Is There 'No Such Thing as Business Ethics'?" by Eric Beversluis and in the Mary Midgley's "Trying Out One's New Sword," in Chapter Two.

The suggestion that business is in some sense a game and that, like a game, it must be judged by completely different moral standards than those governing other areas of life is central to Carr's argument. Beversluis asks us to examine this analogy between business and games more closely. He suggests that when we do, two things emerge. The first is that although some of the constraints of ordinary morality do not apply to games, many do. It is, therefore, a mistake to think that the gamelike quality of business justifies us in thinking it should be judged by completely different standards of morality.

The second is that there are important ways in which business is unlike a game. The suspension of the constraints of ordinary morality in games is usually justified on the basis that participation in a game is voluntary. Beversluis argues that this is not the case in business and it is therefore far from clear that we can easily justify adopting radically different standards of morality for business than for other areas of life

Our final selection in this chapter is Michael Davis' "Explaining Wrongdoing." Davis focuses on a phenomenon he calls *microscopic vision* and the role it plays as a contributing cause of immoral actions. He does not deny that immoral actions may arise from a variety of other causes such as ignorance, weak will, self-deception or even outright wickedness, but he does not feel that they, by themselves, provide a full explanation.

Microscopic vision is essentially a narrowing of what one looks at, in order to see what remains in greater detail. It is essential in one form or another to virtually every human activity. Its danger is that it can easily lead to ignoring things which should not be ignored. In many instances, microscopic vision may result in perspectives that either lack ethical considerations or, if ethical considerations are present, lack the relevant facts and information required to implement them. The issue, as Davis points out, is not whether we should dispense with microscopic vision, but how it should be properly implemented.



Albert Z. Carr

Is Business Bluffing Ethical?

A respected businessman with whom I discussed the theme of this article remarked with some heat, "You mean to say you're going to

From Albert Z. Carr, "Is Business Bluffing Ethical?" Harvard Business Review, Vol. 46, No. 1, 1968. Reprinted by permission of Harvard Business Review. Copyright © 1968 by the President and Fellows of Harvard College; all rights reserved.

encourage men to bluff? Why, bluffing is nothing more than a form of lying! You're advising them to lie!"

I agreed that the basis of private morality is a respect for truth and that the closer a businessman comes to the truth, the more he deserves respect. At the same time, I suggested that most bluffing in business might be regarded simply as game strategy—much like bluffing in poker, which does not reflect on the morality of the bluffer. . . .

I reminded my friend that millions of businessmen feel constrained every day to say yes to their bosses when they secretly believe no and that this is generally accepted as permissible strategy when the alternative might be the loss of a job. The essential point, I said, is that the

ethics of business are game ethics, different from the ethics of religion.

He remained unconvinced. Referring to the company of which he is president, he declared: "Maybe that's good enough for some businessmen, but I can tell you that we pride ourselves on our ethics. In 30 years not one customer has ever questioned my word or asked to check our figures. We're loyal to our customers and fair to our suppliers. I regard my handshake on a deal as a contract. I've never entered into price-fixing schemes with my competitors. I've never allowed my salesmen to spread injurious rumors about other companies. Our union contract is the best in our industry. And, if I do say so myself, our ethical standards are of the highest!"

He really was saying, without realizing it, that he was living up to the ethical standards of the business game—which are a far cry from those of private life. Like a gentlemanly poker player, he did not play in cahoots with others at the table, try to smear their reputations, or hold back chips he owed them.

But this same fine man, at that very time, was allowing one of his products to be advertised in a way that made it sound a great deal better than it actually was. Another item in his product line was notorious among dealers for its "built-in obsolescence." He was holding back from the market a much-improved product because he did not want it to interfere with sales of the inferior item it would have replaced. He had joined with certain of his competitors in hiring a lobbyist to push a state legislature, by methods that he preferred not to know too much about, into amending a bill then being enacted.

In his view these things had nothing to do with ethics; they were merely normal business practice. He himself undoubtedly avoided outright falsehoods—never lied in so many words. But the entire organization that he ruled was deeply involved in numerous strategies of deception.

Pressure to Deceive

Most executives from time to time are almost compelled, in the interests of their companies or themselves, to practice some form of deception when negotiating with customers, dealers, labor unions, government officials, or even other departments of their companies. By conscious misstatements, concealment of pertinent facts, or exaggeration—in short, by bluffing—they seek to persuade others to agree with them. I think it is fair to say that if the individual executive refuses to bluff from time to time—if he feels obligated to tell the truth, the whole truth, and nothing but the truth—he is ignoring opportunities permitted under the rules and is at a heavy disadvantage in his business dealings.

But here and there a businessman is unable to reconcile himself to the bluff in which he plays a part. His conscience, perhaps spurred by religious idealism, troubles him. Before any executive can make profitable use of the strategy of the bluff, he needs to make sure that in bluffing he will not lose self-respect or become emotionally disturbed. If he is to reconcile personal integrity and high standards of honesty with the practical requirements of business, he must feel that his bluffs are ethically justified. The justification rests on the fact that business, as practiced by individuals as well as by corporations. has the impersonal character of a game—a game that demands both special strategy and an understanding of its special ethics.

The game is played at all levels of corporate life, from the highest to the lowest. At the very instant that a man decides to enter business, he may be forced into a game situation, as is shown by the recent experience of a Cornell honor graduate who applied for a job with a large company:

This applicant was given a psychological test which included the statement, "Of the following magazines, check any that you have read either regularly or from time to time, and double-check those which interest you most. Reader's Digest, Time, Fortune, Saturday Evening Post, The New Republic, Life, Look, Ramparts, Newsweek, Business Week, U.S. News & World Report, The Nation, Playboy, Esquire, Harper's, Sports Illustrated."

His tastes in reading were broad, and at one time or another he had read almost all of these magazines. He was a subscriber to *The New Republic*, an enthusiast for *Ramparts*, and an avid student of the pictures in *Playboy*. He was not sure whether his interest in *Playboy* would be held against him, but he had a shrewd suspicion that if he confessed to an interest in

Ramparts and The New Republic, he would be thought a liberal, a radical, or at least an intellectual, and his chances of getting the job, which he needed, would greatly diminish. He therefore checked five of the more conservative magazines. Apparently it was a sound decision, for he got the job.

He had made a game player's decision, consistent with business ethics.

A similar case is that of a magazine space salesman who, owing to a merger, suddenly found himself out of a job:

This man was 58, and, in spite of a good record, his chance of getting a job elsewhere in a business where youth is favored in hiring practice was not good. He was a vigorous, healthy man, and only a considerable amount of gray in his hair suggested his age. Before beginning his job search he touched up his hair with a black dye to confine the gray to his temples. He knew that the truth about his age might well come out in time, but he calculated that he could deal with that situation when it arose. He and his wife decided that he could easily pass for 45, and he so stated his age on his résumé.

This was a lie; yet within the accepted rules of the business game, no moral culpability attaches to it.

THE POKER ANALOGY

We can learn a good deal about the nature of business by comparing it with poker. While both have a large element of chance, in the long run the winner is the man who plays with steady skill. In both games ultimate victory requires intimate knowledge of the rules, insight into the psychology of the other players, a bold front, a considerable amount of self-discipline, and the ability to respond swiftly and effectively to opportunities provided by chance.

No one expects poker to be played on the ethical principles preached in churches. In poker it is right and proper to bluff a friend out of the rewards of being dealt a good hand. A player feels no more than a slight twinge of sympathy, if that, when—with nothing better than a single ace in his hand—he strips a heavy loser, who holds a pair, of the rest of his chips. It was up to the other fellow to protect himself. In the words of an excellent poker player, former President Harry Truman, "If you can't stand the

heat, stay out of the kitchen." If one shows mercy to a loser in poker, it is a personal gesture, divorced from the rules of the game.

Poker has its special ethics, and here I am not referring to rules against cheating. The man who keeps an ace up his sleeve or who marks the cards is more than unethical; he is a crook, and can be punished as such—kicked out of the game or, in the Old West, shot.

In contrast to the cheat, the unethical poker player is one who, while abiding by the letter of the rules, finds ways to put the other players at an unfair disadvantage. Perhaps he unnerves them with loud talk. Or he tries to get them drunk. Or he plays in cahoots with someone else at the table. Ethical poker players frown on such tactics.

Poker's own brand of ethics is different from the ethical ideals of civilized human relationships. The game calls for distrust of the other fellow. It ignores the claim of friendship. Cunning deception and concealment of one's strength and intentions, not kindness and openheartedness, are vital in poker. No one thinks any the worse of poker on that account. And no one should think any the worse of the game of business because its standards of right and wrong differ from the prevailing traditions of morality in our society.

DISCARD THE GOLDEN RULE

This view of business is especially worrisome to people without much business experience. A minister of my acquaintance once protested that business cannot possibly function in our society unless it is based on the Judeo-Christian system of ethics. He told me:

I know some businessmen have supplied call girls to customers, but there are always a few rotten apples in every barrel. That doesn't mean the rest of the fruit isn't sound. Surely the vast majority of businessmen are ethical. I myself am acquainted with many who adhere to strict codes of ethics based fundamentally on religious teachings. They contribute to good causes. They participate in community activities. They cooperate with other companies to improve working conditions in their industries. Certainly they are not indifferent to ethics.