

Jack N. Behrman

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Essays on  
Ethics  
in Business  
AND THE  
Professions



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# Essays on Ethics in Business and the Professions

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**Dedicated to the family of Luther H. Hodges:**

**Nancy Hodges Finlay**

**Betsy Hodges Bernard**

**Luther Hodges, Jr.**



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## Preface

These essays are a result of several years of lectures and dialogues with managers, members of professions, and other groups interested in the values and changes affecting their roles in society. Many have requested that they be made available for wider discussion. Some of the presentations were taped and later edited, using the dialogues that resulted; they are, therefore, without professional jargon and are not presented as scholarly exegeses. Nor is an attempt made to provide full scholarly justification for the statements, and there is little appeal to authority for support. However, each of the views expressed is, in my view, defensible. The sources of ideas and arguments are much too numerous to cite and have been gathered over several years in a process of gradual absorption; many of them are untraceable, having arisen out of a variety of personal experiences.

The purpose, then as now, is to elicit dialogue with the participants so as to involve them directly in an examination of the issues. The purpose is *not* to provide solutions to specific cases but to analyze principles illustrated by some applications. The reader may wish that firm answers were given, but those would depend on the underlying ethical values—and the purpose here is that the reader uncover and apply his or her own values. On occasions, positions are taken, but to provoke further questioning.

These essays do not constitute a textbook, nor even structured supplemental readings. They are catalysts for discussion groups—formal

and informal. The theme is “ethics—morals in action”—that is, the existence and origin of *rules*, which we must accept freely for ourselves or have imposed on us. The arena is business and the professions, as they are linked to the capitalist system in the United States. There is no single ethical theory that is propounded, but there is a continuing thread through the essays of the necessity for rules and adherence to them. Throughout, the question arises of who shapes the rules and to what end.

Virtually any of the essays can be lifted for isolated discussion, for there is sufficient structure in each to be understandable alone. Some duplication exists, but it is the minimum necessary to make the essay self-contained; cross-references are provided to assist in further exploration as desired. The presentations are not based on cases (save in Essay 15), though all include exemplars, for ethics is taught “by example.” But ethics are based on principle, derived from metaphysics, and tempered by individual morals.

The subjects covered are ones that have stimulated discussion and helped probe the fundamental ethical content of the activities of business and the professions. The essays in Part I on capitalism and Part III on international issues are sequential and rely on one another, and *all* essays are based on an understanding of Essays 1, 2, and 3. Once past the introductory essays found in Part I, those in Part II can be pursued independently. The entire set is useful to business managers, but members of professions will find Essays 6 through 13 of more direct use, though an understanding of the economic system (provided in Essays 1 through 3) would be helpful.

These essays do not purport to treat all the major subjects on which corporate, managerial, or professional responsibility should be exercised, and they do not constitute a thesis, though there are some central themes. They are best suited to informal dialogues and could readily be complemented by a variety of other subjects, such as “management and labor,” “environmental concerns,” “discrimination,” “application of a professional code of ethics,” or “technology in society.” Selected readings are provided after each essay to expand the purview of subjects included here; some of these references are useful with several essays. Classroom dialogues can be stimulated by discussion questions appended to each chapter, and more focused discussions can be gained through a use of cases, sources of which are noted in the introduction to Part II. However, each essay has several examples to focus thinking.

Some of the views are couched in a somewhat contentious mode,

but no attempt is made to be provocative merely for the sake of disturbing the reader. The issues themselves will be sufficiently abrasive to some, even with tender handling. The objective is, however, to raise issues that are confronting business and professions and that require a serious response from all of us, both individually and collectively.

Underlying these essays is the view that in the United States business, as a system, has departed significantly from the characteristics of the system explained by Adam Smith in 1776 and later called "capitalism," and that the resulting changes have moved us away from the ethical justifications for that particular system. Consequently, we are searching for new justifications and require an understanding and application of ethics in order for our institutions and ourselves to remain free. The ethical concepts involved relate to both the justification for our business system (sometimes called the "private enterprise system"), the implications of business decisions for social and economic goals (sometimes called the "social contract"), and the distinctive role of the professions. The *justifications* for these roles must be rooted in social values for the system to be acceptable. And the *implications* (impacts, roles, and duties) must arise out of individual values of honesty, truthfulness, mutual trust, and responsibility if the activities and impacts of both business and the professions are to be acceptable to society. Essays 1 through 4 are concerned primarily with justification of our business system; the remaining essays are primarily concerned with the implications for responsibility of business and the professions. Part III carries the discussion into the international arena and the final essay looks to the future.

Concern for these issues is sharpened by the repeated evidence that B-school students are not shown that the role of managers is intimately tied to ethics, by the pervasive evidence of corruption in international bribery, fraud in defense contracts, illegal and unethical practices in mergers and acquisitions, the degradation of the environment, the pressures of "the bottom line," and the rise of what *Business Week* has called "the Casino Society," more concerned with quick money than longer-run production and service. The concerns among the professions are pointed up by a lack of trust from those served, the increase of malpractice suits, and the unacceptable costs of both medical and legal services.

The specific responses required of business managers and members of professions to maintain freedom in the system and to remain free themselves are suggested in the essays—tied to pursuit of values. With-

out values based on absolute virtue, we will continue to move in a direction that many abhor and that will lead to change without progress.

If these discourses stimulate careful thought and constructive action by managers and members of the professions to regain an accepted central role in the improvement of the life of peoples seeking to remain free, they will have achieved their purpose.

### *How to Use the Essays*

Since all issues examined in these essays are within the context of the capitalist system, the first three essays are fundamental. They do not have to be studied to ensure a profitable discussion of the others; however, discussion will be better informed if they are included. Essay 4 is a system issue and is therefore included in Part I, though it too may be treated independently.

Part II covers questions of individual morality and social ethics directed at managers and the professions. Again, each essay stands alone; however, the essays can be used in sequences to expand the dialogue into several seminars. Suggested sequences are as follows:

“Professions”—Essays 5, 6, 7, 8, 10, and 13

“Leadership”—Essays 5, 9, 12, and 18

“Management”—Essays 4, 5, 6, 9, 10, 11, 12, 13, Part III, and Part IV

“Individual Morality”—Essays 5, 9, 11, 13, 15, 16, and 18

“Intent”—Essays 5, 9, 13, and 16, and 18

“Codes”—Essays 7 and 8

“Values and Rules”—*passim*

Part III turns to international issues and should be studied after Essays 1 through 3, though again, these are not absolutely necessary. Given the broad lack of understanding of the ethical bases of capitalism, however, such a sequence is highly desirable. Each essay can be discussed independently or in conjunction with others in this section, especially Essay 14.

Part IV draws on all prior essays, but it also can stand alone. It is essentially forward-looking, out of the present turbulent period.

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## *Part I*

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# ETHICS IN THE SYSTEM

Modern economic systems have their genesis in the industrial revolution. Before that, Europe had an agricultural economy based on the feudal system and a nascent industrial and trading economy called the mercantile system. The latter was adopted by duchies and principalities in Europe prior to nationhood, and by Britain and France as nation-states. Capitalism, socialism, fascism, and communism are means of organizing the economic life of a society and can be mixed with different political systems. The American system is called democratic capitalism.

All such systems are similar in that their goals are the attainment of wealth and power for the nation. And they have similar characteristics in that they all use capital, combine it with labor, have markets, use technology, organize their activities in institutional ways, employ managers, extend property rights, and have a government that sets the rules and enforces them in one way or another. The distinction among the various systems is that they use each of these components in different ways and give them a different twist. Each of them treats property differently, accumulates capital differently, organizes differently, has different roles for markets, and so on. Each of them also has ethical justifications for the ways in which they operate, combine resources, and pursue their goals. Each of them is a “locked-in” system in that,

in order to achieve the goals under the ethical rules accepted, there must be a pattern of behavior that accords with the rules and the goals. In other words, the means must fit with the ends.

The different combination of purposes, ethics, and means produces quite different systems. For example, when one combines a totalitarian political system with a socialist economic concept, one gets the Russian system, which is not communism at all. And it is not the socialism of the British, which is democratic socialism. Russian socialism is based on the proletariat, meaning that the workers are supposed to rule, but in fact it has turned into something rather different. The state has become the single incorporated entity, and therefore the *State* is the capitalist. There are virtually no competitive markets in our sense, but there are markets. They are highly regulated because the government constitutes most of the supply side and even much of the demand side. The Russian system might better be called "state capitalism" or "totalitarian socialism."

When totalitarian governments are mixed with capitalist institutions, fascism exists, which is totalitarianism from the right, rather than from the left as in Russia. This explains the intense antagonism between Germany and the USSR in the 1930's, since their totalitarian systems were supported by different groups—the capitalists vs. labor. However, both the Communists and the Nazis destroyed the freedom of labor unions and labor's ability to influence public policy.

There are many varieties of socialism, ranging from the Mexican to the Indian, the Chinese to the Indonesian; and various totalitarianisms and democracies. It is not possible to categorize them neatly. Even the United States has been called a country with "friendly fascism," meaning that there is control essentially from the right (business rather than labor) and it is often benign or beneficent. The United States has a complex and changing form of capitalism, as we see in the essays included in Part I.

The essays in Part I address the value foundations of capitalism, its institutional characteristics, the ways in which these characteristics have been modified over the past hundred years or so in the United States, and the shifting goals of the system. Underlying such shifts are value changes that have altered what we seek and how. Consequently, our system has moved far from the path described by Adam Smith in 1776, with government playing an ever-larger role.

An analysis of the role of profits throughout the system follows in

the fourth essay; it is important because of the frequent (and erroneous) assertion that profits are the goal.

The central thesis of Part I is the inherent role of ethics in any economic system and its pervasive existence in *all* activities embodying human will.



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## Values Underlying Capitalism

*All economic systems are based on values, and the participants are expected to conduct themselves in accordance with them. The values underlying American capitalism have their roots in religion, philosophy, and psychology, providing a panoply of metaphysical values, religious morals, social ethics, and pragmatic behavior.*

The philosophical roots of the capitalist system should be understood by both business managers and the professions, as stressed by A. A. Berle over fifty years ago:

The really great corporation management must consciously take account of philosophical considerations. They must consider the kind of community in which they have faith and which they will serve and which they intend to help construct and maintain. In a word, they must consider at least in its elementary phases the ancient problems of the good life and how their operations in the community can be adapted to affording or fostering it.<sup>1</sup>

American management and the professions have been criticized as being to blame for the destruction of some of the basic values in our society, and at the same time they have been held responsible for the creation of the good life, or for improving the quality of life. Business and the professions are undeniably involved in the advancement of the



total society. Today, questions are being raised as to whether they are acting in ways that are good for the society and what roles they should play in it. These questions were also addressed two centuries ago in philosophical debates on freedom, wealth, and power—for individuals and nations. The concerns then were over (1) the misuse of power (of governments or individuals) politically, economically, and socially, (2) the excesses of greed, and (3) the sins of licentiousness. The remedies were sought in the checks and balances of political *democracy*—in the self-regulating markets and private enterprise of *capitalism* and in the moral restraints emanating from church-related *religion*. These three were to play a key role in the evolution of humankind to higher levels of being, opening opportunities for “freer choice” to reach the heights by different routes. The constraints in each have the moral-ethical objective of enhancing freedom.

One cannot understand *any* social system or *any* public policy without first understanding the values that underlie that system or its goals—the values the system was designed to support or enhance and which justify its existence. One of the major conflicts confronting business and the professions arises when the values underlying their (collective and individual) goals differ from those of the socioeconomic system.

For a system to be accepted, it must be seen as “good.” The word *good* moves us into the realm of values and out of the world of efficiency and pursuit of quantifiable goals. Value assessment leads into concepts of what is a “good life,” the desired “quality of life,” and happiness.

The values that underlay the system of capitalism, as it was justified 200 years ago, were critical to its proper functioning and its acceptance. Yet development of this system in the United States has shown a lack of understanding of their critical role. The present search for our values is at least a recognition of the fact that values underlie *everything* done in a society.

## TYPES OF VALUES

There are essentially three types of values: moral (metaphysical), ethical, and pragmatic. (These concepts are sometimes used differently. But neither the literature nor philosophers are in agreement or consistent in their use. Some see morals as arising out of ethics; others make