

Ethics in America

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It looks as if we have an ethics crisis in America today. Prominent Wall Street Brokers have been jailed for inside trading, defense contractors have been indicted for bribery, the faking of findings by scientists, insurance frauds, government shenanigans, corporate greed, cheating, stealing, expense account padding, business misbehavior and sports gambling allegations makes it look as if scandals are routine in America.

Japan, which is no perfection of virtue, as seen by the government scandals, is no doubt ruled by moral consensus, where as in America, it seems our country is ruled by the "Ethic of Lawsuits." We all know that



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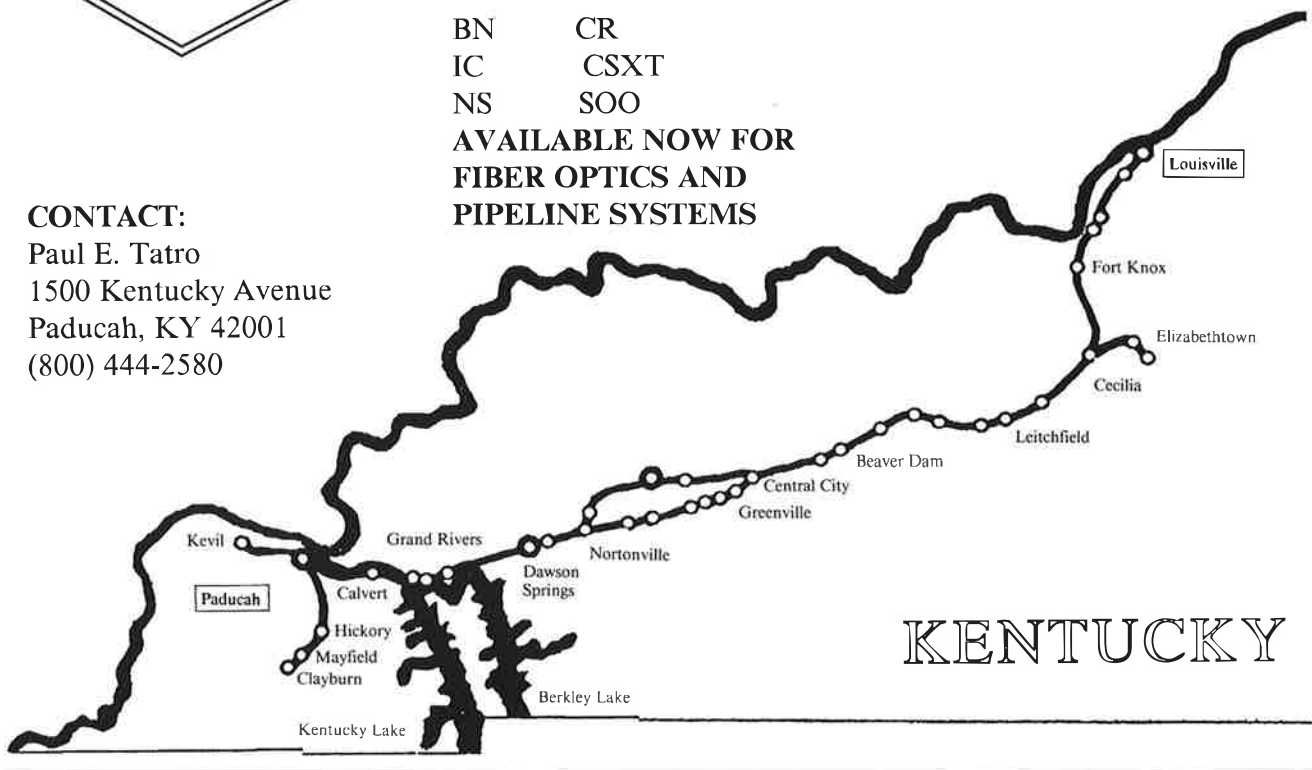
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America is a pluralistic society, and we have different points of view. However, in our country it has become very easy to confuse legal, ethical and moral responsibility. As the number of lawyers nationwide approaches the one-million mark, it is hard not to believe the old maxim, that we are a population swimming in a sea of lawyers. Ethics in America is now called disagreement. In other words, unethical behavior is now – "I did nothing illegal – sue me."

John Adams, our nation's second President, and one of the most reflective of our founding fathers said, "we have no government armed with power capable of contending with human passions unbridled by morality and religion. Our constitution was made only for a moral and religious people. It is wholly inadequate for the government of any other." It was true then, and is true today to believe that an ethics crisis could threaten the survival of our great nation.

It could be that the people of America are missing an objective understanding of the word ethics. Some people today look at life as imperious style with power and authority. For a time this style might bear fruit, but if ethics in anything is diffused, it will complicate one's life. In ethics, dilemma number one is misrepresentation, and the Honorable Donna Rice, Assistant Attorney General of Wyoming, has a decisive definition for the word misrepresentation. She says that "Misrepresentation is defined as a false or misleading statement, and in the law, it is defined as a statement that the person making the statement knows, or reasonably should know, to be false, or the concealment of material facts on which another relies to his detriment." The Honorable Ms. Rice sets our four elements of misrepresentations: 1) A false statement or conceal-

ment of material fact, 2) The person making the statement knows or should know that the statement is false, 3) The effect of the statement is to deceive or defraud the other person, and 4) The other person relies on the false statement or concealment and is damaged. These four elements are high, excellent and strict mandates from an ethical standpoint, and we must not forget that anyone who intentionally misrepresents is a "plus positive person," and that this person's ethical fiber is unraveling.

Boston University President, John Silber, in his book "Straight Shooting – What's Wrong With America and How to Fix It," proposes that our schools and colleges terminate bilingual education, stop television from polluting our children's sensi-

bilities, break the education's school's manpower on teacher certification and begin ethics instruction in kindergarten. Ethics in kindergarten? Why not! Dr. Mark Pastin, director of the Lincoln Center for Ethics at the University of Arizona, says "Ethics is a hot topic." According to Dr. Pastin, the last time anyone cared much about this was during the Industrial Revolution. He also asserts that 88 percent of Americans believe that managers in government and business act unethically. From Dr. Pastin's standpoint, a person's ethics are the ground rules by which they act. He tells the story of an ethics professor at Harvard who cheated at the game of Monopoly. This story proves that anyone not doing the

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right ethical thing is not necessarily deficient in knowledge of the ethical factor. Professor Pastin suggests four practical consequences of ethics: 1) Legal As in the Penzoil oil case where the jury foreman suggested that the verdict rested more on the fact that the jury looked upon "Who did a dirty deal," not upon who violated the tough, complex anti-trust law. 2) Organizational In this plateau Dr. Pastin found that family corporations that displayed continuity tended to be more ethical. He also suggests that it takes a long time to develop an ethical environment in an organization. 3) Managerial At this level, the Professor says we need to "Reward candor and offer trust. In other words, anyone who wants to have a

good positive ethical system must create a climate for people to say unpopular things, and let top management know just what the problems are. 4) Personal at this level, he says, "Survival is the opposite of ethics. He recalls a Hannah Arendt quote, "The person you can be sure you can't trust is a parent," and the reason according to Dr. Pastin, is that parents put their children before principle in order to assure survival. Last, but not least, the Professor says that if you are satisfied with your personal ethics you will cease to grow. It would be great if Dr. Pastin would say a few words to some of the members of the United States Congress. However, it could be that Congress has gotten the message

because, just recently, several seminars have been held to address ethical questions. The Department of Agriculture Graduate School and Congressional Staff Club held a seminar on "Congressional Ethics: Groping, Hoping and Coping." At another seminar, Representative Dan Glickman, a Democrat from Kansas, spoke to the American Society of Public Administrators, asking, "Have We Lost Ethics in the Rush to Regulate?" In another seminar, The National Capital Area Political Science Association presented "Ethics in Congress: Time for a Change?" So it might be that some progress has been, or is being made.

In "Ethics in Action," a newsletter of the Joseph and Edna Josephson Ethics Institute, some profound statements are made. For example, Mr. Josephson says, "It is quite common for people who are task-oriented to conclude, without much critical analysis, that their purpose is necessary, that their goal is vital, crucial or essential, or that the results of a failure to accomplish a goal will be disastrous, fatal or unacceptable." He also stated that "A large part of the problem results from an almost instinctive assumption that there is an inherent, ethically justifiable right to win - too often, getting the job done is treated as an ethical principle itself, but this simply rationalized self-interest." Mr. Josephson also states that, in many cases, thoroughly ethical ways of doing things requires some self-sacrifice.

Throughout the United States, future executives are learning, or trying to learn ethics in business schools. Ethics courses are offered to MBA students at the University of Denver, Columbia University Business School, and many others. A survey of 120 MBA candidates who attended an ethics conference at the University of Virginia said that they

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believe good ethics is good business, and 71 percent said that sometimes being ethical in business will hurt you. However, an enthusiastic 96 percent did urge employers to provide some form of training in ethics. It could be that university professors are reading our newspapers and viewing the evening TV news which are filled with the stories of our ethical breakdown. Maybe they also have opened the door to peek in on Congress which exempts itself from ethical standards that apply to others. Certainly the impression persists in America today that almost everyone in Government has become adept at leaking or giving out confidential information, and this is a terrible blow to the ethical question in the United States. This statement is a scathing assessment and certainly we do have some "Tide-clean" people in our hamper of dirty linen, but the proof of our problem is evident.

About three hundred years ago the moral standards in this country were strong and the meaning of ethics was synonymous with religion. In those days the Puritans would always issue warnings about ethical decay and would call on the people to repent and amend their lives. Many years later, John Adams was of the opinion that an ethical crisis threatens the survival of our government and society and today things are different in America; we do have a major ethical crisis, and we in America must understand that today, it is not an opinion, it is a fact. We in America, when dealing with ethics, should understand that it is not a profound, abstruse or difficult subject matter.

matter, for acquisition, for credit purposes, the management may have hurt themselves. The observer may not be willing to "add back" the increased salaries in evaluating the operation.

In other situations, the entrepreneurs accomplish similar results by adding excessive fringe benefits or by putting inactive family members on their payroll. Still others will understate their ending inventories, seeking to build an inventory "cushion," while filing erroneous tax returns.

Any of these measures can return to haunt a business. We members of the accounting profession are on occasion asked by clients who may have minimized their profits by legitimate means, such as the addi-

tional compensation mentioned above, to assist them in obtaining financing by completing favorable financial statements. Once they have chosen to portray their history in a minimal light, there is very little we can do.

Accordingly, if you own part or all of an engineering or other company, I urge you to plan ahead and give substantial thought to the years ahead. *Very few* businesses can afford to ignore the appearance of their financial statements. Maybe more than 99% of them will be concerned with obtaining credit, selling a portion or all of it, or other occurrence where having adequate operating results in the firm's records are *vital*.

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