

DEBIT CASH, CREDIT ETHICS

Every age, every epoch, and every civilization has a prevailing ethos or, in other words, climate of opinion. This climate of opinion not only gives to the particular period its unique quality but gives to the individuals who participate a meaningful rationale which makes life bearable, if not wholly understandable. Such climates of opinion give answers to mankind as to the nature of the universe and man's relation to it, the nature of society and man's relationship to that society and to his fellow men and make a clear connection between the microcosm and the macrocosm. Such climates of opinion posit a value system which suggests, if not commands, those things that are worth living for and those things that are worth dying for and perhaps, more importantly, posit some kind of an eschatological doctrine that gives meaning and significance to all human action. To historians, the richness and variety of these ideas, particularly when compared and contrasted over time, constitute a great challenge and perhaps even a meaningful guide to the nature of our contemporary climate of opinion, its paradoxes and its state of flux. That men have not agreed upon the universality of these climates of opinion and that men have not discovered the final answers as to their truthfulness or error should not deter us from continuing to ask the cogent philosophic questions of the sense data presented to us by our environment.

In the matrix of contemporary civilization, a technological and institutional base has shrunk the physical and psychological distances between men, and thus engendered a renaissance in man's concern for philosophic questions. It may be that technology and science have given men such awesome power that they either seek refuge in the consolation of philosophy or religion or else make an effort to readjust their major beliefs to make them more compatible with the world about them. I think it fair to suggest that Senator William J. Fulbright placed his finger upon the problem when he said in a recent speech:

There is an inevitable divergence attributable to the imperfections of the human mind, between the world as it is and the world as men perceive it.

As long as our perceptions are reasonably close to objective reality, it is possible for us to act upon our problems in a rational and appropriate manner. But when

our perceptions fail to keep pace with events, when we refuse to believe something because it displeases or frightens us, or is simply startlingly unfamiliar, then the gap between fact and perception becomes a chasm and actions become irrelevant and irrational.”

It is indeed a truism to note that the world of 1965 is a very different place from the world of 1935 and that on an aggregative basis that world was different from the world of 1905. Such a superficial comparison might lead one easily into accepting the dictum of the Greek natural philosophers that “no man steps twice into the same stream” or that the world is in a constant state of flux. The proposition that the only permanent phenomenon is change itself can lead easily into a kind of contemporary existentialism that overlooks the universality and continuity of certain important aspects of mankind’s experience. Without accepting the metaphysical presuppositions of the existentialist, let me emphasize that I accept the thesis that at this time in the 20th century the rate of change may be substantially greater than in the past. And, as a result, man’s conception of reality may have diverged substantially from the reality of events going on about him.

One important facet of any climate of opinion in any given age is that which concerns the rationale surrounding work, its purpose, and its rewards. And it seems to me correct to suggest that although the rationale may have differed in the past for those engaged in agriculture contrasted to those engaged in the skilled trades or the professions, there has always been, except at times of great change, a fundamental unity of synthesis whereby men of different callings shared a common meeting ground. One aspect of the contemporary world that impresses me is the extent to which the division of labor and specialization of function has fragmented this common meeting ground and, at the same time, has failed to produce another in its place. Relationships between the macrocosm (whole) and the microcosm (parts of the whole) are visible only to a few at the top. The top executives see the pattern but most of those below the room at the top see nothing but chaos, disorder and nonsense. Thus all but the men at the top are deprived of a meaningful rationale and given less than satisfying substitutes such as good wages, short hours, pleasant working conditions, fringe benefits and so forth. That businessmen view the latter as more important than the former is indicative of their value-system. The mess in middle management is directly attributable to the absence of any mean-

ingful rationale and thereby the role of the middle manager seems to many to be meaningless.

Since the creation of the nation state probably no other institution has had as great an impact upon mankind and his culture than the modern corporation. By the modern corporation I mean specifically that institution which has created the industrial society of the 20th century that is world-wide in character rather than capitalistic or western and is thereby characterized both in terms of bigness and persuasiveness, touching the daily lives of almost everyone, everywhere on the globe. This entity with its hundreds of thousands of employees, thousands, if not hundreds of thousands of suppliers, thousands, if not hundreds of thousands of stockholders, is organized on entirely different technological, social and economic principle than its predecessors. It is controlled by managers without an overwhelming stake in ownership, and who are powerful in a manner never anticipated by Adam Smith and his spiritual heirs. It is the fundamental question of power without property which has led to the substantial amount of concern for the social responsibility of these conglomerates to say nothing of deep anxiety over the ethical implication of the concentration of such power in so few hands.

The institutional nature of the modern corporation demands further analysis at this point. Institutions are obviously the traditional means whereby men accomplish certain purposes. All institutions share certain common characteristics and among these are hierarchy, external evidences of rank, processes whereby new leadership is recruited, trained, or indoctrinated and advanced through the ranks in a manner consistent to the continuity of the institution. Each institution also has a rationale or body of doctrine as well as an internal government whereby it can exert sanctions against those who would deviate or challenge its leadership or its existence. Institutions thus tend to produce a degree of conformity necessary to their vital functioning and continuity. No institution can survive the alienation of the vast mass of its constituents and therefore leadership is constantly under pressure to adopt the kinds of programs and policies that will prevent such mass alienation which in the political sphere would be referred to as revolution. To this extent, potential alienation serves to inhibit or to make conservative the leaders of the major institutions which constitute contemporary American civilization. We are surrounded by institutions

as we are members of institutions such as the family, the church, the business firm, the university or college, the military, and so forth. In a very real sense, institutions are essentially pervasive behavior patterns of the individuals which make them up. Essential to leadership of institutions is the articulation of a rationale along with the recruitment, indoctrination, and training of individuals to give the institution that transcendental character which permits its life to transcend the lives of the individuals who constitute it.

In a very real sense, the future of American civilization and perhaps even of the free world, is dependent in great measure upon business leadership which, in its powerful role in directing corporate conglomerates, will have the capacity to: (a) sustain and increase productivity; (b) sustain the corporation as a viable institution and create in it meaningful roles to be played by young people recruited to service; (c) sustain and increase the pervasiveness of ethical behavior by businessmen in the matrix of conflicting values and behavior patterns; (d) sustain and increase the contacts with the rest of society (labor, government, and the community) in ways socially responsible in order that society not react to blunt or impair the capacity of businessmen to do their most important job: make more effective the utilization of the existing supply of the factors of production, i.e., to innovate.

Thus contemporary corporate leadership is presented with a problem of substantial proportions and society is presented with a set of alternatives which is vital in the United States at least to sustaining a level of opulence scarcely envisioned by the Founding Fathers. With the emergence in American society of a number of countervailing forces such as labor unions, government and articulate sectors of public opinion, the businessman is under great pressure to develop a rationale which, in this world of great diversity, produces the kind of value synthesis that will permit the businessman and a large corporation to perform their economic role well and at the same time satisfy the kinds of non-economic or value aspirations of society at large and the individuals which make up that society. It would appear to me that one aspect of that search for a rationale, in view of the fact that profits *per se* no longer play their traditional role in the economic world, is the emergence of an articulated body of thought that has come to be called "the social responsibility of the businessman."

It is here that I shall begin to make an effort, however modest or immodest, to come to grips critically with the current pretensions of the businessman, in the context of his role as leader of the large corporation, to social responsibility and ethical behavior. I believe that the businessman must want to behave in a socially responsible way because many businessmen, yea, legions of them, have spoken out on the subject, in many instances with unabashed enthusiasm. Further, the businessman wishes to be thought of as one who lives the ethically good life and makes his decision in a milieu of values that indicates clearly that some values are more important than others. In my opinion, the businessman is no different than any of the rest of us in the sense that each of us aspires to lead socially responsible and ethically righteous lives. Yet, if I be critical here, it is not to be construed as any ultimatum to the businessman to reform or be reformed. Nor is any of the following intended to be destructive of the modest efforts and successes of the business community in the direction of social responsibility and improved ethical behavior. At the same time, it should be made clear that no one is to extrapolate from these criticisms and assume that only the business community is guilty of ethical aberrations and that the rest of the world is without blemish. It should also be emphasized that in some significant measure the businessman must be given credit for increasing the per capita supply of those material goods that have resulted in an affluent society, although it should be recognized that he is not the only catalytic agent. Yet the emphasis here will be upon spiritual values which is simply another way of saying social responsibility and ethical behavior. Thus, we accept the material base and ask how only for an ethos that makes the material base more meaningful.

The most recent study of the modern corporation's need for leadership and the appropriate method of training that leadership at the collegiate level is the Committee for Economic Development's pamphlet entitled *Educating Tomorrow's Managers* . . . *The Business Schools and the Business Community*. In this pamphlet is discussed the qualities that are needed and these include analytical ability and balanced judgement, capacity to solve problems and reach decisions in a sound and well-organized manner, vigor of mind and of imagination, ability to work with — and lead — others, understanding of human behavior and of social, political, and economic forces, ability to keep an open mind and to continue learning on one's own initiative, and

character that assures adherence to high principles under stress conditions. (italics mine)

Wholly apart from the saintly character of these criteria, I should like to accent here the last point, namely, that of character that assures adherence to high principles under stress. Here we have one of the outstanding associations of businessmen in the United States, supported and staffed by businessmen who represent the modern conglomerate corporation mentioned above, calling for qualities of character and high principle in future recruits to leadership in the world of business. And they are further recommending that the kind of education received by potential leaders in the business community is that kind which brings the question of character and principles into focus. In other words, this significant segment of American business leadership is calling for self-conscious and vicarious training in ethics and social responsibility. The question may be asked here as to why this concern for character and high principles? To my view the answer is not obscure.

These thoughtful businessmen implicitly recognize that all is not well in the executive suite. They must recognize, it is assumed here, that the world of mahogany row and its implicit or explicit values is not attracting the appropriate kind of leadership. An article in the *Wall Street Journal* on November 10, 1964, confirms the latter assumption for its stressed scorn of college students for business and although the article was superficial, the problem it focused upon was not. Yet, when businessmen speak of attracting young men of character and high principles who hew to these principles under stress they are admitting that some aspects of life in the business world must be subordinated to something other than the profit motive. In fact, the absence of any eschatological doctrine in the business world other than profits leads to a very ridiculous situation. By the profit criterion there is no other value than quantity of profits. If one billion dollars in profit is good, one and one-half is better and two billion is better yet. The real question is profits for what purpose and to what end and, in my opinion, at long last the businessman is beginning to ask the significant question.

As further evidence of the need for a more clearly articulated gospel of social responsibility and its institutionalization, let us turn our attention to a number of symptoms in the business world which suggest that such is needed. Even those firms which make up the membership of the Committee for Economic Devel-

opment have not all performed well in hewing to high principles under stress. It is only cited here, for there is no reason to review the matter blow by blow, that the role of General Electric, Westinghouse, and other electrical manufacturers' executives in the price conspiracy in recent years did not express the kinds of principles that are compatible with generally accepted normative thinking in the field of ethics. It might be appropriate here to mention that at least one of the corporations involved in that conspiracy has also given us a new policy in the field of industrial relations known as "Boulewarism" which only adds to its list of kudos in the field of social responsibility. Without taking sides in the matter, it might also be suggested here that the poor performance by the chief executive of a large steel company, in a contest with the late President of the United States, demonstrated a certain degree of myopia with reference to matters of principle. At the same time, many corporations pay handsomely for institutional advertisements extolling creativity and, at the same time, demand the kinds of conformity within their organization that does all but stifle that phenomenon. Further, the continued cant and propaganda disseminated by so-called spokesmen for business, such as the National Association of Manufacturers, suggests that the businessman's concern for high principles may be more apparent than real. If there is a pervasive sense in the business community that future leadership will have to be made up of young men and women of character and high principle who hew to these principles under stress, then we might assume that the older sales management approach which consisted of putting the same old product in a new package with a new name and telling the public that it was indeed a new product, will be abandoned.

Other symptoms that run very deep and suggest the difficult nature of reconciling high principles with traditional business practices may be found in the current controversy in the field of public accounting over relevant standards, consistency of application, and comparability from corporation to corporation. Leonard Spacek, Chairman of Arthur Andersen and Company, is currently expressing publicly his concern within the profession over variations in practice which lead obviously to the conclusion that the only items in the published balance sheet of the modern corporation that reasonably accord with truth are cash accounts and capital stock accounts. Principles of accounting standards are being honored more in the breach than in the

observance. In my opinion, principles subordinated to expediency corrupt all parties to the transaction. Ernest Dale seems convinced that the greatest single bane of management in the large corporation today is its "growing absolutism, its refusal to discuss or listen to different opinions." If principles are subordinated to expediency in a field such as public accounting need I stress here the problems which do exist in purchasing, advertising, marketing, finance and public relations?

If social responsibility is to be a meaningful articulation of a rationale appropriate to the future role of these corporate conglomerates, it is going to have to come to grips with the essential philosophic problem of ethics. Robert D. Calkins, President of the Bookings Institution, made some cogent comments recently in another matter, but his comments have relevance here. He said:

As businessmen move in to these broader areas of public affairs, they need a broad integrated view of national and world affairs extending far beyond the limits of their enterprises and industries. One of the most pathetic spectacles in American life is that of the successful man in high position, exhibiting the patchwork of contradictory beliefs on which he operates. We see an abundant number of them testifying in Washington. So often they misjudge the power of opinions over facts, even in politics where opinion is often respected, even when it runs contrary to facts. The problem with these spokesmen of stronger opinion than of understanding is not that they are uninformed about current news, but that they have no valid framework of background or conceptions by which they can interpret what goes on and discern its significance. They are often more confused than they suppose and more confident than they deserve to be. In a world where, in the words of Bertrand Russell, "The ignorant are cock sure and the intelligent are full of doubt" Society suffers."

In other words, if the businessman wishes to take the lead in articulating a philosophy of social responsibility and ethical behavior, he must begin to be more than a disseminator of myths and nonsense and he must begin to give philosophic problems the same disciplined study he gives the problems of his own firm. Should he fail in this effort and remain pretentious and self-righteous, the prognosis for the future is indeed grim. For the world of business is replete with ethical problems and daily invite men of character and high principle to grapple with these problems.

Ethics is, of course, moral philosophy or philosophically thinking about morality, moral problems, and moral judgments. There are probably at least three kinds of thinking which relate to morality, excluding those religious mandates such as are contained in the Decalogue or the Sermon on the Mount. In a very real sense we historians share with other social scientists a level of descriptive empirical inquiry which is concerned with describing the way people behave, or have behaved in the past, and we are ultimately concerned with working out a theory of human behavior which bears upon ethical questions. Despite the quality of our performance, this is indeed one of our concerns. Another level of thinking about ethics is generally referred to as a normative level in which we establish certain criteria for human behavior such as, it is wrong to harm someone else. Perhaps the highest level of ethical thinking is the analytical or critical level in which one makes an effort to justify ethical and value judgements. It is here that questions of epistemology and metaphysics become important and man soars into the realm of abstract thought.

It should be stressed here that ethics is to be contrasted to prudence (self interest) because in its highest form ethics is a disinterested approach to rightness or wrongness of human conduct while prudence is specifically concerned with least cost alternatives. Almost all ethical philosophers seem to agree that a moral point of view is essentially a disinterested point of view. Thus, if the businessman is interested in a meaningful articulation of the conception of social responsibility, ethically correct behavior, he is going to have to explore with the philosophers problems of moral obligation and moral value and not only those which are peculiar to a business situation, but all of those which are essential to the moral institution of life. This is indeed a strong order, but if the businessman is honestly convinced that ethics is really good business, he is going to have to recognize that it cannot be reduced to the simple strategem of debit cash and credit ethics.

Albert K. Steigerwalt
Graduate School of Business Administration
University of Michigan

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