“An Old saying holds that business ethics is an oxymoron1. For years, the generally accepted view on morality and business was that they don’t mix, that business is a game played by a different set of rules. To act morally was to act weakly. And in the business arena, firms were dead firms. Well, things certainly change. In today’s business arena, firms are finding that immoral behavior can prove fatal. Thanks to the plethora of scandals on Wall Street in the 1980s and the massive corporate scandals of the past 10 years, the field of business ethics is enjoying unprecedented influence and popularity.”

-Marc D. Street and Vera L. Street L.V

Do Corporations Have a Responsibility to Society That Extends Beyond Merely Maximizing Profit?


In answering this question, Robert D. Hay and Edmund R. Gray believes that corporations should be held accountable for more that profit maximization. Their argument is based on stakeholder theory and is presented in the form of a historical account of the evolution of managerial thinking on this important topic.


Marcoux presents a frontal attack on stakeholder theory. Consistent with the views of Nobel Laureate Milton Friedman, Marcoux argues that the very nature of stakeholder is immoral and can only lead to disastrous results for all involved.

Is Corporate Strategy of Downsizing Unethical?


Larry Gross contends that downsizing violates the psychological and social contracts implicit in the employer-employee relationship since there is an implied sense of job security afforded the employee as long as he or she is productively advancing the goals of the organization. Downsizing productive employees is a clear violation of this contract and, therefore, immoral

1 This word means an expression with contradictory words. A phrase in which two words of contradictory meaning are used together for special effect, for example, “wise fool” or “legal murder”

Professor Joseph Gilbert analyzes the ethicality of downsizing through the application of three prominent approaches to the study of ethics: utilitarianism, rights and duties, and justice and fairness. Gilbert concludes that, with one notable exception (where layoffs are the only way to save a company), downsizing is an ethically valid and morally responsible corporate behavior. The utilitarian approach finds the decision to conduct layoffs to be moral, because the layoffs generate the greatest good for the greatest number. The rights and duties approach sees the action of layoffs in the same situation to be moral because employees do not have absolute rights to their jobs. However, this view also requires that layoffs be conducted in fair and just manner, because employees do have a right to be treated fairly. Finally, the justice and fairness approach, does not find layoff to be moral, because they lack proportionality between the individual’s behavior (good performance) and the resulting action (termination of employment). When the focus is changes from fairness to each individual to fairness in the total system.


The authors maintain that the debate over outsourcing is misplaced because the issue is not globalization, but instead the way nations allocate the benefits of economic integration. They suggest various ways in which public policy can help disadvantage workers.


In the review of Louis Uchitelle’s new book, “The Disposable American: Layoffs and Their Consequences,” Bob Hebert says that there is no doubt that the better-educated and better-trained worker gets better jobs. But the reality is that there are not enough good job available to meet the demand for them.

Is Bluffing During Negotiations Unethical?


Ethics scholar Chris Provis examines bluffing within the context of labor negotiations and concludes unethical behavior. Bluffing, he argues, is deception and therefore unethical, regardless of whether it occurs in or out of the negotiation process.

University of California, Santa Barbara philosopher Frits Allhoff presents a clever and unique defense of bluffing in business negotiations. The central tenet in Allhoff’s position is that certain roles that we are required to assume allow us to morally justify behaviors that might otherwise be considered immoral.

Should Insider Trading be Legalized?


Legal scholar Robert B. Thompson presents Manne’s argument on insider regulation. Thompson then provides us with an analysis of the status and relevance of Manne’s position three decades after the publication of his seminal text. The three central assumptions that Henry Manne used to present his defense of insider trading in 1996 remain as relevant signposts in the debate over regulation more than three decades later. There is still no coherent analytical approach to this topic, although we have been through several, sometimes-conflicting approaches during that period.


UCLA professor of Law Stephen Bainbridge does not accept Mannes’ argument. Bainbridge believes that insider trading ultimately causes inefficiency in the markets and, therefore, must be subject to regulation.


In Faith and Liberty, Alejandro A. Chafuen draws upon many texts largely unfamiliar to English-speaking audiences to illustrate that the origin of modern economics lies very much in natural law and scholastic moral theology. A common working assumption of many economists is that modern economics began with Adam Smith. Largely forgotten is the contribution of the Spanish scholastic thinkers of the sixteenth and seventeenth centuries. Thinking through issues such as the just price and the legitimacy of private property, these Catholic theologians and philosophers were the first to grapple with ideas normally associated with Smith. A work that challenges economists and theologians alike, Faith and Liberty points to the need for modern economics to be grounded upon a revised anthropology of the human person, and it makes the case for theologians and the church to recognize the capacity of economics to contain greater truths.

This book-length extended interview provides fascinating insights into the mind of François Michelin, the former managing partner of Group Michelin. In one of the few interviews he has ever given, Michelin sat down with two journalists and discussed his management philosophy and his deeply felt Christian faith. Apart from offering subtle theological reflections into the nature of business, Michelin speaks eloquently about the creative dimension of free enterprise and the human aspect of life in the commercial world.


Exploring recent controversies over the role of ethics in economics, The Boundaries of Technique encourages scholars and students to discover and debate the ways in which economics is insulated from ethics and the ways in which it is dependent upon it. Using the moral philosophy of Thomas Aquinas, Author Andrew Yuengert brings readers to a deeper awareness of the intrinsic involvement of the individual and the responsibility of moral choice.


Economic growth in the twenty-first century offers the possibility to eliminate extreme poverty in the world. This article argues that such a wonderful achievement would not contradict the vision of Deuteronomy 15:11 because the verse should be understood as referring to relative poverty, which, the verse maintains will always remain in the world. On the other hand, the eradication of extreme poverty in the world conforms to the vision of Deuteronomy 15:4 that there could be no poor from an absolute perspective. Thus, the vision of Deuteronomy 15 with regard to poverty is a potential world where relative poverty exists but not absolute poverty. This vision is in harmony with the capitalist system, which promotes economic growth but does not aim for absolute equality.


Many advocates of sustainable development recognize that a transition to global sustainability-meeting human needs and reducing hunger and poverty while maintaining the life-support systems of the planet- will require changes in human values, attitudes, and behaviors. This article reports on what is currently known about such attitudes and behaviors.

Charles Colson, former aide to President Nixon and founder of Prison Ministries, is one of the foremost Christian voices today. He spoke with Religion & Liberty’s David Michael Phelps in fall 2007.

“The first part of the answer is more complicated, so I’ll answer the second part first. First, no, Christians do not have the tools today. Most people don’t realize what a central issue this is. And Schaeffer used to preach about this a generation ago, and he would say, “The issue is truth! Flaming truth! True truth!” And people listened to him. Typical of all evangelical churches, they say, “Oh, that’s great he’s doing that,” but nobody takes him seriously. Through the Centurions Program, I’m trying to teach people how to teach truth. I think it can be done, and I think Christians have to learn, but it takes some rigorous effort on our part to do it. But we can learn the ways in which truth is knowable. It’s knowable through nature, through conscious reason, and through the Bible. I think we have to learn how to apply this, and it’s not hard. First it requires recognition of the problem, and then some discipline. I think we can do it. That’s what I’m devoting myself to with the Centurions. We’ve got one hundred senior adults every year. It’s terrific and the results have been very successful so far. Centurions go through it, they get educated in this, and then they go out and they have to teach it to other people. So the more they teach it to other people, the more they learn it.”


There has been very little work by orthodox Jewish scholars on the relationship among socialism, capitalism, and Judaism. Careful reading of the relevant literature, however, suggests that it is possible to posit five basic axioms of Jewish economic theory from which many economic policy implications can be deduced. Although not exhaustive, the five axioms represent, to the best of knowledge, the first attempt to formulate a parsimonious list of basic principles that help systematize the foundations of what we are calling Jewish economic theory. These axioms include: participation in the creative process, protection of private property, the accumulation of wealth, caring for the needy and limited Government.

According to this Griffiths, the church has the potential to tackle world poverty and to change the culture of globalization in a way that governments and international institutions do not. For him, it is very easy in considering the challenges of globalization and international development to enter a secular debate, on secular terms, in which the Christian faith has seemingly limited relevance and is reduced to the margins. Griffiths states that Jesus was under no illusion of the claims he was making when he declared “I am the Way, the Truth and the Life.” Or of the fact that he came to establish a kingdom on earth, which he stated was “not of this world” but which is relevant nevertheless to every aspect of our life in it. The church is a witness to that kingdom and because of that has great potential to influence our world for the better.


This book focuses on the interaction between ethics and economics, both in economic theory and economic policy. For Wilber, there are three ways in which ethics are important in economics: (1) economists have ethical values that help shape the way they do economics, (2) economic actors have ethical values that help shape their behavior, and (3) economic institutions and policies impact people differentially and thus ethical evaluations must be applied in addition to economic evaluations. Important references for this book include:

- W. David Solomon, "Normative Ethics," prepared especially for this volume.

The Academic Research Center of the Acton Institute, a Christian Social Thought Series

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A. News Related to Financial Ethics

• NASD Fines Citigroup, Merrill Lynch, and Morgan Stanley a Total of $750,000, Nancy Condon and Herb Perone, National Association of Securities Dealers, July 19, 2004

• Citigroup, Merrill Lynch, and Morgan Stanley each agreed to pay $250,000 for refusing to produce evidence related to a NASD complaint. The NASD issued a press release announcing the details of the fines and notes the circumstances under which fines are imposed. The firms were also censured for their actions, but no indication is presented to show that the firms ever provided necessary documentation.

• Merrill Lynch Stock Rating System Found Biased by Undisclosed Conflicts of Interest, Eliot Spitzer, Office of the New York State Attorney General, April 8, 2002.
  The attorney general of New York, Eliot Spitzer, outlines the conflict of interest at Merrill Lynch’s research and investment banking units in this press release. It announces a court order requiring disclosure of key information from Merrill Lynch research analysts.

• Integrity Can’t Be Bought … But it Can Help You Sell Goods, Ideas, Craig Harris, The Arizona Republic, July 12, 2003
  Starting in 1960, businessman Ron Willingham began selling integrity. He has offered workshops that show how integrity in business sales can increase the number of sales and thus profits. He just finished his eighth book on the topic and has many corporate clients who verify that Willingham’s methods do work.
Both legal and ethical issues are addressed in regards to providing financial planning services to elderly clients. The legal risks are presented as well as the obligations that represent the origins of those risks. Financial planners are encouraged to pursue the elderly as clients mindful of the ethical obligation that accompanies serving a population where incapacity is a major factor.

A set of six common sense approaches to solving the ethical problems in the financial services industry are offered. Since financial advisors have direct contact with the consumer, their ethical dilemmas are often more apparent. Avoiding improper behavior should not be difficult and can easily be avoided using these six rules.

The Triumph of Right Over Wrong, Dick Radtke, *Credit Union Magazine*, June 2005.
The credit union industry has used the advent of Sarbanes-Oxley to reinvent the industry’s code of conduct. While the credit union industry is largely exempt from many of the Sarbanes-Oxley provisions, many members—such as those in Georgia—have gone beyond the legal requirements and created specific codes of conduct in the area of governance and oversight.

**B. Scholarly Essays in Corporate Governance and Ethics**

After the passage of Sarbanes-Oxley, many institutions began to address the question of ethics and corporate governance. This article examines the various interest groups that addressed the issue and how each one approached the problem. Specifically, it examined the impact on mutual funds.

The relationship between ethics and excellence in business is explored in this article. The essay’s authors conclude that excellent corporate performance is usually accompanied by a proper ethical environment within the corporation. The reverse, however, is not true. Ethical behavior by firms does not necessarily lead to excellent financial performance.

**C. Classic Business Articles on Financial Ethics**

The Bible and Talmud are heavily referenced as sources to justify strong ethical practices in accounting. Many topics, such as auditing and conflicts of interest, are addressed in the holy books of the Jewish faith. It is noted that honesty and fair dealing, as well as avoidance of deception, are explicitly mentioned as immoral.

• From the President’s Desk, Thomas H. Lenagh, *Financial Analysts Journal*, January/February 1967

The Financial Analysts Federation (FAF), now called the Association for Investment Management and Research (AIMR), addressed the issue of ethics in the field of financial analysis in 1966. Events of the time spotlighted unethical financial practices in the mutual fund industry. In 1967, Thomas Lenagh, president of FAF, reported on the profession’s improved efforts to require full disclosure among members as well as FAF’s work with the SEC to require better disclosure by companies.


Economist and philosopher Adam Smith’s lesser known book, *Theory of Moral Sentiments*, is compared to his other book, *The Wealth of Nations*, and used to demonstrate the connection between ethics and the practice of business. William Campbell notes that Smith’s laissez faire philosophy did not stand alone. Rather, Smith intended it to be viewed in conjunction with his philosophy of corporate and personal morality.


Two decades before the advent of major corporate ethical scandals, Dr. John Long highlights the need for schools of business to integrate ethics education throughout their curriculum. He posits that business is not an ethically neutral science and thus requires professors to assert themselves. Humbly, he admits it is not easy to teach ethics in 1984. Today, he may have met with more success.

The influx of students to economic courses in the 1940s led to a review of the content of economics training—specifically, that only utilitarian functions and not ethical ones should be taught. Economics (now referred to as finance) was viewed as a science that measured results and did not place qualitative values on outcomes or actions. Where does such value training belong?


While not specifically a review of financial ethics, the author suggests that all businesses may improve their behavior by writing in a manner that can be understood by the common man. Written before the era of “common English” contracts, the author expresses empathy with investors who are forced to read an *annual report* that makes no sense. He suggests that to write in such a manner constitutes a form of unethical behavior.


A four-stage model is introduced in this article to explain the ethical condition of a company. Historical examples are provided to illustrate each stage. In addition, the authors spend significant time presenting examples of how firms make the transition from one stage to another. The general theme is that the culture of an organization, determined by the top executives, is the driving force behind corporate ethics.