



The Race to the Bottom
Ethics and Business in Contemporary Society

Mary Fichter, Elizabeth Howard & Company, handled the arrangements for the ethics dinner. Abigail Butler, a student at Vassar College, edited the transcript. Whitman Communications Group, Inc. in Lebanon, New Hampshire designed and printed *The Race to the Bottom*. For reprints contact: Mary Fichter, Elizabeth Howard & Company, 501 Fifth Avenue, New York, New York 10017. Telephone: 212.972.3370

The Race to the Bottom was organized as a form of performance art. The cast gathered around a roundtable in a reading room tucked among the shelves of the library at the Yale Club in New York City. This transcript has been edited to reflect the essence of the conversation.

PARTICIPANTS

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Corporate Voice: Dr. Santanu Das
Organization Voice: Colin Forbes
Theologian: Dr. Steven Martin
Moderator: Elizabeth Howard

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SCENE

There was nothing extraordinary about 31 December 1989. It wasn't until the next morning, 1 January 1990, when a mood shift became perceptible, as if a gate had been lowered. Suddenly, conspicuous consumption seemed vacuous and the new American dream of quiche on every table and a BMW in every garage held little meaning. The insider trading scandal that had rocked Wall Street focused attention on ethics and integrity in business, and away from rapacious capitalism. The fall of the Berlin Wall, leading to the demise of communism, was transforming the former Soviet bloc countries and a worldwide recession was changing buying and trading patterns across the globe. The restructuring of American industry meant that layers and layers of white-collar middle managers would lose not only their positions but their identities as well. The "organization man" had already been buried.

Thursday evening, 30 September 1993

Moderator: Steve, can we begin this discussion with a definition of ethics?

Theologian: The assignment was to look at ethics from a theological viewpoint. Let's begin with the fact that there are four assumptions in religion: *institutional* (*presses index finger with opposite finger*)—liturgy, ritual and organization; *intellectual* (*unfolds middle finger*) religious thinking—to help people understand who they are and who they are in relation to other people; *mystical* (*raises eyebrows*)—the capacity to think about spirituality in the present moment; and *moral/ethical* (*folds hands under arms*)—the assumption that our human needs are met in the community.

This last aspect involves the maintenance of community. In community, there is an agreed upon balance of common values and assumptions. We articulate those boundaries and those moral undertakings necessary to attain that balance. We need to be specific about behaviors that enrich life and to distinguish them from those that do not. I would think that whether one is talking about a religious institution or another institution, those behaviors are primarily passed on from generation to generation, through stories of the heroic. In any society, the vacuum will be filled, whether through religion or through pop culture, the stories will be told, and within those stories, there will be the kernel of behavior.

Moderator: How do you create myths in a society where the boundaries are continually changing?

Theologian: Moving toward strategic alliances and away from the concept of the global corporation, you realize that you cannot create myths and stories in the international environment. You cannot create corporate culture with caps,

jackets, logos and slogans (*emphatic*). Strategic alliances are a way of allowing those whose myth structures may be very different to cooperate in global interests.

Organization Voice: Since we communicate through behavior, there is no question that we must distinguish right from wrong. Concepts underlying the system, concepts of right and wrong, should be acquired from religious training and the study of philosophy—not from pop culture.

I find it extraordinary (*tightens grasp on chair*) that we seem to come to the same conclusion in different societies about murder and other injustices. In the end, it is a pragmatic thing, it is the only way a society can exist and function. It is the same for the corporation. Is it an Israeli who wrote about the theory of constraint? (*Looks around room for an answer*) He wrote: 'There can be only one objective for a corporation ... to make money for the shareholders, both now and in the future.' 'In the future,' meaning that you must have long-term goals to achieve that objective or you will not survive in the business. Constraints make you behave in a certain way toward your clients and your employees. If you do not act in an ethical way, you will be forced out of business by your clients. And if you do not act in a certain way toward your employees, you will not have an organization that is working efficiently.

Legal Voice: (*Responds quickly*) That idea has crept into the law of Delaware corporations. There is a protection written into the law for the directors of corporations. If a corporation's directors make a decision that seems not to be in the best interest of the shareholders in the short term, the directors are protected from liability; they are permitted to take the interests of other constituents, such as the employees, into account.

Organization Voice: It is important for a leader in the corporate world to look to the future when making decisions. One must look at the immediate future and a larger picture when considering actions that could have an effect on whether the corporation makes money now, as well as in the future. It depends on what you believe is the path to being successful. You cannot abandon either viewpoint.

Theologian: If you go to the Western tradition of rationality and the religion of Jerusalem, you will find a book of proverbs (*pauses*), the collective wisdom of how people ought to behave. Stories of what constitutes virtue include: integrity and wholeness—what you see is what you get; righteousness—the proclivity to think through the right thing; justice and fairness—pursuing wholeness; and doing justice—the consequent Shalom—meaning, peace, the absence of deception and the proclivity to do what is just and right and fair.

Moderator: How does the law define corporate right and wrong?

Legal Voice: Let me take off from Steve's point of view. If we were to compare legal ethics with his kind of ethics (*nods without making eye contact*), I think it would appear to us that my profession's ethics have a system of authority behind them. Our ethics are not as aspirational. If I violate an ethical rule, I can lose my license to practice law. Others who choose to follow a moral precept do not have anything hanging over them. The legal profession has decided to regulate itself, so if one violates ethics, one will be sanctioned (*swings hand right to left*) in one way or another. This unfortunately, also creates a situation where there can be a race to the bottom. The attitude of "Let me do anything down to that level" is not helpful when encouraging lawyers to remain ethical and moral. For lawyers, it can be impossible to represent clients and remain obligated to do the best things for these client because of certain constrictive boundaries.

But we of the legal profession also believe that what we do is so important that there *must* be agreed upon boundaries. (*Leans back*) The boundaries are put in place to make sure that the system works. The Constitution of the United States assures that every person has the right to counsel and the protection of law. Everything that is in the Constitution protects our ethics and ensures that we know the boundaries to which our adversaries can go. We will not be surprised if what we have is up against the level. Our rules ensure our clients that they are given a certain amount of loyalty that is enforced and given a certain amount of confidence.

Some of our rules are very specific and are designed to protect our clients. For example, the rules on advertising are so technical that a word used in a letterhead of a law firm can be described as unethical. The profession goes to such levels. Many of our rules have to do with money; how we can get it and how we can keep it. We don't always come out in a good light. We are a community of people with common goals. Lawyers don't have a good image, but I think it is healthy for lawyers to be criticized to make them think about things.

Theologian: Hmm ... (*taps finger to temple*) a legal code of ethics in a minimal way. Dierdre, the way I am hearing your explanation is that if you do it this way, you will not go to jail. The way I am talking about is less concrete which outlines two main points. One dimension is called ethical considerations, and the other is disciplinary. The ethical considerations are aspirational in nature. The discipline is at the bottom level, at the lowest dimension, but generally, when lawyers talk about ethics they are talking about what will get them in trouble and what will not. I frequently read the Ethical Considerations because they give a sense of what we *should* be doing. Not everything has a hard and fast rule, but we can be guided.

Moderator: Corporations are appointing officers with the responsibility of monitoring ethics. Can you put the task of being a corporate ethics officer in the legal department?

Theologian: I think that a specified ethics officer or department would present the problem of the race to the bottom. It would not be taken seriously and would not be in any sense aspirational. It becomes essentially a question of obeying the laws: *compliance as opposed to ethics*.

Corporate leaders have a responsibility to set an example for the people who work for them. The reality is that even adults will not do what you tell them—they will do what their observations of their role models and bosses tell them is valued by those people. It is better, even if one might lose financially, to have stuck by what one believes leads to integrity.

Organization Voice: But a technical interpretation of the law does not create a leadership role. You don't have a bridle for capitalism. What is excessive wealth? (*Shrugs shoulders*) It seems to me, with my experience in Japan, one doesn't only get one's status from conspicuous displays of wealth. I believe the solution is to have a common social ethic to measure oneself against. There are hard ethical decisions to be made in leadership positions. You should not take a leadership role unless you are prepared to make difficult decisions. So many people take positions of responsibility for the wrong reasons.

Theologian: So then those in a positions of leadership—those who are responsible for addressing moral questions in large corporations—are generally the members of the board of directors. What is one's fundamental responsibility to the shareholders, employees, and others involved in a corporation? You must make this an act of faith. The leadership must have a firm and steady grip (*makes a fist*) on the tiller.

Moderator: But to what extent is this an American problem? Colin and Santanu both deal with international clients on a regular basis. Can you discuss the ethical problems you two may have encountered?

Organization Voice: Being an ex-patriot, you get confused. I was born and grew up in London, but when I had been in the United States for a few years, someone asked me if I were going home for Christmas. I wondered (*looks behind himself*), where is home? I have lost my sense of nationality. Much of our business is done over the telephone. So I don't think the law is an issue internationally, it is impractical. Most good international businesses and most traders really value their reputations. A deal is a deal. But you get differences in attitude and understanding. I have found that the Japanese negotiate differently, but still hold to their deals.

Moderator: They check references and they do it on reputation?

Legal Voice: A businessman I know deals with international clients. And when he receives a telephone call from a prospective Japanese client, he asks to come and see his office. The businessman finds this unusual because no American client ever does this. And it makes you wonder, why don't American clients do this?

Organization Voice: I believe the success of the next generation of increasingly international businesses will rely on an ethical underpinning.

Corporate Voice: I have more ethical issues with American clients than I do with international clients. I know business friends who have encountered problems. Their way of dealing with it is to create a subsidiary in a country like Singapore and let that subsidiary deal with that issue. If that subsidiary gets into trouble, then it does, in my mind, create a problem for the American company. I have not experienced anything like that so far, and 60 percent of our revenue comes from international trade.

Organization Voice: *How should we separate ethics from religion? Morality comes from philosophy.* They are very different. You do not have to be religious to be ethical. I feel there should be a holistic attitude toward family and business. Pentagram published a book entitled, *Living by Design*. The title was, arguably, the best thing about the book. The concept was that if you were a designer you should live your life as a designer (*raps hand on table*). To be moral, I should behave in the same way in the office as I do at home.

Legal Voice: Perhaps we should talk about family. When I was growing up, I had a sense that my last name stood for something. And I still try to be guided by that, but I don't think that children today have that feeling. There is more of an anonymous, global feeling now. It is important for people to keep the family in mind.

Moderator: Santanu, what differences do you see in your background and the United States? Is there a stronger emphasis on ethics in Eastern culture?

Corporate Voice: Well, I have been in this country for twenty-three years. I was born in Bangladesh and then my family migrated to India. I came to the United States in 1969 with \$28 dollars in my pocket (*pats jacket pocket*). My mother was a devout Hindu, and I was educated at a Catholic school. I am not an expert on comparative religions, but because of the fact that I grew up in India and all of my business experience has been in the West (*pauses*), I am neither Eastern nor Western but more an amalgam.

I was raised in the Hindu religion. It is very old, and the sense of ethics is very much a part of the religion. We have temples but the religion is not organized. What binds it all together is the philosophy of Vedanta, meaning "ultimate wisdom." Almost everything we do is defined by those principles. It is very inspirational, and we do not have to go to "the bottom." We knew when we were growing up what was right and wrong. No one told us. When we went to school, we did not have a religious education; rather, we had an education in citizenship, which meant being responsible, courageous, and honest.

I feel that what is lacking in the United States is a sensitivity to basic values. Children grow up without a value system. They are not taught that sloppiness is unacceptable. In college, they are not taught about what is right and wrong. They go into business and must be educated and trained to be professionals. Religion has less of an influence in the Western world now, and this causes the problem of ethics in the business world. Perhaps in the name of citizenship, we can teach students that there is something more important than making money. Before one takes action, one must ask oneself if it falls into one of the few basic precepts: truth, honesty, courage, fairness and so on. There is a great difference between the way I grew up and the way my children are growing up and I am concerned about it.

Organization Voice: (*Turns to Theologian*) The concept of citizenship goes back to the Romans. Is there a philosophical or religious concept based on citizenship?

Theologian: (*nods*) Romans excelled at implementing and nurturing their primary image, which was one of warriors. According to the book, *The City of God* by St. Augustine, the Romans created the concept of ethics. To be ethical is to be outside of the focus on the self; To be ethical is to nurture those things that build community and human dignity and the value of the individual's life. It is to be sensitive to those things that are "civitas." In *The City of God*, he defines *civitas* as an assemblage of people who are bound together by their common love or goal.

Corporate Voice: The small community feeling was there when the small communities were self-sufficient. Perhaps telecommuting will bring it back (*laughs*). Perhaps we can live in our villages and make a living by working for corporations at a distance.

The headmaster of the school where I grew up was viewed as a leader. In India, if I would go to another village to watch a soccer game and happened to see the headmaster while riding my bike, I would get off to show my respect. The teachers were symbols of ethical standards. And in such a small community, everyone was known to everyone else—there was never the sense of anonymity that is pervasive in society today. Why have we become anony-

mous? Is it because of the Industrial Revolution? Because the old agricultural society with the village-based economy is dead?

Legal Voice: One problem is that families are more ephemeral than they have ever been before. I feel that we are all part of a more global community today, rather than belonging to a small family unit of people you must honor. It is the extensive bureaucracy of government, the length of the workday and the effects of mass transportation. We live far from where we work. There is no longer the small community of people living and working together, people who know each other both inside and out. In today's workplace, we know only one-half of the person working right beside us (*points to her right*), because we see them only from that limited viewpoint.

Theologian: Are you familiar with Ferrol Sam's *Run with the Horses?* (*Corporate Voice and Legal Voice shake their heads no*) There is a grandmother and all through the book she says: "Remember who you are." And throughout the book the grandson carries her words with him.

Organization Voice: There are positive aspects of living together in a local community, and then there are places like Yugoslavia. There is ignorance and tribalism, and then there is the positive, kindred spirit of being together. There are also the positive and negative sides of technology.

Technology ... how about television? (*Leans forward*) I find the television extraordinary. I can watch educational programs that are beyond my level of consciousness. You have things that are special, and then, as with most things, you have the bottom end. There is a strong moral message in programs that producers like Bill Moyers are making.

Legal Voice: I think that television has a lot of potential.

Organization Voice: What worries me is that there's nobody in charge—you don't have any influence over what goes on television, and there's no practical mechanism that would allow you to establish any censorship to reduce violence or other negative aspects of television. So you just have to let it go and hope that the higher end will win.

Theologian: Ken Auletta, who writes about media for *The New Yorker*, and is the author of *Three Blind Mice, How the TV Networks Lost Their Way*, focuses on the theme that the people who control the media are out of touch with the value structures of the culture; they are so ingrown that they feed on each other. One example of how this is true is that the market shows that movies that are contemptuous of religion lose money. And things that are mildly religious and uplifting like Whoopie Goldberg's, *Sister Act*, make money. The

people who create the majority of the programming on television are isolated from the society as a whole; they aren't really keeping up. (*Circles hand to show quicker pace*)

Corporate Voice: The world is continually changing. In the last thirty or forty years, there have been so many changes in technology, and these have profoundly changed our lifestyles—particularly in the Western world. The voice of the East is religion and the voice of the West is politics. Neither is necessarily good or bad; they are different. I was wondering: what if, in the United States, there was no separation of church and government? Imagine that the constitutional head of government in the United States was a religious figure, that the President was more than an elected chief operating officer. If such a figure were respected and looked up to, then do you think that such a person could sort out the mess? (*Raised eyebrows*) Then do you think the world and the society and the government would be different? I ask because we do not see political leaders willing to sort out the mess—especially over the last twenty to thirty years.

Organization Voice: I wish that were true in England. The union between church and state is a source of confusion. I believe the only solution is a higher level of education and a debate among a broader group of people. I believe in public opinion in the long run. Ideally, whatever is wrong with television will be solved through public opinion. But it is ridiculous to think that you can have a democratic government if there is a totally uneducated society.

Legal Voice: I think the separation of church and state is a stroke of brilliance. The church should stand alone as a guardian and moral voice. If we don't hear that voice, we might as well stand alone. But I do think that the church has let us down.

Theologian: There are a number of studies on this subject, and the one that comes to mind is Richard Niebuhr's *Christ and Culture*, a study of the ways in which religious enterprises relate to the cultures in which they are placed. There are five models. One is the Christ against culture model, in which it is assumed that the church ought to have as little to do with its secular setting as possible. The opposite would be the Christ of culture model, in which there is a complete merger and you can't tell the difference. The third is Christ and culture in paradox—people who are serious about their culture have to divide themselves between their religion and their culture, and the two are at odds ... their values are at odds. There is also the Christ above culture model, in which the religious institution is more important than the state, the state is subordinate to the church. And the last one is the one that was most instrumental in the structuring of our society, that is Christ the transformer of the culture model.

Theologian: This is like the Puritan ethic—the religious person has an obligation to be concerned for the quality of the life in the community. It is morally reprehensible to religious people that there are people who are hungry and homeless in the midst of plenty. It is the religious undertaking to speak out against a culture that allows people to go hungry, or has an easy acceptance of violence or hyper-individualism that allows people to ignore commitments like family. In this model, it is necessary for the church to maintain a certain distance to allow it to speak out against the wrongs in society. If one is serious about religion it is important to include one's values in all of the institutions in one's life. If we cannot do our work within secular settings then what we do in our religious settings, is fraudulent and useless.

Organization Voice: How can you live within that paradox? (*Puzzled*) You can believe that you live reasonably well and honorably, but only if you keep your eyes closed. There is a paradox that cannot be reconciled: How can I be a Christian and not face that paradox of what I believe in intellectually and ethically? You certainly cannot have a society with extreme wealth on one hand and deep poverty on the other, and not have violence.

Moderator: Yet, with the problems we are facing now, Steve, why hasn't the church taken a leadership role in defining values? Why isn't it changing and speaking out?

Theologian: A very pointed and good question. We can use the word *church* as a collective term. I would say that there are a number of places where people are in the trenches out of a religious motivation. What the church has lost is its religion—its real sense of God. (*Faint frown*) It has lost its message. There are three major themes. One is the whole notion of meaning and purpose in life. And the religious answer is that this is found outside of the self. It means a surrender of the focus on the self. The second is the notion of community, and on the community's requirements and boundaries that should not be avoided. And the third theme has to do with finitude and death. It is the teaching that there is more to life that meets the eye. My sense of the church is that it has not lost its courage about politics, but it has lost its origins and its rootedness ... lost its sense of awe.

Moderator: Is there a new way of expressing the awe? Perhaps there is too much awe in our lives. ... in technology. ... Space shuttles and creating babies in test tubes ... where are the miracles? Has this driven people away from religion, has it convinced them that religion is superfluous?

Theologian: I think one of the real causes is that religion today looks too much like real work—it is intellectually rigorous and morally demanding, and so it just isn't popular. It is the place of a corporation to set a bottom line

standard, but then it is only the bottom line. It is not a good tool for real ethical judgments. My preferred model for trying to heighten ethical awareness is to look at the stories, the myths of ancient religion and culture, and to ask myself: Why do these stories persist over thousands of years—why are they useful in the present day? The answer is that from those stories, one extrapolates certain civil principles that, were we to abide by them and to inculcate them into our lives, and it would make our lives easier and richer.

Moderator: I feel we have put together mechanics to try to build a system through the Great Society. And it is a failed experiment.

Organization Voice: Churchill once commented: “If you are not a socialist under thirty, then you don’t have a heart, and if you are a socialist over thirty, then you don’t have a brain.” (*Grins*) We are more idealistic when we are younger.

Legal Voice: So the experiment of the state didn’t work. But still the backup should be the church. People should go on and do what they do. Has the state forced the population into believing in Christmas and other holidays? The feeling even of religious people at the time the Bill of Rights was drawn up was that religious people could corrupt and that God did not want people to practice a certain religion because the state put its imprimatur on that religion. That provision in the Constitution is meant to protect both the church and the state.

Corporate Voice: In that case, there is no difference—there is no separation between church and state. We have the Constitution and that is reality. But, if you look at the reality in the last model, the transition is when the government fails.

Corporate Voice: When everything else fails, there is religion.

Legal Voice: The state and the church legitimize one another.

Theologian: The church is tempted to swap its authority for a bogus relevance and therefore, to escape its role as prophet. I think, on the other hand, and you would know best (*nods to Legal Voice*), that what the state has tried to do is not to have freedom of religion but freedom *from* religion. The tradition is that every person is free to choose his or her own religion.

Legal Voice: You have made an interesting point. The separation is between the church and the government. People sometimes exaggerate the separation by suggesting that religion cannot influence the way they vote, when that is not the case.

Organization Voice: Steve, can you discuss what you meant about groups whose secular beliefs and religious beliefs are irreconcilable?

Corporate Voice: The problem I have with this is that we come down to the least common denominator. We set minimalist codes of conduct for doctors, lawyers ...

You can broaden that minimalism to include education. One failure of the universities is the increasing concentration on vocational training. I would blame the universities as well as the churches. It is the lack of having handed down what we should collectively have learned through and about the history of civilization to bring all of these things together.

Legal Voice: The university has become a business. It caters to students.

Corporate Voice: Perhaps we should add a course in citizenship.

Organization Voice: I agree. Whether it is promoted by a named group like Protestants or Catholics, when you get down to it, there are essential ethical things. Fundamentally, I find there is very little disagreement about what the course to take is.

Legal Voice: That is true in general terms, but it is difficult when you apply it to a specific case. For instance, lawyers face dilemmas about the morality of contract; whether a person should honor a contract or not. In jurisprudence, there is a divergence of opinion over whether there is a moral principle to honor your own contract. On the one hand, there are those who argue that you should always keep your promise, to them, that is what honorable people do. On the other hand, there is a school of thought that says you don’t have to honor your contract, if you are willing to pay the price of the lawsuit that you face when you break it. So, you can make a contract and if you pay the price, you can breach the contract, and when you want to get out of it, you can. (*Pauses*) Lawyers *do* discuss ethical dilemmas like this. This poses an issue that, in business, is a large ethical dilemma.

Moderator: But what would be an effective way of measuring the acceptability of ethically questionable actions, like breaking a contract? What about when there is an issue that goes beyond whether you can afford to do something and stretches to what is acceptable on a basic moral level?

Theologian: A friend of mine who is in business has an objective set of rules to guide ethical decisions. He explains that there are three things to ask yourself before doing anything. The first test is the “gur” test—how does it make you feel? The second is the “mom” test—could you tell your mother you did

it? (Smiles) And third, the newspaper test—would it be all right if it were written up accurately?

Organization Voice: I think Steve has the order right—the “gut” test has to be the fundamental one. It has to be: Do I feel comfortable with myself? I think if you can increase the feeling of self-worth you are more likely to make the right decision.

Legal Voice: I disagree I think that one person’s impression of what is ethical is too subjective. A better test would be a test of whether or not your actions could stand up to scrutiny by the public at large—in a newspaper, for instance. Anything less runs the risk of being too ambiguous.

Theologian: Your mention of ambiguity reminds me of a discussion I had last summer with my daughters. I am the proud parent of ardent feminists, but I became distressed when we got on the abortion issue. There was not enough moral anxiety and struggle. It seems too easy to decide without real thought and debate ... too simple.

Legal Voice: A major shortcoming of the women’s movement, perhaps, is its tendency to substitute one particular viewpoint or morality for individual thinking. I think there is not enough discussion.

Theologian: It is an ambiguous issue that didn’t materialize. Where is the right in that? The struggle there is in misunderstanding.

Legal Voice: It is the lack of discourse that causes these dilemmas. The modern corporation must be the forum to open the discussions that were confined to the university and to the church. In the future, the corporation must set the example. It is all that we have left.

Corporate Voice: If you look at the impact the modern corporation has, it is very profound. The corporation has more influence on society than other institutions do.

Legal Voice: Above the church and the intellectuals, the modern corporation must be the leader.