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CHEATING

**THE ORIGIN, NATURE, IMPORTANCE
AND IMPROVEMENT
OF BUSINESS AND OTHER ETHICS**

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12. WHY ARE ETHICS IMPORTANT ESPECIALLY IN GOVERNMENT? ETHICS WEALTH AND WELL BEING

What difference does it make if people in one country are more ethical than in another? Does it help make the country wealthier? The production of wealth is a primary objective of most countries, especially in traditionally free enterprise capitalistic cultures like the U.S. Wealth allows a country a higher standard of living for its people, better education and more possibilities for its people to be successful and happy.

We have discussed above whether ethical conduct pays, mostly focusing on the individual business rather than what is in the best interest of the society as a whole. This part of the book focuses on whether a higher level of ethical conduct is advantageous for a society as a whole.

It is difficult to prove an ethical society is more prosperous, since countries have different reasons for their own level of wealth. It is probably not possible to conduct scientific comparative experiments. However, some indications exist which support such a conclusion.

Experience in large law firms indicates that conflicts of interest between lawyers lead to internal strife which harms efficiency by making cooperation among partners difficult. If every lawyer is ethical and generous fewer conflicts will exist. Some law firms have disappeared when management was weak and internal cohesion failed. Conflicts in an organization interfere with the primary objective of giving good service to clients and being profitable. Management is judged in part by how well internal conflicts are settled or avoided and how closely individuals in the firm cooperate to insure the best interest of its clients and of the firm prevails.

Transparency International Corruption Ranking

A positive answer is suggested by examining the ranking of countries from the least corrupt to the most

corrupt established by Transparency International and comparing it to the list of countries ranked by wealth according to the International Monetary Fund, World Bank and CIA figures²²⁴. In such a comparison, the Nordic countries and the other Western democracies emerge among the most prosperous and ethical, if one assumes that corruption is unethical conduct. Of course, there are many other factors which can make a country wealthy such as rich soils for agricultural purposes, abundant natural resources, an industrious population and other cultural and sociological factors. Other factors also need to be taken into account such as how big an underground or black economy exists, accumulated wealth, how well income is divided among the inhabitants, and intangible factors in the country like security, culture and beauty.

As we have seen in Robert Putnam's research beginning on page 277 that where people trust each other, they work better and more efficiently, which is undoubtedly a favorable factor in increasing wealth. Acting ethically may not directly produce more wealth on a micro-level and could result in a business making less money especially on the short term. But on a macro level in a society as a whole, good ethics of all those in a community generates trust and facilitates doing business and increasing wealth. In addition, if a business organization has good ethical principles, employees feel better about and are proud of their work, and enjoy it more, and employee efficiency and morale is higher, which leads to more wealth. This should also be true for the population of a nation or any large community. Morale is important.

Putnam's study also indicates that the poorer regions in Italy have populations not accustomed to pluralistic

²²⁴ The 2011 Transparency International Corruption Perceptions Index: <http://www.transparency.org> and <http://www.wikipedia.org> showing IMF, World Bank and CIA figures for 2010 and 2011

democratic participative governments but have had rapacious, dishonest authoritarian rulers.

Mancur Olson - Importance of Honest Governments for an Ethical Society

Another scholar, Mancur Olson²²⁵, an economist, also provides indirect evidence that good ethics of a population in a community pay important dividends to society. In this case, Professor Olson focuses on the nature and quality of the government (power) and its ethics in relation to the creation of wealth. Charles Cadwell, in his preface to Mancur's book, refers to the 1344 painting in the City-Republic of Sienna where the ruling Council of Nine deliberated –depicting good government and bad government. Bad government is represented by Tyranny who holds court over a city of Vices, Cruelty, Treason, Fraud, Furor, Division, War, Avarice, Pride and Vainglory where justice is non-existent. The picture of good government depicts Wisdom, Peace, Justice, Faith, Charity, Magnanimity and Concord with city counselors and active citizens shown as well as prisoners and soldiers who represent law enforcement.

Mancur Olson studied why after the fall of the communist governments in Central Europe prosperity did not occur as rapidly as some hoped. He found that economic success depended upon clear and well defined rights for all to private property and impartial enforcement of contracts through a reliable court system and, on the other hand, an absence of predation by private parties and the government. The ethics and efficiency of the government is essential in the creation of wealth. He noted that rights-respecting democracies ought to work by making authoritative decisions in the general interest rather than favoring narrow private interests. This can only work in a democratic way if there is little or no institutional corruption which

²²⁵ Olson, Mancur. 2000. *Power and Prosperity –Outgrowing Communist and Capitalist Dictatorship*. Basic Books

unfortunately seems to be the case in the U.S. today. See Republic, Lost by Lawrence Lessing p. 287. He also found that large complex markets need good government to enforce rules in the markets and foster growth and the accumulation of wealth. He favored a "market-augmenting government" –one that encourages capital formation and the ability to secure credit for businesses, but favored a limited government which would not deprive individuals of their own rights to acquire property.

The important role of the government in setting the framework for an ethical society is well explained by Olson in that the wealth of a State depends upon limiting predatory conduct of the State and enforcing individual citizens' rights to stop others from the predation of taking of property from other citizens, i.e. to stop unethical conduct. This means that the government should work for the public good and not be influenced to favor private interests inconsistent with the public interest. For that reason, his research provides evidence that ethical conduct by government and business (voluntary or enforced) is a key element in a society's ability to produce wealth as well as to provide a good quality of life in a peaceful community to better pursue happiness.

Although ethics is often classified as a special subdivision of philosophy, it overlaps and has a close relation to and affects many important areas of life, activities and knowledge.

A society functioning with higher ethical principles is not the only reason given by scholars for increased economic activity. Joel Mokyr's book *The Enlightened Economy*²²⁶ suggests that the reason the industrial revolution occurred in England rather than in France or Holland even though they were more powerful neighbors in the 17th century, was that in England "ideas interacted vigorously

²²⁶ Mokyr, Joel, *The Enlightened Economy*, Yale University Press, 2010, reviewed by Trevor Butterworth in the Wall Street Journal, July 30, 2010, *A Revolution of the Mind*.

with business interests" and this was "useful" knowledge "marrying economics to intellectual history" which included ideas like liberty and natural philosophy and perhaps ethics as well. This mixture according to the author constituted a "positive feedback loop that created the greatest sea change in economic history since the advent of culture".

The above considerations lead one to believe that even if ethical conduct and other non-business ideas are not necessarily a direct creator of wealth, like a creative business idea or hard-working imaginative people, it provides an important and necessary condition and lubricant in which society and its various parts function more harmoniously with less friction than in a lawless dog-eat-dog environment. Ethics is an important element in producing wealth and the long term survival of a community and the individuals in the community. This conclusion is also confirmed by the Transparency International's ranking of countries according to their reputation for corruption. It is probably true that corruption of leaders in the Roman and other empires have hastened their disintegration and decay.

13. CONCLUSION

After considering animal behavior some scholars believe that animals have ethical conduct and others that their behavior only provides the building blocks for ethical development by humans. We have also seen that a major creating, reinforcing and teaching source of ethics comes through the traditional religions thinkers and religions some of which are thousands of years old. Religious faith is more than an ordinary individual opinion because it purports to govern conduct more than other less important opinions on other matters. It repeats, celebrates and encourages ethical practices through forms of religious worship in religious institutions which tend to reinforce its strength in society. The religious community enforces its beliefs on its members through social pressure to maintain ones reputation and