

## THE ETHICS AND MORALITY OF BUSINESS

### WHAT ARE ETHICS?<sup>1</sup>

During 40 years of working and traveling in the international business community I have encountered a wide variety of ethical standards and values; and it has been challenging to understand, reconcile and deal with the many different concepts of ethical behavior. As a practicing international businessman it was important to understand the correct ethical standards necessary to guide my actions while living and working in a global environment; and more importantly, to understand *why* they are correct.

Ethics is the study of moral standards and values used to guide our choices and conduct. A "value" is that which we strive to gain or keep, and a "virtue" describes the action we take to gain or keep it. My ultimate value and goal is *Life* at its highest level of actualization—although some believe death and martyrdom represent a higher level of exaltation. I diagnose the aspiration for death and martyrdom to be an illness caused by the epidemic of mysticism<sup>2</sup> throughout the world.

Our choices of ethics and values determine the degree to which we can achieve the ultimate goal—life at a high level of actualization. And the correct choices are not automatic—we frequently observe people deliberately or inadvertently adopting anti-life values and standards that are self-destructive. Two recent examples from the world of business are Ken Lay and Jeff Skilling.

After 40 years of study and observation I have reached a sufficient level of understanding to be comfortable sharing my experiences, observations and conclusions related to ethics and morality as they apply to international business. This was not an easy journey, and it is certainly not sufficient to simply say: "*Follow the Ten Commandments*".

### THE PROPER ROLE OF BUSINESS:

A discussion of business ethics should first identify the virtue of productive work. Our survival depends on our ability to think, evaluate, and identify the correct alternatives. Productive work is the process by which we use this ability to re-shape the environment and sustain our life. Business provides an opportunity to do productive work—one of the greatest of virtues. In the realm of ethics, it is not the level of achievement or the degree of ability that matters—it is the purposeful use of our mind. This is the standard against which ethical business behavior must be judged.

Libraries are littered with volumes on the subject of business ethics, and it is easy to explore the opinions of a wide variety of self-appointed experts on the subject. In North America, a significant industry has developed around business ethics—consulting firms, conferences, magazines and scholarly journals. Awards have been offered to companies exhibiting the best "corporate conscience". Many large companies now have Corporate Ethics Officers, and there is an "Ethics & Compliance Officer Association"<sup>3</sup> (ECO). There is no doubt that the role business plays in society has become an ethical issue, and there is much debate about what that role should be. Often the debate suggests the choice is simply between money and morality—as if they

were mutually exclusive. In other words, should the role be the pursuit of profit and increasing shareholder value or should the primary role be corporate social responsibility?

There are universal principles of business that touch the realm of ethics. The first principle—a matter of business survival—must be to maximize the *long-term* value of the firm to its owners. This can <sup>1</sup>only be achieved by focusing on profitability, by being a good corporate citizen and by making choices that benefit its customers and other stakeholders—long-term. This requires practicing ordinary decency and building trust through honesty and fairness. A reputation for high ethical standards can only be built up slowly over a generation. And it does not require unproductive “do-gooding” that risks distributing the owners’ equity in a manner contrary to the wishes of the owners. Profit is the life-blood of business, and it cannot succeed without maintaining a good level of profitability. There is no such thing as “obscene profits” when earned through honest and voluntary trade—only obscene losses.

### **THE CRIMINAL ELEMENT:**

Are businessmen predators, ready to lie, cheat and steal in their pursuit of profit—as some would lead us to believe? Is the desire to make money a motivation to be a criminal? Of course, the business community has a small criminal element, as do all professions. What is it that motivates a business man to resort to fraud?

John Dewey (1859 ~ 1952) was an American philosopher and educational reformer who is recognized as the founder of the philosophical school of Pragmatism<sup>4</sup>. His thoughts and ideas have greatly influenced thoughts and ideas in the United States and around the world. Pragmatism holds that a belief is true or false depending on how efficacious that belief is in helping the believer achieve his goals. It holds that truth is *not* that which contributes the most long-term benefit, but rather, that which contributes the most immediate benefit to the individual. For more than 100 years, the philosophy of pragmatism has been taught to students and future business leaders. They have been taught that no absolute standards exist; that one can not be certain of anything; that we can not know the future; that the truth is that which works for the individual at the moment, and that which works is that which makes you feel better now.

How many times have I heard the statement: “*Don’t worry about the consequences, we don’t know for sure what will happen and we can deal with that when the time comes.*” Thus, pragmatism is an open invitation to fraud. After all, the money makes you feel good and you might not get caught; the pragmatist can feel comfortable seeing how much he can get away with before everything comes crashing down.

I have witnessed many suggestions and ideas being praised for being pragmatic; it is almost universally accepted that pragmatic behavior is good. Of course, pragmatic decisions may not always have detrimental long-term consequences, but the probability is high because they are not considered

important in the pragmatic decision-making process. Opponents of pragmatism are invariably accused of being moralistic, dogmatic and impractical. Fortunately, many business people understand the importance of the long-term consequences of their decisions; however, pragmatism has become deeply embedded in our culture and is too often the basic underlying cause for dishonesty in business. Pragmatism is dangerous; rise above it.

### **MORALITY: THE CODE OF CONDUCT:**

Does leaving a tip for a waitress represent an innocent gratuity or a bribe? If not a bribe, why not? After all, a tip is intended to entice the waitress to give you preferential treatment, is it not?

When does the amount of a gratuity cause it to become a bribe, or does the amount paid have anything to do with it? And if the amount does matter, what is the threshold above which it becomes a bribe instead of a gratuity? And do payments in goods or services instead of money change the ethics of the transaction?

Is offering an intermediary a new Mercedes-Benz automobile for facilitating a business transaction in your favor a bribe or simply a payment (gratuity) for services rendered?

Is taking a group of important customers on an all-expense paid trip to see the Indianapolis 500, or to go salmon fishing off the coast of British Columbia for a week simply good marketing and a reward for customer loyalty, or is it a bribe to influence future procurement decisions favorable to you? These types of business practices are common in North America—I have participated in many—and interestingly, they are generally considered ethical.

At the same time, many western business people with a self-righteous attitude condemn similar practices in other parts of the world when the rewards may be in the form of gifts or money as well as “vacations” to sporting events. I once joined a group of loyal Saudi Arabian customers to an all-expense-paid product seminar in Malaga, Spain. The local dealer chartered a private 747 jetliner for the event, and the customers were entertained with the finest champagne and Spanish ladies that money could buy. How is this any different from the many customer appreciation events that take place in North America every day? Frequently, the difference between a gratuity and a bribe is in the eye of the beholder, and it is often difficult to clearly delineate between the two.

Most large companies have attempted to deal with these difficult issues in a variety of ways. Caterpillar Inc. was one of the first companies to define a corporate ethics policy and document it in a *Code of Conduct*<sup>5</sup> as early as 1974 and over the years the company has established an enviable reputation for ethical behavior. Rather than being a broad philosophical statement of little practical value, the Caterpillar Code tried to acknowledge global reality and addressed ethical issues encountered in our day-to-day business activities. It included statements like:

*"We will keep our word. We won't promise more than we can reasonably expect to deliver; nor will we make commitments we don't intend to keep. We won't seek to influence sales [...] by payment of bribes, kickbacks, or*

*other questionable inducements.”*

Caterpillar’s Code also discussed the involvement of people in decisions affecting their work; aspiring to high standards in human relationships; stewardship of the Board; protection of the environment; relationships with suppliers, dealers and public officials; financial reporting; intercompany pricing; public responsibility; and a variety of other ethical issues. And we were expected to follow this Code. Every year we had to sign a document that reported on compliance. Today, it is common practice for companies to maintain a code of ethics.

Shortly after the Caterpillar Code was first published, I found myself working for the company in Africa and the Middle East, and later in South East Asia—areas where ethical standards and practices were often significantly different than in North America. Caterpillar’s Code was written to accommodate these differing business practices without compromising the basic principles. It recognized there isn’t necessarily “one best way” since different cultures hold varying views about practices related to dealing with competition, information disclosure, international mergers, intercompany pricing, safety standards, intellectual property and trademark protection, for example.

Bribery and corruption have always been ethical issues. Conflicts often arose during normal commercial transactions and routine dealings with public officials. For example, our Chinese employees from Hong Kong periodically traveled to Indonesia to work with the local dealer. The long-standing antagonism of the Indonesians towards the Chinese resulted in deliberate harassment. While passing through immigration at the airport in Jakarta in the 1980s, their Chinese passports would often mysteriously disappear until a US\$50.00 “gratuity” was paid to expedite the processing of the documentation. Consequently, I routinely approved expense reports claiming “*Gratuities to Indonesian immigration officials*”.

Was this a violation of the Code? No. The Code clearly stated that it was strictly forbidden to pay (i.e. bribe) public officials to *avoid* doing what they were expected to do; however, payments of “customary amounts” were allowed to “facilitate correct performance of the officials duties” when it was deemed unavoidable. It was left up to the individual in the field to determine what was “customary”. Responsible corporate ethics and profitability did not conflict in these situations, although one could debate the virtue of the immigration official who demanded a “gratuity”. Since 1977, American companies have been bound by Foreign Corrupt Practices Act, which prohibits American companies from paying bribes to foreign officials or political parties.

In many parts of the world, intermediaries (consultants or brokers) routinely handled the procurement of goods and services for government entities. These intermediaries are often used to shelter the vender from direct participation in incentive payments (i.e. kickbacks) to the purchaser. And the broker can usually issue an invoice to keep it all visible and legal when scrutinized by the auditors. Seldom is anyone fooled in these situations because the invoice usually goes well beyond what would be considered a reasonable amount for the “services rendered”; but then, what consultant is going to accuse another of fraud merely because they charged “too much” for

their services? And in some situations, the invoices may even be fictitious in the sense that no identifiable services were performed. During the years I was involved in the retail end of international business evidence of this practice was seen quite frequently. Caterpillar's Code strictly forbids its employees from participating in such activity, or such activity engaged in by others. It also strongly discouraged its dealers from engaging in such practices.

It is no surprise that globalization has produced some lively debates about corporate ethics. Is it sufficient that businesses meet local laws regarding safety and environmental standards if they are lower than in more developed countries? The explosion at the Union Carbide plant in Bhopal India in 1984 killed about 8,000 people and brought this issue to the attention of the world community. Subsequently, most multinational companies have established minimum standards for health, safety and the environment that exceed the local requirements—as does Caterpillar Inc.

It is important to note that Caterpillar's Code of ethical conduct does not eschew the importance of maintaining profitability and increasing shareholder value. Caterpillar clearly believed that a balance between the pursuit of profit and social responsibility must be maintained—it was not a matter of focusing on one to the detriment of the other. The two are not mutually exclusive. In fact, in 1972, President Lee L. Morgan made a presentation to the Rotary Club of Peoria, Illinois, in which he said:

*"Regrettably, we live in an age when many—even some businessmen—have become apologists for profit. Not us. We need say no more in defense of profit than to note that it has been our chief incentive toward achievement and excellence; and it has been by far our principle source for the capital needed to finance growth and protect Caterpillar jobs. It has been rightly said that a company must do well to do good."*

### **SOCIAL RESPONSIBILITY:**

About 200 years ago, Adam Smith made the observation that we owe our daily bread not to the benevolence of the baker, but to his relentless pursuit of profit. More recently, Milton Friedman, a guru of market economics said *"there is only one social responsibility of business—to use its resources and engage in activities designed to increase its profits"*. Many denounce Mr. Friedman's statement, saying the pursuit of profit leaves no room for serving the "public good". And they also disagree with Adam Smith, arguing that social progress comes from the benevolence of the baker as he practices good social responsibility instead of from his pursuit of profit.

Yet market capitalism and the pursuit of profit produce outcomes that serve the public better than any social planner has ever been able to do. Advocates of altruism reveal a failure to understand how and why capitalism works. And when they attempt to impose corporate social responsibility by force through government regulations—such as demanding uniform international standards on social, economic and environmental goals (i.e. pollution, labor practices, pay scales, etcetera)—they end up promoting policies that raise costs and prices that actually reduce jobs and opportunities—as well as the social welfare they strive for. We live and work

in a non-uniform world and uniform standards don't work. They end up imposing costs on society at large that it can not afford, especially in the developing countries. The global economy suffers and puts the developing countries at a particular disadvantage<sup>6</sup>.

**BUSINESS: IMPROVING THE HUMAN CONDITION:**

According to United Nations estimates, the world's population reached 6 billion in 1999, and in 2006 is estimated to be 6.5 billion. In 1995 the World Bank reported that 1.1 billion of them live in extreme poverty, and about two-thirds of them are illiterate. They are subject to high infant mortality and a short life expectancy. Therefore, it can be said in the seventeenth-century words of Thomas Hobbs that hundreds of millions of people can anticipate a life that is "poor, nasty, brutish and short". What is the outlook for improvement and what is the contribution of business to improving the human condition?

The first and perhaps the most important contribution is the work the products do. One of the greatest rewards of my life has been witnessing the work Caterpillar products have done to improve economic development throughout the world—and playing a role in that development. Construction of roads, airports, railways, canals, dams, reservoirs, levees, sewers and waterways; developing sites for homes, factories and stores; clearing, forming and terracing land; production and harvesting of crops; opening mines, removing overburden, excavating, hauling coal and ore; reclaiming wastelands for useful purposes; exploring for oil and gas; constructing pipelines; logging, disposing of waste material; providing diesel power for trucks, boats, industrial equipment, hospitals, factories and stores. Such work is critical for the elevation of living standards and to improve the human condition—and the developing countries always benefit the most—if their leaders care about the welfare of the people.

The second contribution made by multinational business is establishing manufacturing facilities in the developing world. Caterpillar products and components are manufactured in 50 facilities in the United States and in over 60 other locations. Caterpillar has a presence in over 40 countries around the globe. Each of these facilities generates significant employment opportunities for the local people so they can look forward to improving their "poor, nasty, brutish and short" life. And contrary to popular belief these facilities have not displaced manufacturing capacity in the United States; quite the opposite—they have strengthened market position and captured new business in new locations that would not otherwise have been available.

In addition, in almost every instance they have stimulated exports from the United States. Take China as an example. Caterpillar sold its first product to China in 1975, and shortly thereafter I roamed the country helping to provide service support to our customers. Local production began in the early 1990s and now there are 13 joint venture and wholly owned facilities in China together with a network of independent dealers. The workforce and sales are expanding rapidly. During the last few years leading up to 2006, exports to China have increased 40% and some 5000 new production jobs have been created in the U.S.<sup>7</sup> as a result. How is it that hiring workers overseas is

considered by many as a breach of ethics? It is a deception perpetrated by union leaders that overseas manufacturing facilities “export jobs” out of the United States—in fact, they have stimulated new jobs and made a major contribution to the health and strength of the U.S. economy.

Embracing globalization and trade liberalization is the third important contribution business makes towards improving the human condition. Caterpillar estimates that about 40% of their jobs in the United States are the result of exports; in 2005, Caterpillar exported more than \$9 billion in products from the United States. The best way to secure jobs in the U.S. is to become strong and efficient to compete on the world stage. It’s win-win worldwide for all, and especially a win for the improvement of the human condition.

Unfortunately, too many government policymakers want to erect trade and investment barriers, fearful that America can no longer compete on the world stage. This fear is completely unjustified, and if acted upon, would cause serious damage to the U.S. economy. If the American and Chinese economies were ever to turn against each other, a worldwide recession would quickly follow. Keep in mind that only 5% of the world’s population lives in the United States; that means 95% of the potential customers live elsewhere. Trade liberalization brings these potential customers into the global economy, and the United States certainly does not want to shut itself off economically from 95% of the world’s population. Trade liberalization is the answer—not protectionism and unilateral sanctions. Although I refer to the experiences of Caterpillar and the U.S., the same argument holds true for all multinational businesses in most countries.

The fourth contribution is the transfer and sharing of technology. Each time a new facility is established somewhere in the world, a certain amount of technology transfer and sharing takes place. Caterpillar first launched technology transfer agreements with the Chinese in the 1980s at which time the Chinese began building licensed products. This technology helps the developing countries help themselves, which they must ultimately do to climb up the economic ladder and out of their poverty and illiteracy. For decades, Caterpillar has shared technology related to management, product design, application, support, and a variety of other business functions with many countries.

These are the ways in which business helps billions of people participate in the global economy, and acquire knowledge and jobs that enable them to help themselves and enjoy a better quality of life. Since the beginning of the Industrial Revolution business has been the primary engine driving the improvement of the human condition.

#### **GOVERNMENT: IMPROVING THE HUMAN CONDITION:**

Recently, the head of the World Bank, Paul Wolfowitz, faced significant opposition in trying to attach standards of transparency and accountability to their foreign aid dollars<sup>8</sup>. The European elites who want to throw other people’s money at the developing world objected; they did not seem to care how much of the aid money was siphoned off by corrupt governments—after all, it wasn’t theirs. It is generally accepted that about 40% of aid money is

used to keep oppressive tyrants in power rather than going to help the oppressed people. The World Bank uncovered 2,000 instances of fraud and other misconduct in its projects since 2001. International aid organizations regularly indulge oppressive governments with our tax dollars. The majority of the governments receiving the bulk of the aid money rank way down on the Index of Economic Freedom<sup>9</sup>. Transparency International<sup>10</sup> ranked more than 163 countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys. The 2006 Index only gave 42 of the 163 countries (25%) a score better than five on a scale of one to ten.

And it gets worse. In July 2004 the G-7 leaders decided to forgive \$50 billion in bad debts to poor nations—mostly African—by 2010<sup>11</sup>. In a move to put a veneer of ethics on their philanthropy it was initially decided that corrupt governments would not get any new aid money. It was then suddenly realized this would cut off most of Africa, specifically the people who “needed” it the most. An enterprising economist from Columbia University, Jeffery Sachs, set out to solve this problem by devising a new system to measure corruption<sup>12</sup>. Mr. Sachs argued that since corruption is caused by poverty (?), it must be measured relative to poverty levels rather than to any absolute standard of honesty! In other words, a “less corrupt” government should be given a favorable rating and qualify for aid money. This absurdity gave “good” or “average” grades to 26 out of 33 African countries (79%), whereas Transparency International gave them grades of “poor” or “very poor” in terms of their corruption index.

It is time that a Foreign Corrupt Practices Act was passed to require ethics in the distribution of foreign aid. Until then, rest assured the professional self-righteous philanthropists will continue to give away our hard-earned tax dollars that end up redecorating presidential palaces, maintaining corrupt tyrants in power and keeping people poor and oppressed. It will continue until we say: “No more!”

Clearly, international business does far more to improve the human condition than all the handouts from the multilateral organizations such as the various so-called Development Banks and the UN Development Programs.

### **BUSINESS: GUILTY UNTIL PROVEN INNOCENT:**

The principle of justice holds that an individual is innocent until proven guilty; and it is a travesty of justice to hold someone responsible for an evil he did not commit. If that is true, then why is it that businessmen are judged guilty until proven innocent? The majority of the problems in the world today are blamed on business: for example, widespread obesity (“fast-food franchises”); political corruption (“special interest groups”); personal bankruptcy (“greedy credit card companies”); declining moral standards (“debased movie studios”); lung cancer (“evil tobacco companies”), and murder (“gun manufacturers”).

Why are problems resulting from misuse blamed on the companies that legally produce these products to meet a demand, rather than on the individuals that misuse them? Of course, many products can be used to destroy as well as to build, and that is true of Caterpillar’s products as well. Recently Caterpillar was blamed for selling bulldozers used by the Israeli army

to destroy homes, orchards and other properties in Gaza and the West Bank. Caterpillar's Chairman and CEO, Jim Owens, rightly responded by saying:

*"With more than 2 million machines and engines out there, we don't have the practical ability or the legal right to determine how our products are used after they are sold."*

Should we blame the hammer that hits our finger instead of the nail? Should business get blamed for the irresponsible way its customers use its products? Of course, the makers of both hammers and bulldozers have to be concerned about the way their products are being used, but as for social responsibility, I greatly value being identified with the application of Caterpillar's products to meet the needs of mankind in every corner of the globe.

Unfortunately, when the public embraces the anti-business mentality, they fail to examine the evidence. They simply assume the charges are true and make a presumption of guilt because they believe the primary motive of business—the pursuit of profit—is evil. This is why it is easy to attribute most problems to business—whatever the facts—and blame businessmen for problems they did not cause. Using business as a scapegoat and presuming them guilty is immoral and a monstrous injustice.

In fact, rather than being a motivation to do evil, the profit motive is a highly moral imperative for success and economic well-being. Making money requires honesty and integrity; practicing fraud destroys a company's value, as has been amply demonstrated by the recent examples of Enron, WorldCom, Global Crossing and Arthur Anderson. To succeed, companies must offer high quality products, not shoddy goods. And they must maintain a reputation for fair-dealing and maintain accurate accounting statements; otherwise they lose the trust of the bankers, the credit rating agencies and the investing public. Even suspicions of wrong-doing can destroy a company's stock price and its ability to borrow money. Creating wealth requires offering goods and services that satisfy customers demand for value. It is precisely the quest for profit that has given us cheaper, safer and better products.

#### **GOVERNMENT STRANGULATION:**

Despite the virtue of the profit motive, the anti-business lobby clamors for more government regulation and oversight to protect consumers and investors. The vast majority of ordinary companies are being made to pay for the fraudulent behavior of a miniscule few. The Sarbanes-Oxley legislation passed in 2002 is a case in point. It was passed in an anti-business frenzy in response to the Enron and WorldCom accounting frauds. Although these frauds were committed by a handful of individuals, they were held up as black marks against *all* businessmen who were expected to atone for the fraud committed by a few. And the definition of wrong-doing is so vague that it is left up to the judgment of some government inspector to determine if fraud was committed and if jail time is justified. Sarbanes-Oxley forces *all* businessmen to prove they are not "cooking the books". Consequently, honest businessmen must spend thousands of man-hours and millions of shareholders' dollars "proving" they are not criminals. It is time to repeal the

legislation and begin to treat businessmen as American citizens—innocent until proven guilty.

Other perverse laws are designed to penalize the innocent, rather than the guilty. The antitrust laws do just that; they penalize the most successful businessmen simply for being good and achieving market dominance. Thus, the most successful are often charged as criminals for achieving extraordinary results. For example, witness Bill Gates and the Microsoft organization. From the very beginning, Bill Gates built a company that produced exceptional products, and continually released ever-improving versions of those products at ever-lower prices. Microsoft products are considered so superior by its customers that they are used in almost every home and industry, contributing to higher productivity throughout the world. Would it not seem reasonable that such a company would be applauded for its success and for its contributions to better living?

Unfortunately, instead of being applauded, Microsoft was denounced for “exploiting” its success, and condemned as “predatory” for gaining market share and not allowing its competitors to catch up. Court decisions based on antitrust legislation banned Microsoft from getting too far ahead of its competitors and gaining an “unfair advantage” over its competitors. Microsoft was prevented from setting the terms and conditions of sale for its own products—instead, the government set those terms to benefit the less competent companies that could not match Microsoft’s superior performance.

Antitrust laws serve only one purpose: to prevent a company from getting too good; to make sure the second-rate organizations can free-load off the best and not be “shut-out” of the markets the best have created. You are condemned as a “monopolist” and persecuted if you are good enough that your customers persistently demand your products and make you wealthy.

A private company has no power to forcibly suppress competition. The only power a private company has is the power of voluntary trade—customers can choose to buy their products or they can walk away. Microsoft is in no position to tell its customers what to buy or not to buy, and therefore, it can not create a monopoly. Only the government can create a monopoly by passing laws that give a company or an industry unfair advantage over its competitors. No private company can do that.

There have been many victims of the antitrust laws over the years: in the 1950s it was ALCOA; in the 1970s it was IBM; and in the 1980s it was Wal-Mart. The goal of the government in each case has always been the same: punish the good for being good; punish a superior business organization for getting rich through superior products and customer service—not through theft or fraud. Ability should deserve rewards, not punishment; this is the fundamental principle of the American way of life and should be defended. The antitrust laws make a mockery of that principle. We live in an Age of Envy, and it sometimes it seems those who hate success are winning.

There are so many government regulations aimed at business activities—activities that government has no right to regulate—that it has neglected its proper function to detect and punish genuine fraud—fraud in government as well as in business. Laws already exist to prove fraud and punish the guilty; they should be applied and enforced.

### **THE MORAL DEFENSE<sup>13</sup>:**

So what is the proper response to those who view business as inherently immoral with its “corrupt” desire for profits? What is the proper defense against this relentless attack on business? When one is condemned for being successful and doing well there are two fundamental choices:

(1) capitulate to your accusers, throw yourself on the mercy of the court, apologize for being good, beg forgiveness and promise never to do it again; or

(2) fight for your inalienable right to engage in voluntary trade; fight for your right to negotiate your own terms and conditions of sale with your customers; fight for your right to earn as much as you can through honest and voluntary trade; fight for your right to do business as an independent entity rather than as a public servant.

Tragically, it seems alternative one is the preferred choice. During the frenzy of the Enron and WorldCom accounting fraud even the Business Roundtable—representing the most successful corporations—accepted collective guilt for the crimes of a few when they made the statement: “*We must and will act collectively to rebuild the trust that has been lost by the reckless disregard of the few*”. This was unequivocal capitulation to the government’s initiative through the Sarbanes-Oxley legislation to restrict freedoms of *all* business and micromanage their accounting practices.

After 9/11, were all Muslims called to “rebuild trust” of the public? When the environmentalists commit eco-terrorism is there a government Oversight Board created to prevent the next act of destruction? Of course not, these groups are assumed to have a “selfless” motivation to pursue benevolent causes. Only businessmen are treated as guilty until proven innocent because the profit motive is considered evil.

Unfortunately, in his own defense, Bill Gates also chose option one. He said he was motivated by “giving to our communities”, which in effect said that the existence of Microsoft was primarily justified by “serving the public interest”. Since the government represents the “public interest”, it therefore follows that they have the right to dictate the terms of how Microsoft would continue to exist—and they did. Bill Gates did not fight for his right to his own life, his own property and his own freedom. Therefore, he had no chance of winning.

Jack Welch, former CEO of General Electric, also caved in when confronted with the public furor over his post-retirement benefits package. Jack Welch increased the wealth of shareholders by \$400 billion during the two decades he was in charge of the business. In comparison, his paltry retirement package was insignificant. Nevertheless, he feared disapproval and caved-in to appease the public perception. In doing so he portrayed himself as a “servant to the public”. He did not defend his right to the money he had earned through long, hard, competent work. He failed to remind the public that the money he made for GE and for himself was earned honestly through productivity and voluntary trade. He failed to assert his moral right to keep what he had earned.

It is particularly tragic when the best of the best—Bill Gates, Jack Welch and the Business Roundtable—fail to defend their rights as independent

businessmen; when they fail to stand up for their moral right to make a profit. What chance do the rest of us have when the best do not have the courage to stand up for what is morally right? It is imperative that business people defend the profit motive and reject the altruistic morality of socialism and the idea that they exist for selfless service to the public. I know the vast majority of business leaders—just like their employees—work for their own rational self-interest, and strive to earn honest profits. They should be rewarded for their success, not condemned.

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As a businessman, I am proud of the contributions made by the organizations that I have led, and I am indebted to the business leaders who gave me the opportunities to benefit and contribute. Most of us depend on business leaders—either directly or indirectly—for our jobs and the livelihood that allows us to improve our quality of life. The greatest humanitarian gesture one can make is to give someone an opportunity to be rewarded for doing productive work so he can support his family. Business people do that every day, and it is a greater ethical, moral and virtuous act than a handout given by government or the most benevolent “public servant”.



**REFERENCES:**

- <sup>1</sup> For a much more detailed examination of ethics and morality, see "The Objectivist Ethics", a paper delivered by Ayn Rand in Madison, Wisconsin, February 9, 1961, at the University of Wisconsin Symposium on "Ethics in Our Time". This paper was also published in *The Virtue of Selfishness, A New Concept of Egoism*, page 13, by Ayn Rand, first published 1964.
- <sup>2</sup> Mysticism is the belief in intuitive spiritual revelation; the belief that personal communication or union with the divine is achieved through intuition, faith, ecstasy, or sudden insight rather than through rational thought. All organized religions would fall under this definition, as well as the many forms of tribalism and racism still prevalent throughout the world.
- <sup>3</sup> <http://www.theeco.org/>
- <sup>4</sup> <http://en.wikipedia.org/wiki/Pragmatism> or many other easily obtainable sources for a discussion of Pragmatism.
- <sup>5</sup> <http://www.cat.com/cda/components/securedFile/displaySecuredFileServletJSP?fileId=89286&languageId=7>
- <sup>6</sup> "Misguided Virtue: False Notions of Corporate Social Responsibility", by David Henderson; Hobart Paper 142, Institute of Economic Affairs, London.
- <sup>7</sup> "The Realities and Rewards of Globalism—Caterpillar's View Toward China", Jim Owens Keynote Address at Manufacturing Week, Chicago, March 22, 2006.
- <sup>8</sup> "Corruption? Ho-Hum", Article in The Wall Street Journal, September 26, 2006, p.11.
- <sup>9</sup> World Bank, 2006 Index of Economic Freedom.
- <sup>10</sup> [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2006](http://www.transparency.org/policy_research/surveys_indices/cpi/2006)
- <sup>11</sup> "Relative Corruption", Article in The Wall Street Journal, December 13, 2005.
- <sup>12</sup> *The End of Poverty: Economic Possibilities for our Time*, by Jeffery D. Sachs, 2005. Mr. Sachs is the Director of The Earth Institute at Columbia University.
- <sup>13</sup> Information was drawn from various Op-Ed and other articles by Alex Epstein, Edwin A. Locke, Richard M. Salsman, Yaron Brook and Elan Journo, writers for The Ayn Rand Institute ([www.aynrand.org](http://www.aynrand.org) ). See [http://www.aynrand.org/site/PageServer?pagename=media\\_index](http://www.aynrand.org/site/PageServer?pagename=media_index) .