

CORPORATE GREED: A MANDATORY REASON TOWARDS BUSINESS SCHOOL REFORMS

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Abstract

In the wake of recent dishonest practices by Enron, WorldCom, Global Crossing, Xerox, Qwest, Arthur Andersen, and Merck many people are asking how people believed to be so well educated and leaders in corporate America lacked the moral courage to seek and state the truth. Business Ethics has been thrown to the side as a Wild-Wild-West form of capitalism has taken hold on our corporate leaders. This corporate malfeasance has costs thousands of jobs, trillions of dollars in stockholder value, and skepticism of our once revered free economic system. In this proposal I will show why a lack of Business Ethics is such a far-reaching problem in our society and suggest reforms in the business school curriculum to help instill responsibility and accountability in our business leaders. I will also show how consumer education classes would help protect individuals from becoming victims of corporate greed.

INTRODUCTION

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CORPORATE GREED: THE PROBLEM

The Current Economic Crisis

Just this week President Bush traveled to Wall Street to make a speech regarding the current economic crisis brought upon by lack of corporate ethics. President Bush told the Wall Street crowd that the United States, “must usher in a new era of integrity in Corporate America” in the wake of “abuses and excesses”. These abuses have cost thousands of jobs and trillions of dollars in retirement accounts. The greed of these CEOs and accounting firms have hurt literally millions of people and have changed the mindset in America that perhaps greed is not so good after all.

Allan Sloan describes this current paradigm shift in his recent Newsweek article, *Greed Isn't Good*, stating,

“... let's look at the big picture and see what the Andersen story really tells us. The verdict is the clearest signal yet that the market-bubble ethos of greed being good—heck, even a desirable mainstream value—is over. Sure, that “greed is good” speech by Gordon Gecko in the movie “Wall Street” dates back to the 80s, but the point back then was that we were supposed to be horrified by the notion. In the 90s, people said it with a straight face or even with a smile as their fattening portfolios fueled dreams of early retirement and second and third and fourth homes. Adam Smith's invisible hand of the market—which translated the pursuit of self-interest into public benefit—metastasized into a broad sense our self-interest in the market's performance would benefit the public”.

Sloan goes further to advance the notion that greed is indeed not good by stating, “Now the Andersen verdict is certain to help clear up any doubts over what greed really is. Greed—defined as an inordinate desire for wealth—is not good, and it doesn't drive markets. Greed drives people to cut corners for short-term gain, a message that's been repeated like a jackhammer in recent weeks” (Sloan 37).

Sloan is correct in his commentary regarding the large amount of recent greed, but Sloan fails to mention exactly why this greed is so pervasive in our society and what actions can the nation undertake to solve the problem.

Corporate Greed Causes Predatory Lending Practices

Corporate executives are not only in the practice of intentionally inflating profits but also undertake unethical practices in

lending to our nation's poor. Jeanette Bradley, a director of the Community Reinvestment Association of North Carolina discusses these unethical tactics in her article, "Predatory Lending", that appeared in the January 2000 issue of *Dollars & Sense*. She describes this practice as, "... any unfair credit practice that harms the borrower or supports a credit system that promotes inequality and poverty. One of the most common predatory practices is placing borrowers into higher interest loans than their credit risk would call for. Although they may be eligible for a loan in the so-called "prime" market, they are channeled into more expensive fee-padded loans in the "sub prime" market supposedly just for credit risks. The result: financial services companies end up padding their profit margins by draining away the equity borrowers have built in their homes over the years" (Bradley 12). She goes further in her article to suggest that this is a system that promotes a cycle of debt as this one does can be equated to the past system of sharecropping, which was inherently unfair and unequal. Another article, "Predatory Associates: Citigroup, Predatory lending and the credit crunch for the poor and working class", appearing in the April 2002 issue of *Multinational Monitor* describes unethical practices by one of the world's largest financial institutions. As writer Jake Lewis points out "Citigroup has invested tens of billions of dollars in schemes to peddle various financial products to low and moderate income families...consumers are being ripped off through deceptive predatory lending tactics employed by Citigroup subsidiaries" (Lewis 15).

The *Multinational Monitor* article singles out Citigroup as an active participant in predatory lending practices,

but I wonder how many different financial institutions are involved. I also am curious about issues such as why actions have not been taken to shed light on this unethical practice and what can consumers do to protect themselves? Where can individuals go to find out more on this topic?

Corporate Power and Greed Increases Consumer Debt

Everywhere we look corporate America is bombarding us with advertising in the hopes of creating demand for their relatively unneeded products. Britney Spears dancing around selling Pepsi, the Dell Computers "Dude you're getting a Dell" guy, and the billboards for SKYY vodka with images of sexy supermodels are used to create desires for individuals to increase their spending and sink further into debt. One of the underlying problems that corporations have had is that even if they bombard us with sexual images that sell products is that our demand can only be as big as our pocket books. Corporate America then came up with the idea of credit cards, which eased the liquidity problems. An article entitled "Corporate Power and the Evolution of Consumer Credit" appearing in the December 2000 issue of *The Journal of Economic Issues*, John Watkins, professor of Economics at Westminster College, describes how corporate power has perpetuated the debt crisis in America. Watkins describes an environment of "perpetual advertising" which aims to mold the worker's "time, habits and ideas" with the ultimate goal of corporate gains. According to Watkins, Corporate America has overcome four obstacles in its pursuit of increasing consumer liquidity, these four barriers were; religion's anti debt philosophy, lack of current income, lack of credit on

demand, regulation of the industry. Watkins goes further to advance the notion that these barriers have been indeed toppled by advertising, universal credit cards, and lobbying the legislature in the 1970s which produced the means to “fleece America” and put individuals in system of debt (Watkins 909-914).

Watkins does a wonderful job of pointing out areas of corporate influence, but I think more study needs to be done on the success of corporate manipulation and what active resistance they have encountered, if any at all. It would also be interesting to find other areas of life they have influenced and manipulated for their own monetary concerns.

UNDERLYING CAUSES OF UNETHICAL PRACTICES

Failure of Current Business Ethics Courses

Currently there is a lot of attention in the media regarding the education taught in business schools. Knight Kiplinger, editor and chief of *Kiplinger's Personal Finance Magazine* states this fact in the May 2002 issue, “The time is ripe for a national dialog on ethics, and it must start with our youth. It is heartening to see a new interest in character education in our schools—all the way from the elementary grades through graduate-school programs. Perhaps, in another generation or two, it will bear fruit” (Kiplinger 67).

Also this week President Bush in his speech to Wall Street called on CEO's and business schools to “set a tone for others”. The issue of business-ethics courses is one of the hottest topics today. Many colleges are offering these courses, but the courses lack focus on the important issues relevant to today's business environment as John

Berlau points out in his article, “Is Big Business Ethically bankrupt?” appearing in the March 18, 2002 issue of *Insight*, “A boom in business-ethics courses is likely in the wake of the Enron scandal, but critics say these classes need to focus on moral, rather than political, correctness... business ethics courses spend too much time on public-policy issues such as environmentalism and inequalities of wealth and not enough time examining such personal virtues as truth-telling and integrity that are relevant...A lot of business-ethics courses cover topics such as drug testing and privacy, affirmative action, global business regulations. These are interesting and worthy topics, but I don't think they affect as many individuals in their day-to-day lives as do another set of questions...on virtues and vices in the everyday business environment” (Berlau 16).

I would be curious as to why the author of the *Insight* article thinks that business ethics courses focus on more political topics, it fails to address this important issue that should be known if we want to solve the problem.

Consumer Education Needed

Currently students have misunderstandings when it comes to financial matters, most notably regarding credit cards. A study conducted in 2002 by the National Consumers League evidences this fact: “...over half (students) wrongly believe that a credit card is an *informal* agreement to pay the money owed. And where are they learning this? Sixty-three percent say they get most of their information about money, credit, and other financial matters from their parents. But parents might not be the best resource.

The average American family carries almost \$9,000 in credit card debt... There is a need in this country for teen financial education. Teens are eager to take on adult obligations such as earning money and managing credit cards, but may lack the financial education to effectively fulfill them. Without a basic financial education from schools, they must rely heavily on their parents for financial information. These teens may face some of the same financial setbacks as their parents: credit card worries, privacy problems, and confusion about banking..." (NCL's 2002 Teens and Financial Education Survey) A 1995 survey of consumer finances also agreed that educational programs are needed: "The findings suggest a need for education targeted to specific groups of adults and the need for finance education for ...students, the consumers of the future" (Castellani 12).

In Defense of Greed

Many psychologists would advance the notion that greed is an inherent feature of human nature. George Brockway advances the notion that economists believe that everyone is greedy in his article, "How good is greed?" appearing in *The New Leader*, "Since everyone is some kind of economic agent—a producer or a consumer or both—they are saying that everyone is greedy" (Brockway 15). A recent editorial in the *St. Louis Post* supports a position that greed is in the best interest of society by stating, "Greed is good. The pursuit of wealth prompts invention, the founding of companies, business investment. It puts people to work."

In Response to the Greed is Good Philosophy

While greed may hold some benefits in a capitalistic society it is my belief that the inordinate desire for material wealth at any cost does more harm than good. Our society is based on a system of self-interest, the theory basically states that if everyone pursues what is in his or her best interest that society will benefit. While this was a revolutionary theory and it has produced a wealthy and powerful nation, I would suggest that a better philosophy would include another detail. This detail would be that individuals should act in their best interest while at the same time considering what is in the best interest of the group. It should not be a system of greed, but one of self-interest based on consideration for others. Greed only works in the short term as companies such as Enron has showed us. The Editorial in the *St. Louis Post* takes too simplistic of a view concerning greed, greed can never be good when it is only benefiting a few while hurting millions as has happened with the recent corporate scandals.

Proposal

Currently the Metropolitan State College of Denver has both a Business Ethics course and a Personal Money Management course. I commend the college for recognizing the need for these courses, but would make few suggestions on changing the focus of the courses and making them a more integral part of the curriculum. As earlier evidenced by Kiplinger and Berlau, currently, Business Ethics courses are more focused on political correctness and do not address moral issues of the day-to-day business activities. I have taken the Business Ethics course at Metro and agree with this

contention, while it was a very informative course with a great instructor; it dealt with issues that most business students would not be facing in their careers. I think one of the main problems currently is that the Business Ethics course in the Philosophy department. The Philosophy professors have a wonderful amount of knowledge of Ethics, but they may lack the ability to apply it to business concerns. Another thing that should be considered is that the Business school only requires either Business Ethics or Ethics. I think this should be changed to requiring Business Ethics, since this is more applicable to the future business careers of the students.

The Personal Money Management course is a great idea but I find two problems with its application. The first problem is that it too greatly focuses on issues such as estate planning and making investments. While these are important issues I think the issues of credit management should be more focused on since students will be dealing with these issues nearly every day of their life. The second problem is that there is currently no strong reason for students to take this course. Business students would not receive credit for it since they must take Personal Financial Planning which deals with issues such as employee benefits and investments, and other students are currently more encouraged to take psychology and sociology to meet general studies requirements. The department needs to change the focus of the course and allow business students to receive credit for completing the course.

CONCLUSION

Our nation is at a crossroads; our whole capitalistic way of life is being questioned. It is a shame that greed is entrenched in

the mindset of America. Times of crisis such as this are times that we need to look at possible causes of the problems and search for solutions. It is evident that Business Ethics courses need to be taught to our future business leaders and where they are taught, they focus needs to be changed to address current business trends. I know that teaching business ethics is not a panacea or magic bullet for the problem and that is why I have also suggested more educational training on consumer finance. It is apparent that consumers are being taken advantage of and being manipulated out of their hard earned money. Consumer education is another way that society will be better able to check the abuses of corporate greed. The combination of these two programs should lead to a stabilization of our financial markets and a brighter future built on the trust and knowledge gained through this education.

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