

BUSINESS AND ETHICS

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BUSINESS!" exclaims the Dean of the Chicago University Divinity School, in an almost ecstatic prostration before the throne of Mammon — "Business! Maker of Morals!" Then like a true priest, eager to set up a monopoly for his principal, he cries out, "What else but business could make morality?"

Dr. Frank Crane lifts his soul to an exalted level in an incantation of such poetic and religious fervor that it rises almost to a chant about the National Cash Register Company. There upon a hill in Dayton the good doctor catches a glimpse of Paradise, and he calls his little apocalyptic saga "Heaven and Kingdom Come." Glenn Frank glorifies the American salesman and sees him as following in the footsteps of the Savior, who, as the Super-Salesman in the great drama of the Atonement, was simply merchandising salvation to the human race. And to this Bruce Barton adds the further compliment to the Master that he was not like those febrile figures of the Italian canvases, but more like the virile, go-getting, he-men of business; that he was the founder of business, the first great advertiser, the premier group organizer, the master executive, and the champion publicity grabber of all time.

Business has become almost a holy thing. The muckrakers have been driven into exile and the old freebooters have been recalled from the deserts of odium to which they were whipped twenty years ago. Niches are being prepared for them in our American Valhalla. A few of them wait only for death to be admitted to full sainthood. And business — the great system of barter and trade by which they climbed — has become, not a maker of morals merely, but the *only* maker of morals in the world. I should like to examine that precious morsel.

THE GOOD OLD DAYS — MAY THEY NEVER COME AGAIN!

If I have any criticism to make of to-day's business morals, I certainly have no tears to shed over the old-fashioned business man. His rules of conduct were few, simple, and crude. "Business is business" — that was his slogan. And he had fairly exhausted the resources of apologetics when he explained that he was not in business for his health. He had his code, though he did not dream

of engrossing it on parchment and framing it for the wall. There seemed to be two laws — one for the people he knew, and one for the stranger. A regular customer, aware of being short-weighted or overcharged, might take his trade to a rival. And a rival was hated above all evils. But apparently it was defensible to squeeze the last penny from the outlander and the passer-by. The old merchant felt he had a right to charge what he pleased. If he chose to sell to one man at a low price and require a high price from the next, that was his own affair.

In some way this has come to be immoral. For one reason or another the old order is passing in which the merchant bargained with his customer and lied ignobly in the process. He asked a big price and came down if he had to. That is now unethical. Now he asks a big price and sticks to it. Instead of charging one man a dollar and another man two dollars for a fifty-cent razor, he charges everybody five dollars and the light of heaven shines upon the transaction. The old merchant cared little about what was in the packages on his shelves or what was on the labels of those packages, and the manufacturer was equally indifferent to what he put into them.

What could be expected of the rank and file of business men when the leaders were so very bad? At the top were men like Jay Gould and James Fisk, Jr., Commodore Vanderbilt, and that astonishing and picturesque old scoundrel, Daniel Drew. But with the opening of this century came a revival of morals. It was not business, however, that inspired or forwarded it. It was the muckrakers who first stirred the public conscience. And all the time, against almost every movement forwarded, business — organized business — blocked the way. It was driven from its bad habits and its low character with a whip and it contested every inch of its regeneration. A kind of odium attaches to the crusaders who warred upon its villainies. But business itself, thus forced to an unwilling reformation, is, according to its obsequious clerical eulogist, the only maker of morals.

It would be unfair not to say, however, that after a time certain forces in business itself were stirred. Business began to move in the direction of better ethics. After all, the business man is not only a purveyor. He is a customer as well. Before he can sell bad noodles to his retailers he must buy eggs and flour and cartons and machinery from some other purveyor. When the noodle man became more intelligent, he began to perceive that while he was

loading his cartons with poor noodles, he in turn was made the victim of the egg man, the flour man, and the machinery man. Very soon the noodle makers formed themselves into trade associations and began to take measures to protect their own craft against the egg and flour and other dealers, who in turn had to consider similar measures to guard against the wickedness of those from whom they bought.

A famous advertising man writes the story of his life. In one chapter he tells with great gusto of his part as a pioneer in patent medicine advertising in its early days, when it flourished in all its glory. In another chapter he tells with swelling pride of the part he took as a pioneer against dishonest newspaper publishers who lied about their circulation to advertisers. One can imagine the pious chagrin of a patent medicine advertiser who supposed he had been lying to 100,000 readers when he was only lying to half that number, because the publisher was lying to him. This force is operating now with greater effectiveness than ever. The new competition has put all business into competition with all other business for a share of the consumer's dollar. If one business group can drive another business group out of the race, it will have a better chance for a larger share of that dollar.

Along with this, the modern business man's greater intelligence is pointing the way to sounder, safer, surer profits in better business. Aside from the chicanery of the knave, a good deal of the badness in business may be traced to ignorance. To-day it would be hard to find any trade that surpasses the women's ready-to-wear industry in the extent and intensity of its bad manners and its immoral practices. And no trade surpasses it in ignorance. It is for this reason that big business, taken upon the whole and in its daily man-to-man dealings, is more honest than little business. It is more intelligent.

THE ETHICS OF BUNK

With all of this, however, the modern business man, taking him as he comes, is more honest than his predecessor. But he is also more full of sham. You will get a squarer deal from him, but you will also get a stifling volley of claptrap. And for this consummation, I am sorry to say, we are in large measure indebted to some of the pragmatic members of my own craft. Mr. James Wood, in a very astute little book called *Democracy and the Will to Power*, lays his finger upon this strange phenomenon. In the

race for riches, which is the common goal, some men succeed because they possess and use the proper economic endowments for that kind of success. There are, however, always a number of intellectuals not so well equipped for this race, though none the less eager to win. They group themselves about the doers, the achievers, the producers, the effective go-getters, and prey upon them. One method of doing this is to become the apologists and defenders of their successful patrons. They invent philosophies to justify them. They make propaganda. They set up systems of ethics hand-made to fit the current aims of their employers. They serve in less noble ways. They design bogies to frighten their masters and thus prolong their employment. They fashion and exaggerate red terrors and yellow perils. They produce the speeches, write the articles, compose the autobiographies, and trumpet the deeds of their masters.

So excellently has this propaganda prospered in this country that it has called forth a religion of success. It is this parasite class, therefore, which has loosed upon us the flood of bunk in which American business wallows. We do not now hear the voice of the business leader. When he appears, he is brought on the stage artfully made up and supplied with the proper lines to speak. When old Daniel Drew looted the Erie Railroad, wrecked its credit while a director, and then went into Wall Street and gathered in its crumbling stock, he chuckled outright and boasted "he had got the sow by the ears and put the road in his breeches pocket." One cannot conceive of such language now. When a great oil magnate seizes a vast oil field after a campaign of corruption and bribery, he informs his countrymen that he did it as a patriotic act to protect his native land against the threat of an impending war with Japan. Of such is the Kingdom of Bunk.

But the practice has its ethics, though I am far from pretending to understand it. It is an airy region. One enters the very ether of morals in search of the ethical values of bunk. Thus no one has laid down any reliable principles to guide us in our lying. All we know is that lying we must have. We are an honest people just as we are a dry people. In the main we are for prohibition. Or at least the more respectable of us are. But it does not follow that we must take our prohibition too seriously any more than we must take our ethics too seriously. We are against hypocrisy just as we are against homicide. But there is such a thing as justifiable homicide. May there not be such a thing as justifiable hypocrisy?

When a trade group decides that the time has come to get together on a series of agreements — offensive and defensive — against their customers and the public, do the members say so? By no means. Instead, some gentleman rises in meeting and delivers himself as follows:

“Brothers: It must be clear to every monkey wrench manufacturer present that the great vocation of making monkey wrenches for this free people summons us to higher efforts of service. We want profit, but there are things more sacred than profit. First comes our God, then our flag, then our monkey wrenches. We must first make America monkey-wrench conscious, then we must give her a monkey wrench that represents the highest ideals of patriotism. We have established the Monkey Wrench Institute of America. Thus, as members, we have attained to the state of a profession. We want everything professional men have. And so we must have a code of ethics.”

THE ANTI-SOCIAL CODES

Of course, every wrenchman present understands this language. The euphuism of bunk is universally accepted. So the Monkey Wrench Academy sets up a code for the guidance of its academicians. There are the phrases about God, the flag, and service. But few care about this harmless rhetoric. What they do care about, however, are those more deadly provisions somewhere down in the body of the instrument which deal with competition, price cutting, personnel raiding, and so on.

There is, to be sure, a large element genuinely interested in this elevation of business to the rank of a profession. They have been told by eminent divines that business is a ministry. They observe that Harvard — our snootiest centre of learning — has erected a School of Business and that its professors wear cap and gown. They see schools of business rising on a score of university campuses. Distinguished financiers and industrialists are honored with the degree of Doctor of Commerce. And they feel the ancient curse which feudalism cast upon the merchant dropping away.

However, the yearnings of these gentlemen are satisfied by the mere adoption of the code. The serious sections of the code, hidden away in the centre, are there to satisfy the more practical men. If you will examine any code, you will find there are two kinds of provisions in it — outward-looking and inward-looking. The former reveal the learned members of the National Minced

Ham and Veal Loaf Association looking out upon their duties to the universe, ranging from the day's customers even as far as to the skies. The inward-looking provisions expose them looking at each other and contemplating their relations within the trade. And if you are looking for dynamite in a code of ethics, it is there you will find it.

The outward-looking items are mostly language, with the Golden Rule playing the stellar rôle. "The Golden Rule" — thus begins the bankers' code — "as beautiful and comprehensive as when it was uttered by the Great Teacher, remains and will continue throughout all time to be the measure of man's duty to man. 'Therefore all things whatsoever ye would that men should do unto you, do ye even unto them. For this is the law and the prophets.'" And the Concatenated Order of Hoo Hoo — which is Rotarian for Lumbermen — pledge themselves "To establish the spoken word on the same basis as the written bond, to consider our vocation worthy, and to be worthy of our vocation as the nation's home builders, and to keep in view the world bonds of human interest."

The hair dressers, having first proclaimed that they will "forget self — our profession first," enjoin their members to be truthful in advertising; though this has not, apparently, diminished the number of bottles upon their shelves containing magical fluids to make hair grow on bald heads.

The retail grocers, after a flourish about "valuing my citizenship and placing my country and my flag next to God," soon get down to brass tacks — namely that there are "too many retailers," that if it is possible to do so without introducing political interference, they favor state licensing of retailers — which of course is a shot at their chain store competitors. Moreover, they are against that prime villain — the price cutter — and to that end they favor a law that will enable wholesalers to support a price maintenance policy. And furthermore, they are unalterably opposed to that abomination of abominations — the factory store, such as Mr. Ford set up in Dearborn to bring the retail profiteers down off their perches. These are "un-American," which is the ultimate adjective of doom.

When the accountants fall to legislating, they too are for honesty and all the commercial virtues. But they get quickly enough to provisions against advertising, against hiring each other's employees, and against taking business away from each

other. Almost all of these codes contain a curious provision which recalls to me an order I once received on being made city editor of a paper in a small city. I was told I must not hire a reporter or employee of any other paper unless I first communicated with that paper and secured his release. This outrageous understanding among the publishers in that city prevented a man from taking his talents around in an open market and selling them where they might command the best price. It reduced the newspaper men almost to a form of slavery. And now I see this beautiful ethical rule in almost all codes — one member must not negotiate with the employee of another member without that member's consent.

Herbert Hoover once gave a trade group an infallible test for knowing just when they ceased to be mere traders and became professional men. This beautiful transfiguration takes place when the trade develops a set of "group ethics." By that test the preachers, apparently, have ceased to be just plain sky pilots and have stepped up to the professional state. They have begun to develop group ethics. They are adopting codes. And like their fellow craftsmen in the soap, nut, lingerie, and egg noodle lines, they start off with fine phrases about "the people" and "serious study," and about the preacher paying his bills promptly. But they soon descend to more practical matters dealing with the means by which those bills are to be paid. "It is unethical," so runs the code, "for a minister to interfere directly or indirectly in the affairs of another parish. Particularly should he be careful to avoid the charge of proselyting." Thus he is not permitted to snatch a brand from the burning if it is being consumed in the flames of error of another member of the association in good standing.

Moreover, a minister must not listen to a call from a church whose pastor has not yet resigned, and there is another singular provision against unloading charity cases upon a brother minister. Also a minister must insist on an annual vacation of at least two weeks. It is unethical to preach the Kingdom more than fifty weeks in the year.

The scientists, too, have become ambitious of the same professional standing as the ministers and the shrimp packers. They too have just set up a code. They too burn the customary incense before their common mother — Science — and then they promise not to criticise each other, not to underbid each other, to quit quickly jobs that do not pay enough, to investigate before accept-

ing a position from which a brother scientist has been dismissed. This brings a sneer from one scientific journal which suggests that now the members will want to be known as "Scientors." Which supplies a happy suggestion for the ministers, who might like to be called "Salvationors."

It would be interesting to know what effort is made by trade associations to enforce these codes of ethics. How many members have been disciplined for violating those lovely statutes about honesty and fair dealing with the public? And how many for price cutting and underbidding and customer raiding? A group at Columbia made a study of twelve codes. Of the twelve, but five were supported by any effort at enforcement. These were the codes of the lawyers, the doctors, the teachers, the accountants, and the realtors of Detroit. The Detroit realtors expelled three men — two of them for selling property to buyers who were known to be the customers of other members. The accountants suspended one man for violating the rules against advertising and soliciting business from a client of a brother member. It is in these portions of the codes that business men are interested, if at all.

When you hear a business man boasting how much nobler business has become, you will find by a few questions that he is thinking of the relations of fellow tradesmen with each other. In the old days before the United States Steel Corporation, a group of wire men formed a pool and in a conference agreed on the price of \$1.50 a keg for nails. After the conference one member went to the telegraph office to wire his partner. One of his fellow conferees was there ahead of him. By mistake the telegraph operator handed the second member the message which his compatriot had filed. The nail man found the message to be an offer to a large consumer to sell him 10,000 kegs of nails at \$1.40. So the second nail maker tore up the message and substituted a bid of his own at the same price.

"Every man's hand was against his neighbor then; we were all Ishmaelites," declared a veteran Carnegie official, testifying in the suit to dissolve the United States Steel Corporation. In this respect business has improved. Competitors seldom formed contacts in those days save for purposes of assault and battery. Now they can sit around a table in friendly spirit and discuss their trade problems. But while their code proclaims undying devotion to their country and their flag, they are frequently engaged, while sitting around those tables, in discussing how they can circumvent

their country's laws and squeeze more profits out of their countrymen. Many of these sweet, ethical love feasts around the table have kept the Federal Trade Commission, the utility commissions, the grand juries, district attorneys, and other agencies busy protecting the public from the glorious consequences of the newer ethics.

THE NEW CORRUPTION

In all this we have been examining the long and painfully slow movement forward in what might be called the personal relations of business — elementary problems of honesty in price, quality, and delivery. But there is another region of ethics about which the codes and code makers are ominously silent or vague. Business men have always delighted to sneer at the morals of politics. But now the dishonesties peculiar to political life are finding their way into business.

The business organization to-day resembles the community organization. Corporation managers are not owners but employees representing large groups of stockholders. They bear the same relation to their stockholders that elected public officials bear to their constituencies. As a result, we find business corporations shot through with all the vices we have become familiar with in public life. If private corporate management were subject to the same scrutiny and publicity as community management, the scandals would shock the nation. Managers of corporations do not scruple to exploit their companies. The executive of a large concern finds in that post an opportunity to own and promote other smaller corporations which deal with it and fatten upon its favor. Nepotism runs wild, exorbitant salaries are bestowed upon favored officials, purchasing departments are honeycombed with graft. Corporate managers complain on the one hand that supply houses bribe their buyers and department heads, while supply houses retort that there is no other way to make sales.

In the Teapot Dome oil scandals, the most disturbing phase is not the scandals themselves — for this sort of thing we have always had and will always have with us. The distressing aspect is the attitude of business toward the episode. Two classes of persons were involved in that criminal enterprise — politicians and business men. All the guilty public officials were ousted long ago — flung out in disgrace. But the business men continue to hang

on to their jobs and their honors. The Senate — representing the public life of the country — has labored incessantly and against great odds to clean house, and it has succeeded in large measure. But business has scarcely lifted its finger. Recently young Mr. Rockefeller asked for the resignation of Mr. Stewart of the Standard Oil Company of Indiana, and the Chamber of Commerce of the United States passed a resolution condemning business dishonesty. But this scandal has been fouling the air for four years and in all that time you will look in vain for any expression from business save one of irritation at the meddling investigations of the Senate.

Mr. Rockefeller asks Stewart's resignation. But he has not given it, and business men doubt that even Rockefeller can force it. It was only a few months ago — after Mr. Stewart's last disgraceful appearance on the Senate witness stand — that he was elected chairman of his company. Mr. Sinclair, within the week following all the exposures and his own confession, by making restitution of over seven million dollars to the company he heads, is again unanimously elected its head. He and Mr. Doheny still adorn the council of the National Petroleum Institute, and Mr. Doheny, in addition, has had conferred upon him by a religious college the degree of Doctor of Laws. Laws! Heaven save the mark! All the other culprits, during four years, were renamed to posts of honor in their companies — two of them refugees from their country — one hiding his troubled conscience in a European monastery while begging from an offended God the forgiveness his directors accorded so readily in repeated reflections.

It would not be true to say that no corporation officials are controlled in their conduct by a high sense of duty to their stockholders. One such official was the late Elbert H. Gary. I interviewed Judge Gary a number of times. He never impressed me as a man of strong intellectual gifts, but he brought a stern New England conscience into the corporation board room. He must be credited with introducing the germ of a better morality among corporate directors. Curiously enough, his first blow was leveled at a rather trifling bit of dishonesty. United States Steel Corporation directors, like others, received for attending board meetings twenty dollars each in gold. There were always absentees, but the directors who attended insisted on dividing the gold pieces of their absent brethren among themselves. And to add sauce to the petty adventure, they matched for them. Judge Gary's Calvinistic

code revolted at this gambling, and particularly for gold pieces to which they had no right. They might just as well have shaken dice for the small change in the petty cash drawer. The directors were astonished at this bit of scrupulosity.

But soon it was to flare out in a more serious way. Judge Gary worked out a scheme of preparing the financial statements of the corporation in secret, so that not even he knew their whole import until the comptroller put them together at the meeting of the board. It was then after three o'clock and the market had closed, the statement being given out in Wall Street at the same time as to the directors. A devout and outraged howl went up among the directors at this. "What! Are we to have no advance information about our own affairs so that we can use the information on the Street?" Mr. Henry Frick was especially indignant. He had always enjoyed this privilege. But Judge Gary held fast to his guns. He insisted that they were not dealing with "our affairs" but with the affairs of their stockholders, which were a sacred trust; and that the director-trustee who went out into the market and, with advance information, bought shares of stock from the stockholders he represented was guilty, to put it mildly, of a breach of trust.

That was something. But it was only a beginning. There is a vast distance to be traveled. There still lingers a fear in the popular mind about corporations. The fear is misdirected. I do not fear great rich corporations, but rather the rich men who control them and employ the opportunities for vast gain which that control gives. Business will begin to move toward a truly higher ethics when it quits making pretty verbal flourishes about God and the flag and service and gets down seriously to the business of outlawing this sort of thing. When the great corporation official who exploits his corporation is written down by business men as a grafter, like the public official who exploits his city and country, then there will be some excuse for boasting of the "morals of modern business."

