IS SHORT-TERM THINKING DESTROYING CAPITALISM? VIGNETTES FOR TEACHING BUSINESS ETHICS

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Abstract

This paper will provide faculty who are interested in teaching ethics with several vignettes that may be easily incorporated into any course. The purpose of these real-life, brief vignettes is to encourage students to think about the consequences of decisions. Sometimes, focusing on profits and ignoring the ethical implications may have far-reaching consequences. Whereas some cases used in business ethics courses aim to do this, this paper provides numerous brief vignettes to show the considerable consequences of unethical and neglectful conduct in running an organization.

Key Words: Business Ethics, Unethical Marketing, Unethical Ethicists, Harassment of Workers, Opioid Epidemic, Marketing of Sugary Beverages, E-cigarettes, Boeing’s 737 Max, Takata Airbags, ExxonMobil, and Climate Change.

JEL Classifications: P12, M31, J81, Q54

INTRODUCTION

Researchers have been trying to understand why supposedly ethical people end up making highly unethical choices (Carucci, 2016). Many scholars feel that higher education has been unsuccessful in teaching students, especially business students, to become more ethical (Drumright, Prentice & Biasucci, 2015; Korn, 2013; Friedman, Lynch, & Herskovitz, 2013; Middleton & Light, 2011; Etzioni, 2002). This result may have much to do with the fact that students are taught to appreciate the importance of maximization (of profits, utility, and shareholder value), but are given little understanding of the importance of ethics, customer satisfaction, and social responsibility in building a strong, prosperous, and sustainable company (Gardiner, 2010; Holland, 2009; Korn, 2013; Mangan, 2006). It is not surprising that one study found that 56% more MBA students cheated on a regular basis in college than students majoring in other areas (Holland, 2009). Another study found that the least honest students are those majoring in economics and business, with only a 23% rate of honesty vs. slightly above 50% for humanities students (López-Pérez & Spiegelman, 2012).

Several researchers claim that ethics cannot be taught in a classroom (Altmyer, Yang, Schallenkamp, & DeBeaumont, 2011; Etzioni, 2002; Friedman, Fogel, & Friedman, 2005; MacDonald, 2007; Stape, 2002). Ethics starts at the top of the organization; this is why if the corporate culture either in government or private industry encourages dishonest behavior, very few people will resist the temptation to bend the rules (Bowden & Smythe, 2008; MacDonald, 2007).

There is, however, an emerging consensus that courses in business ethics cannot help change the behavior of people. These courses do, however, help students know themselves and their own moral values, improve their ethical sensitivity and awareness, and attain confidence and courage in making ethical decisions that can then provide them with the ability to question decisions that have ethical implications (Bowden & Smythe, 2008; MacDonald, 2007; Williams & Dewitt, 2005). Interestingly, professors who teach ethics may espouse morality, but their conduct is no better than that of other academics. Apparently, talking about ethics and studying ethical theories does not have much impact on engendering moral behavior such as donating to charity, donating blood, responding to emails from students, calling their mothers, etc. (Schönegger & Wagner, 2019; Schwitzgebel, & Rust, 2011, 2013, 2014). Indeed, ethicists are less honest than others when it comes to stealing from college libraries:

> *Using data from thirty-one leading academic libraries in the United States and in the United Kingdom, Schwitzgebel (2009) found that ethics books were more likely to be missing than non-ethics books in philosophy that were comparable in age and popularity. Further, obscure texts that were likely to be borrowed only by advanced students and professors of ethics were about 50 to 100% more likely to be missing, depending on the specific measure used in the analyses* (Bazerman and Gino, 2012, pp. 93-94).

Rather than focusing on changing behavior, courses in ethics should emphasize the cognitive biases that cause people to become unethical. Bazerman and Tenbrusel (2011) state that 'cognitive biases distort ethical decision making.' They note that 'ill-conceived goals can derail the best of intentions by unintentionally rewarding unethical behavior. This is what happened when President Clinton went to great lengths to ensure that a higher proportion of people in the United States owned their own homes. By the time the smoke cleared, a huge number of people with limited incomes were living in homes they could not afford because they had been lured to purchase homes by very low rates for the first few years (adjustable rate mortgages). Indeed, the ignoring of unintended consequences and unseen effects of public policy is often called the "Broken Window Fallacy" (Bastiat, 1964). Originally coined by French economist Frédéric Bastiat in 1850, the fallacy highlights the logical flaw of presuming a natural disaster or war is beneficial for the economy due to increased employment and production – as this does not consider hidden economic costs to other sectors. In a similar way, politicians often advocate assisting one segment of society while ignoring the cost and unseen impacts borne upon another.[1]

Bazerman and Tenbrusel (2011) also describe a cognitive bias they call 'motivated blindness.' People tend to see what they want to see and be oblivious to behavior that is unethical when it is in their interest to do so. One way to help ensure that people act in accordance with their own moral compass is by increasing ethical awareness and the importance of considering the consequences of decision making. Sezer, Gino and Bazerman (2015) assert: 'making morality salient before people face an opportunity to cheat decreases their tendency to do so.'

Gerstein and Friedman (2015) provide several examples of disasters that resulted from a disregard of ethics. One horrific disaster, occurred on December 2, 1984, when a storage tank in the Union Carbide pesticide plant in Bhopal, India began to leak methyl isocyanate (MIC) gas into the city. Approximately 3,000 people died immediately, and another 20,000 people died over the next 20 years from the poison gas. One reason this disaster occurred was that the company was more concerned with cutting costs than maintaining a safe workplace (Gerstein & Friedman, 2015). Gerstein and Friedman (2015) posit that the catastrophic flooding of New Orleans due to Hurricane Katrina had more to do with neglect, poor maintenance, and engineering flaws than with the hurricane itself. More than 1800 people died as a result of this disaster. Recent studies of the catastrophe pin the blame on the United States Army Corps of Engineers negligence and malfeasance (Robertson & Schwartz, 2015).

Many methods can be used to teach business ethics. The traditional way of teaching business ethics courses relies on case

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[1] The authors thank an anonymous reviewer for drawing our attention to the Broken Window Fallacy.

studies and ethical theories drawn from philosophy. Such ethics courses focus on normative applied ethics based on the writings of Aristotle, Mills, and Kant. Students typically learn that there are two key systems of ethics: deontological and utilitarian. A person utilizing a deontological approach focuses more or the whether the action itself (e.g., killing or lying) adheres to a set of rules whereas one using a utilitarian approach is more concerned about consequences. Posner (1999) exposes the fallacy of this predominant approach to the teaching of ethics and morality:

> *If some moral principle that you read about in a book and that may have appealed to your cognitive faculty collides with your preferred, your self-advantaging way of life, you have only to adopt an alternative morality or, if you're bold enough, an antimorality (like that of Nietzsche, who famously attributed the morality of 'good' people to their will to power) that does not contain the principle; and then you will be free from any burden of guilt* (Posner, 1999, p. 74).

Another problem with cased based ethics teaching is that it is limited to facts and therefore cannot normally arouse emotions the way films, YouTube videos, television, speeches, and literature can (Friedman, Lynch, & Herskovitz, 2013). By way of contrast, the ancient method of teaching ethics via fables, of which the over 2,600-year-old *Aesop's Fables* is a prime example, is still an effective way of teaching valuable lessons.

Tapscott (2011) advocates for the revamping of college teaching in general, arguing that the tech revolution has made the traditional lecture format obsolete. He notes that young people today learn from digital communities rather than lectures:

> *This new generation comes home and they turn on their computer and they're in three different windows and they've got three magazines open and they're listening to*

> *iTunes and they're texting with their friends, and they're doing their homework* (Tapscott, 2011, para. 5).

In the same vein, Berk (2009) provides a comprehensive review of the literature on learning and concludes that using video clips from movies, television, and YouTube 'provide a best fit to the characteristics of this *Net Generation* of students and a valid approach to tap their multiple intelligences and learning styles.'

This paper provides teachers of ethics with several vignettes that may be easily incorporated into any course. The purpose of these brief, real-life vignettes is to compel students to confront the stark reality that business decisions aimed solely on the maximization of profits while disregarding their ethical implications may have far-reaching, deleterious consequences. Whereas some cases used in business ethics courses aim to do this, this paper proposes the use of brief vignettes to show the often calamitous consequences of unethical and neglectful conduct and to delineate the common thread of the pursuit of profit at the expense of human considerations that runs through them all. The best way to understand the consequences of immoral actions on the part of management is to examine various scenario where decisions based primarily on self-interest in the absence of ethical considerations had appalling consequences.

ANTIBIOTICS IN LIVESTOCK

The use of antibiotics in livestock has been a major cause of the increase of drug-resistant pathogens, resulting in 700,000 deaths annually worldwide, 35,000 of them in the United States. The United Nations predicts that if nothing is done, the number of deaths worldwide may increase to 10 million (Jacobs, 2019a). Denmark, a major pork exporter, has demonstrated that pigs can be raised successfully without the use of huge quantities of antibiotics. Pork industry officials in the United States disagree and claim that the antibiotics are necessary to keep costs down and maintain the health of the pigs. It appears that the real reason that American pig farmers do not want to cut back on the use of antibiotics is financial. Raising healthier pigs requires a healthier but more costly environment involving larger pens, improved ventilation, and better hygiene. It is a lot cheaper to raise pigs in an unhealthy environment on antibiotics than in a healthy one that uses antibiotics prudently. Dr. Lance Price, director of the Antibiotic Resistance Action Center at George Washington University, stated the following about pork producers in the United States: 'For the sake of humanity, they need to take some responsibility for their role in this crisis before it's too late' (Jacobs, 2019a).

SUGAR INDUSTRY AND CORONARY HEART DISEASE

Sugar has been implicated in obesity and coronary heart disease (CHD) as far back as the 1950's. To stem losses to the sugar industry, the Sugar Research Foundation (known today as the Sugar Association) paid Harvard academics studying the relationships between diet and CHD to minimize the negative effects of sugar and to focus instead on fat. Three Harvard scientists were paid approximately $50,000 in today's dollars to cherry-pick studies and make saturated fat the culprit in heart disease in a 1967 article that was published in the *New England Journal of Medicine*. Based on this flawed study, nutritionists and health experts subsequently promoted the consumption of low-fat diets while said nothing about the dangers of over-consumption of sugar. According to Professor of Medicine, Stanton Glantz: 'They were able to derail the discussion about sugar for decades' (O'Connor, 2016). Considering that food requires either fat or sugar to be tasty, low-fat foods are often loaded with sugar to make them taste good.

The consequences of shifting the public to a high-carb, low-fat diet have been dire. Type 2 diabetes and pre-diabetes are serious problems for about 50% of American adults and 25% of children (Hyman, 2016, p. 161). Moreover, many recent studies are questioning the link between fat and CHD. The right kind of fat (i.e., a diet rich in omega-3 fats) together with a reduced intake of carbs is not only not harmful but probably quite beneficial (Hyman, 2016, pp. 92-97).

UNETHICAL MARKETING BY JUUL

Use of e-cigarettes by middle and high schoolers in the United States has become a serious problem. The CDC estimates that in 2018 3.6 million of these young people were using e-cigarettes vs. 6.9 million American adults (Chaykowski, 2018). Juul is the major e-cigarette company and saw sales of $1.3 billion in 2018 and forecasts revenue of $3.4 billion in 2019 (Sharma, 2019). There is compelling evidence that the company deliberately targeted its marketing of e-cigarettes at young people when the product was launched in 2015-2016:

> *Juul ads are filled with attractive young models socializing and flirtatiously sharing the flash-drive shaped device, displaying behavior like dancing to club-like music and clothing styles more characteristic of teens than mature adults... Juul's launch events and parties also often featured youth-oriented bands and free tastings, ... promoted alongside ads that made pods seem like 'sweet treats' and made 'juuling' (the device is so popular it's now a verb) seem like casual fun* (Chaykowski, 2018, para. 4).

Juul is also in trouble with the FDA for promoting the idea that its products are safer than tobacco, claims that were also made to young people (Ducharme, 2019). Juul knew that the FDA was planning on issuing regulations that would limit the sale of flavored vaping products (The FDA did actually ban fruit- and mint-flavored products on January 2, 2020. However, the ban does not apply to tobacco- or menthol-flavored products. Moreover, vaping stores will temporarily be allowed to sell flavored products from tank-based systems.). This is the alleged reason the company decided at the end of 2018 to stop selling fruit-flavored vaping products that appeal to young people and to suspend its accounts in social media such as Facebook and Instagram (Chaykowski, 2018).

AGGRESSIVE MARKETING OF OPIOIDS BY PURDUE PHARMACY

OxyContin, the opioid painkiller, was introduced in 1996 and aggressively and misleadingly marketed by Purdue Pharmacy, a company owned by the Sacklers. These types of pain killers were originally used in palliative care for terminally ill patients and for short-term situations after surgery. Doctors prescribed the opioid based on the company's claim that it was safer and more effective than other painkillers and non-addictive although there was information that it was addictive and resulted in overdoses. Indeed, there is very limited evidence that opioids are appropriate for chronic pain since patients develop a tolerance for it and need higher and higher doses for it to work (Lopez, 2019).

There have been numerous lawsuits against the company and the Sacklers. The settlement agreement is expected to total as much as $12 billion. Despite all this, the Sacklers will still be worth as much as $2 billion, not including the billions that they have allegedly secretly sent overseas. It does not appear that the Sacklers were concerned about the overdose deaths they were causing. A 2001 email from Purdue president Richard Sackler in response to hearing about 59 deaths from OxyContin states: 'This is not too bad. It could have been far worse' (Lopez, 2019).

A report in the Annual Review of Health found:

> *Between 1996 and 2002, Purdue Pharma funded more than 20,000 pain-related educational programs through direct sponsorship or financial grants and launched a multifaceted campaign to encourage long-term use of [opioid painkillers] for chronic non-cancer pain. As part of this campaign, Purdue provided financial support to the American Pain Society, the American Academy of Pain Medicine, the Federation of State Medical Boards, the Joint Commission, pain patient groups, and other organizations. In turn, these groups all advocated for more aggressive identification and treatment of pain, especially use of [opioid painkillers]* (Lopez, 2019, para 20).

So far, more than 200,000 people have died of overdoses from this painkiller, and another 200,000 have died from other opioids (Lopez, 2019). The Purdue case is a gruesome example of the tragic consequences that ensue when greed wins out over safety.

BOEING'S 737 MAX

Boeing launched the production of the Boeing 737 Max, a redesigned 737, in response to competition from Airbus, its European competitor, soon after the latter broke Boeing's monopoly with American Airlines. It appears that 'Boeing overlooked safety risks and played down the need for pilot training in its effort to design, produce and certify the plane as quickly as possible' (Gelles & Kitroff, 2019). Two new 737 MAXs crashed within five months in 2018-2019, killing all 346 people aboard. The software system known as MCAS (Maneuvering Characteristics Augmentation System) — which can push the airplane's nose down if it is too high and could cause the plane to stall — contributed to both crashes. It appears that a faulty sensor provided an erroneous report that the airplane was going to stall, thereby activating MCAS. Engineers were working on a backup safety system that could 'detect when the angle-of-attack sensors, which measure the plane's position in the sky, were malfunctioning and prevent other systems from relying on that faulty information.' According to a senior Boeing engineer, Boeing's executives rejected this safety system in order to reduce costs:

> *Throughout the development of the Max, Boeing tried to avoid adding components that could force airlines to train pilots in flight simulators, costing tens of millions of dollars over the life of an aircraft. Significant changes to the Max could also have required the more onerous approval process for a new plane, rather than the streamlined certification for a derivative model* (Kitroeff, N., Gelles, D. & Nicas, J., 2019. para. 11).

The senior engineer had this to say about the culture at Boeing: 'Boeing's actions on the issue pointed to a culture that emphasized profit, in some cases, at the expense of safety.' Kitroeff, N., Gelles, D. & Nicas, J., 2019. para. 10). It is now known that Boeing employees questioned the design of the 737 Max and contended: 'This airplane is designed by clowns, who are in turn supervised by monkeys' (Kitroeff, 2020).

HARASSMENT OF WORKERS BY ORANGE

French telecom company Orange, formerly a state monopoly called France Telecom, and three executives were convicted in Paris in 2019 on a charge of 'institutionalized moral harassment' that had taken place a decade earlier, resulting in 19 suicides, 12 attempted suicides, and eight reported cases of serious depression. The executives were sentenced to four months in prison for focusing ruthlessly on the bottom line at the expense of employees' well-being.

Harsh methods were employed in the restructuring of the company after it was privatized in an effort to cut 22,000 jobs and reassign another 10,000 employees as a way to adjust to competition in the private sector. Of the company's 120,000 employees, most were still considered civil servants and hence protected from layoffs. Management therefore employed immoral ways to get workers to leave or accept other positions in the firm (Nossiter, 2019). CEO Didier Lombard reportedly stated that employees would have to leave 'by the window or the door.' Executives created a 'climate of anxiety' via 'a conscious scheme to worsen the work conditions of the employees in order to speed up departures':

> *The testimony this year depicted a grim universe of underemployment, marginalization, miscasting and systematic harassment at France Télécom. Employees spoke of despairing colleagues who hanged themselves, set themselves on fire, or threw themselves out of windows, under trains and off bridges and highway overpasses as the company deliberately pushed them into roles for which*

they were unsuited — sales jobs for technicians, for instance — to try to reduce the work force (Nossiter, 2019, para.10).

HEALTHCARE PRICING

In 2014, the United States ranked 70th out of 132 countries in health and wellness (Kantarjian, 2014). We overpay for our health care but do not get much in return. The cost of treating an ankle sprain in the United States ranges from $100 to $24,000; a hip replacement costs less than $14,000 in Europe and $80,000 in the United States (Kantarjian, 2014). The United States spends more per capita on healthcare than any other country (McCarthy, 2019). According to the OECD, the United States spent $10,586 per capita on healthcare; Sweden spent only $5447 and Canada spent $4974. Health outcomes in the United States are far from outstanding: Life expectancy in the United States was 78.69 years in 2016 vs. 82.20 for Sweden and 82.30 for Canada (McCarthy, 2019).

Kimmel (2018) observes that 'Hospitals have wide latitude to set the prices for any procedure or test that they want, and each hospital determines their price differently, leading to a remarkable amount of variation between providers.' The chart below demonstrates how prices for treating a stroke vary so greatly among hospitals. List prices at hospitals may be more than 1000 percent greater than Medicare prices:

Major joint replacement (without major complications)
Minimum list price: $8,930
Maximum list price: $267,726
Average list price: $62,622
Average Medicare reimbursement: $12,244

Stroke (intracranial hemorrhage or cerebral infarction with multiple complications)
Minimum list price: $9,646
Maximum list price: $300,831

> Average list price: $57,579
> Average Medicare reimbursement: $11,198
> (Kimmel, 2018, para. 10)

The deadly Ebola virus recently threatened the entire world. About fifteen years ago, the pharmaceutical industry ignored a promising vaccine with the potential to prevent the disease because the vaccine would primarily benefit poor African countries with a limited ability to pay for it. Had the pharmaceutical companies invested in its development, it would have probably saved thousands of lives (Grady, 2014). A company that is solely concerned about profits is indifferent to developing drugs that have the potential to save the lives of millions of poor people who do not have the means to pay for them. It should be in the interest of a firm to sacrifice some profits in order to benefit humanity. Moreover, diseases can easily spread from poor to rich countries, so it is a crime against humanity to only consider profits in the healthcare industry.

Wendell Potter, a VP for corporate communications for a leading health insurer, came clean recently in an op-ed piece and explained the origin of the term ‘choice’ used in healthcare. The insurance industry was more concerned about profits than truth and what would be better for Americans. It was all a public relations ploy ‘to prevent significant reforms because changes threatened to eat into our companies’ enormous profits.’ It was all a lie because in the current system, most people are not permitted to pick their own hospitals or doctors. According to Potter, the reforms being discussed today would provide Americans with more choice. This is why the insurance industry has spent huge sums of money lobbying in order to ‘muddy the issue’ and make the public believe that reform means less choice (Potter, 2020).

Martin Shkreli, CEO of Turing Pharmaceuticals, caused an uproar and became the most hated man in America when he increased the price of Daraprim, a 62-year old drug used in the treatment of parasite diseases, from $13.50 a tablet to $750. Valeant Pharmaceuticals has also been rebuked for raising the price of several old drugs; for example, the price of Isuprel, a heart medication, has increased by 500% (Pollack & Huetteman, 2016). According to Truveris, a company that is involved in tracking pharmaceuticals, the price of prescription drugs rose by 10% in 2015. Prices for prescription drugs that cost about $1,869 per month in 2000 cost $11,325 per month in 2014 (Dusetzina, 2016). Langreth and Spalding (2016) state:

> *After Martin Shkreli raised the price of anti-parasitic drug Daraprim more than 50-fold to $750 a pill last year, he said he wasn't alone in taking big price hikes. As it turns out, the former drug executive was right. A survey of about 3,000 brand-name prescription drugs found that prices more than doubled for 60 and at least quadrupled for 20 since December 2014* (Langreth & Spalding, 2016).

With price transparency, the prices hospitals have negotiated with insurance companies are publicly disclosed. Price transparency together with reference pricing is being considered a way of reducing healthcare costs. With a 'reference price' model, costs are covered by the insurer up to a specific price for a particular procedure. This gives patients an incentive to shop around and find a hospital that offers the best price. Safeway credits price transparency together with reference pricing with a drop of 27% in the cost of laboratory tests (Blase, 2019).

It is doubtful that any crimes are being committed in the way hospitals and physicians charge for services, though admittedly there is some fraud that is perpetrated. The problem has to do more with ethics than with the law.

DANGEROUS MEDICAL DEVICES – 80,000 DEATHS

The medical device industry has annual revenues of $400 billion. Medical devices designed to prevent or treat a disease, and which reside within the human body, such as a pacemaker, are supposed go through the same FDA review process that is required for drugs. Devices that are permanently implanted in a person are difficult to extract if problems arise, which makes it all the more important for such devices to be regulated for safety. Unfortunately, many such medical devices are not vetted properly before being released to the public:

> *But thanks to regulatory loopholes and lax oversight, most medical devices are poorly vetted before their release into the marketplace and poorly monitored after the fact…When trouble does arise, device makers often equivocate, regulators dither and patients seeking redress are forced into lengthy and expensive court battles. In the end, faulty products can remain on the market for years* (Editorial Board, 2019, paras. 3, 4).

One example of a medical device that has turned out to be deadly – 80 have died as of 2018 – is the vaginal mesh, also known as the pelvic mesh. It was designed to stay in the body and hold pelvic organs in place. So far, there have been more than 100,000 patient claims which companies have paid $8 billion to settle. Other medical devices that turned out to be dangerous include: Essure, a permanent birth control device injected into the fallopian tubes, made of metal coils that was found to be linked to 800 pregnancy losses and autoimmune disorders; the power morcellator designed to shred uterine tissue which was found to spread cancer; metal hips that released poisonous material; defibrillators that sent out electric shocks at random; artificial heart valves with short shelf lives; and robotic surgeons that maimed patients (Editorial Board, 2019).

According to a study by the International Consortium of Investigative Journalists, medical devices have been responsible for 80,000 deaths and two million injuries in the past decade. Most of these devices were approved with little or no clinical testing (Editorial Board, 2019).

There are several simple solutions that can improve outcomes. One problem is that the FDA agency responsible for monitoring medical devices receives 35% of its revenue from the medical device industry. This results in a conflict of interest that encourages the agency to approve devices quickly. The last four people to head the agency, currently headed by Dr. Jeffrey Shuren, found extremely lucrative positions in the industry after leaving their position at the FDA. The medical device industry spent more than $300 million in the decade ending in 2017 for lobbying. The industry also pays hospitals and doctors hundreds of million dollars in consulting fees. Finally, the industry itself should make the entire process of monitoring devices transparent and efficient by creating a global medical device registry to which doctors who see problems and patients experiencing issues should be able to report them so that they will become known immediately to all stakeholders (Editorial Board, 2019).

MARKETING OF SUGARY BEVERAGES

For the first time, the life expectancy of children today will be lower than that of their parents. This is mainly due to the obesity epidemic in the United States caused largely by the consumption of sugary beverages that includes sports drinks, energy drinks, soda pop, vitamin drinks, sweetened teas, punch, and much more. The trade group for the industry is the American Beverage Association, which is dominated by Pepsi and Coca Cola. The industry has pledged to reduce its advertising to children. However, the Rudd Center for Food Policy and Obesity at Yale University has found that the advertising of the sugary beverages to children has not only increased but has taken on new and innovative forms.

These methods include product placements, community events, promotions, cause-related marketing, and use of social media and smartphones. Packaging of many sugary beverages is often deceptive, showing, for example, pictures of real fruit when the product contains less than 5% fruit juice. Products are projected as healthier than they actually are by being described as containing ‘real’ or ‘all natural’ ingredients. Adding vitamins or electrolytes to a drink filled with sugar is another way to cast an unhealthy beverage as healthy (Brownell, 2011).

Jacobs (2019) describes how during the 1960s and 1970s the tobacco companies used their marketing expertise to sell sugary beverages such as Hawaiian Punch, Tang, and Kool-Aid. Forbidden to target children with their cigarette products, they focused instead on pitching the sale of sugary beverages to that population:

> *Using child-tested flavors, cartoon characters, branded toys and millions of dollars in advertising, the companies cultivated loyalty to sugar-laden products that health experts said had greatly contributed to the nation's obesity crisis* (Jacobs, 2019, para.6).

Some of the memorable cartoon characters that were created were Punchy for Hawaiian Punch and Kool-Aid Man for Kool-Aid. The tobacco companies purposely repositioned these brands so that the new target market was primarily children. Hawaiian Punch, for example, was originally used by adults as a mixer. The product was repositioned so it would be extremely popular with children (Jacobs, 2011). The tobacco companies have sold these brands but the damage cannot be undone. Young people drinking beverages filled with sugar are likely to become overweight adults hooked on sweet beverages.

TAKATA AIRBAGS

Japanese airbag-maker Takata, concealed results of airbag tests that were secretly conducted in 2004 that showed that the gas used in the airbag was potentially dangerous. Seemingly, Takata's airbags harmed vehicle occupants by shooting out metal and plastic shrapnel. General Motors switched from Autoliv, the company that originally supplied its airbags, to Takata in order to save a few dollars per bag. Indeed, Autoliv had studied the airbag made by Takata and saw that it relied on a 'dangerously volatile compound [ammonium nitrate] in its inflator.' There were numerous studies going back years earlier indicating the dangers of ammonium nitrate (Tabuchi, 2016). Autoliv refused to switch to the cheaper gas whose dangers were well known. So far, Takata's cheaper airbag has resulted in at least 24 deaths worldwide and 300 consumer injuries (Consumer Reports, 2019). Approximately 41.6 million vehicles have been recalled – the largest automotive recall in history. On

February 28, 2017, Takata pleaded guilty to 'deceiving automakers about the safety of its airbags' (Consumer Reports, 2019).

FACEBOOK AND POLITICAL LYING

In 2019, Facebook announced that the company would not censor political advertisements containing lies even during the election season. Basically, there will be no fact-checking of ads from politicians. Twitter, on the other hand, declared that the company would stop running any type of political ads. Google will not ban political ads but will rein them in so that 'Campaigns will no longer be able to microtarget — tailoring ads to people's specific data and behavior.' Google will also ban ads with 'demonstrably false claims that could significantly undermine participation or trust in elections' (Swisher, 2019).

Needless to say, this has caused a huge uproar. Mark Zuckerberg, CEO of Facebook, posited that he is more concerned with free speech than with the possible harm that might result from the spreading of political lies with no accountability. Incidentally, Facebook is making millions of dollars on targeted political ads, so the decision is self-serving.

Deceptive political ads together with microtargeting – the practice of targeting specific groups – can fuel the spread of deceptions by inflaming niche audiences. Niche advertising targets are often especially susceptible to personalized messages. An incredible amount of harm to society may result from not censoring political ads.

DeCosse (2019) cites the work of Sissela Bok, a moral philosopher who studied the ethics of lying. Bok believes that without truth a society and its institutions collapse. A great deal is at stake as far as the United States is concerned with the decision of Facebook to permit dishonest political ads:

> *Indeed, she [Sissela Bok] calls lies about politics the 'most dangerous body of deceit of all.' This is not because all politicians lie, as common cynicism holds. To the contrary, Bok says, there is a notable difference between political*

> *societies that honor the principle of veracity and political societies that don't. Instead, the great danger of political lies comes from harnessing on a huge scale the coercive physical force of the state to the coercive mental force of lying. Such societies – one lie at great scale at a time – fail to distinguish truth from falsehood and finally collapse* (DeCosse, 2019, para. 7).

MONSANTO'S ROUNDUP

More than 42,000 people in the United States are now suing Monsanto. These lawsuits allege that Roundup, an herbicide manufactured by Monsanto, causes non-Hodgkins lymphoma. The company is alleged to have been aware of the danger but used all kinds of unethical tactics to hide from consumers the fact that that Roundup could cause cancer in humans in order to protect sales (Gillam, 2019). These unethical though not illegal tactics include attacking journalists and scientists who attempted to make the public aware of the dangers of using Roundup. The company also hired consultants to pose as independent researchers 'to spread disinformation' in academic journals. One supposedly independent journal that purportedly tested 'popular claims against peer-reviewed science,' *Academics Review*, is actually a 'propaganda outlet' funded by Monsanto and other chemical companies (Buchanan, 2019).

EXXON/MOBIL PROMOTING MISINFORMATION ABOUT CLIMATE CHANGE

It is now documented that Exxon (now ExxonMobil, the world's largest oil and gas company) knew that fossil fuels contributed to climate change as far back as 1977. The company did not make the public aware of the dangers of climate change and even promoted misinformation in the name of profit. In effect, ExxonMobil used the same strategy as the tobacco companies and denied that any danger might result from their products. They sold their souls for the almighty dollar (Hall, 2015).

During the 1970s and 1980s, Exxon hired top experts to look into the climate change issues and even to study how much carbon dioxide would be absorbed by the oceans. The company developed sophisticated climate models and was aware of the effects of climate change. James Black, a senior scientist at Exxon, noted the following about climate change in the 1970s:

> *In the first place, there is general scientific agreement that the most likely manner in which mankind is influencing the global climate is through carbon dioxide release from the burning of fossil fuels… present thinking holds that man has a time window of five to 10 years before the need for hard decisions regarding changes in energy strategies might become critical* (Hall, 2015, para. 3).

According to Hall (2015), Exxon became a leader in spreading misinformation about climate change. An Exxon executive has been quoted as stating that 'Victory will be achieved when the average person is uncertain about climate science.' The company was involved in creating the *Global Climate Coalition* to sow confusion and attempt to convince the public there was no 'scientific basis for concern about climate change.' Overall, the company spent $30 million on think tanks to promote climate change denial. Exxon also used its political clout in 1998 to prevent the United States from signing the Kyoto Protocol whose purpose was to reduce greenhouse gases. Kenneth Kimmel, President of the Union of Concerned Scientists, made the following remark about the damage caused by the misinformation campaigns in light of the fact that 50% of greenhouse gas emissions occurred after 1988:

> *I have to think if the fossil-fuel companies had been upfront about this and had been part of the solution instead of the problem, we would have made a lot of progress [today] instead of doubling our greenhouse gas emissions* (Hall, 2015, para. 7).

ExxonMobil and other energy companies are being sued by many city and state governments for their role in climate change. ExxonMobil recently won a securities fraud case brought by the New York Attorney General's Office. The company was accused of securities fraud by not being honest about the costs and risks arising from climate regulation and thereby deceiving investors. But the judge made it clear that 'Nothing in this opinion is intended to absolve ExxonMobil from responsibility for contributing to climate change through the emission of greenhouse gasses in the production of its fossil fuel products' (Wamsley, 2019, para. 3).

CDOS AND CDS NEARLY DESTROY THE WORLD ECONOMY

Two financial instruments that were especially risky and helped cause the Great Recession of 2008 were collateralized debt obligations (CDOs) and credit default swaps (CDS). These financial instruments made several companies look good in the short term and millions in bonuses were awarded to top management because of the huge profits generated by the sale of these instruments. The CDOs that were super risky were pooled assets consisting of subprime mortgages. These repackaged mortgages were a kind of derivative and sold to investors. What most investors purchasing these instruments on the secondary market did not realize was that in contrast to diversification, pooling many risky mortgages did not really reduce the risk of holding these instruments.

Chinese banks sued Morgan Stanley for selling CDOs consisting of the worst sub-prime mortgages and then betting against them. Internally, people working at Morgan Stanley referred to the securities as 'Subprime Meltdown,' 'Hitman,' 'Nuclear Holocaust,' or in scatological terms as a 'Bag of ---- (excrement).' Evidently, the investment bankers knew that these securities (known as Stack 2006-1) were super risky (Eisinger, 2013). To make matters worse, the credit rating agencies gave many of these securities AAA ratings. The Justice Department did file a lawsuit against Standard & Poor for giving undeservedly high credit ratings for toxic mortgage-backed securities.

CDS were originally developed to insure bond investors against default risk but they took on a life of their own and were used for speculation purposes. A CDS is a credit derivative and resembles insurance since the buyer makes regular payments and collects if the underlying financial instrument defaults. In a CDS, there is the protection buyer who can use this instrument for credit protection; the protection seller who gives the credit protection; and the specific bond or loan that could go bankrupt or into default is the 'reference entity.' It could be compared to buying fire insurance on someone else's house.

Try to imagine what would happen if insurance companies were allowed to sell, say, 65,000 million dollar fire insurance policies on a single house. The firm would collect lots of premiums, but the risk would be very great if the house burned down (indeed, there would be an incentive for any one of the 65,000 people to burn the house down themselves). Companies began to issue huge amounts of CDS knowing that there was no way in the world this could ever be repaid if there was a financial crisis. When bonuses based on short-term profits, not long-term profitability constitute a huge part of executive compensation, it is not surprising that employees are enticed to take on huge amounts of risk.

Lehman, of course, was not the only company to take on too much risk and then get into serious trouble when housing prices started falling. Lehman also increased its risk by being highly leveraged. Leverage is about borrowing to magnify returns and a firm with a very high debt to equity ratio is considered to be highly leveraged. Thus, if you borrow money at, say, 5% annually and you purchase real estate increasing in value at 7% per year, you can make much more profit and there is an incentive to take on more debt. However, the more you borrow, the greater the risk of default. In 2003, Lehman's leverage was at 23.7X, ultimately increasing to 30.7X (Wiggins, Piontek & Metrick, 2014).

Many other firms were doing what Lehman did, but Lehman had the distinction of becoming the largest bankruptcy in American history thanks to CDOs. Richard Fuld, CEO, of Lehman, can be found on every major list of the worst CEOs of all time. Subprime mortgages given to home buyers with insufficient income to service a mortgage may have made Countrywide Financial Corporation (taken over by Bank of America) and Washington Mutual (second largest bankruptcy in American history) seem like solid, profitable entities for several years but eventually destroyed these banks.

CDS almost destroyed AIG. If the government had not bailed out the firm in 2008 at a cost to the American taxpayer of $182 billion, the company would have gone bankrupt. Joe Cassano, the executive who headed the financial products division that sold the CDS and nearly destroyed AIG, made more than $300 million between 2000 and 2008 (Sherter, 2010).

UNETHICAL BUSINESS PRACTICES AT WELLS FARGO

There was a great deal of pressure on employees at Wells Fargo to squeeze as much money as possible out of customers. This immense pressure cooker-like atmosphere at the bank resulted in all kinds of unethical behaviors. Employees broke the rules in order to meet unrealistic performance goals. Approximately 3.5 million fake bank accounts were secretly created for customers and credit cards were issued without the knowledge of clients. The company was fined in 2016 for these unethical acts, more than 5,300 employees were fired, and John Stumpf, CEO of Wells Fargo, was forced to retire. Kouchaki (2016) contends that the unethical behavior at Wells Fargo was caused to a large degree by the 'presence of overly aggressive goals and performance pressure.' Employees will respond to too much anxiety at work because of pressure by morally disengaging and becoming less concerned about unethical business practices.

Even before the Great Recession of 2008, Wells Fargo was known for its toxic environment. Employees of the bank aggressively sold subprime mortgages and targeted African-American neighborhoods with so-called 'ghetto loans,' with black customers referred to as 'mud people' by loan officers (Coleman, 2019).

AUTISM AND VACCINATION

It is impossible to estimate how many lives are lost through the falsification of medical research. We saw in an above vignette how a small bribe from the Sugar Association most likely contributed to the current obesity epidemic. The American Diabetes Association estimates that diabetes costs the United States $327 billion a year[2]. Vaccine hesitancy is another medical phenomenon based on misinformation that poses all kinds of costs to society, financial as well as fatalities that result from diseases such as measles that can be prevented by vaccines.

The anti-vax movement was caused by an unsound 1998 paper that showed the association between vaccines to autism. Dr. Anthony Wakefield, who conducted the research, cherry-picked the data to reach this erroneous conclusion. He had a huge conflict of interest since he was paid to conduct this research by lawyers who were suing the drug companies which produced the vaccines. In 2010, The Lancet, where the paper was originally published, fully retracted the 1998 paper. Wakefield was found guilty of 'scientific misrepresentation' and lost his medical license (Park, 2010). We are still paying a heavy price because of Wakefield's unethical research.

One of the main reasons that the anti-Vaxxer movement has grown is because people do not trust the medical profession (Wheeling, 2019). The way to combat this skepticism is to show disbelievers the horrors of vaccine-preventable illnesses:

> *As Nathan Collins reported for Pacific Standard in 2015, trying to correct false beliefs about vaccines and autism has little impact on anti-vaxxers, but confronting skeptics with the reality of vaccine-preventable illnesses can be more convincing. '[T]elling the stories of children sick with measles, mumps, or rubella using words and pictures did have an effect, especially on those most skeptical of vaccines' safety and effectiveness,' Collins wrote. 'On average, people were about a quarter of a point more pro-*

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[2] See https://www.diabetes.org/resources/statistics/cost-diabetes.

> *vaccine after seeing those stories, while the most skeptical—those in the bottom third on the initial vaccine attitudes score—were about six-tenths of a point more in favor of vaccination'* (Wheeling, 2019, para. 7).

UNETHICAL CORPORATE CULTURE AT PG&E (PACIFIC GAS AND ELECTRIC)

On September 9, 2010, a pipeline managed by Pacific Gas and Electric (PG&E) ruptured and caused a huge explosion that killed eight people. The ensuing investigation revealed all kinds of unethical behaviors at PG&E. First, the relationship between the California Public Utilities Commission (CPUC), the state's regulatory body, and PG&E was inappropriate. CPUC actually coached PG&E on how to 'avoid or sidestep its regulatory responsibilities.'

This type of relationship leads to an unethical culture and the problems can only accelerate. Second, the United States Department of Justice asserted: 'PG&E willfully failed to identify threats to its larger natural gas pipelines and to take appropriate actions to investigate the seriousness of threats to pipelines when they were identified.' Third, an independent auditor discovered that the company prioritized bonuses and profits over safety.

More than $100 million that was supposed to be spent on gas safety and operations was spent for other purposes. In addition, employee incentives encouraged managers to ignore safety issues. Managers receive bonuses if crews working for them reported fewer rather than more leaks in the pipelines. After the bonus system was terminated, ten times as many leaks were found in the gas-distribution system than before (Kelly, 2017).

The problems continue at PG&E. More than 100 people have died in in the Camp Fire – which started on November 2018 in Butte County and destroyed the town of Paradise in Northern California – as well as 2017's wildfires in Napa and Sonoma counties. A state agency concluded that the Camp Fire, which killed 85 people and burnt a total of 153,336 acres, was caused by electrical power lines owned by PG&E. In January 2019, PG&E

filed for bankruptcy – the liabilities from the wildfires could easily surpass $30 billion. The company was convicted of six felonies involving negligence issues involving the 2010 pipeline disaster and executives may face charges of criminal negligence over the wildfires (Eavis & Penn, 2019). The Butte County District Attorney's Office stated: 'The investigation into how and why the PG&E transmission line equipment failed is ongoing in an effort to determine if PG&E or any of its personnel have any criminal liability' (Robertson, 2019). PG&E has a reputation of not prioritizing safety. Indeed, documents obtained by the Wall Street Journal indicate that PG&E has known for years that its outdated power lines could fail and cause wildfires and did nothing about it (Blunt & Gold, 2019).

LEAD IN THE WATER SUPPLY: FLINT, MICHIGAN

The problem of lead in the water supply of Flint, Michigan, where 4.9% of children tested have elevated lead levels, demonstrates what happens when government is more concerned with saving money than with the health and welfare of its citizens (Mathis-Lilley, 2016). Approximately 9,000 children in Flint were provided with lead-contaminated water over a period of 18 months.

What caused the problem? In 2011, the city of Flint had a $25 million deficit and fell under state control. In order to save money, the city stopped piping treated water from Detroit while waiting for a new pipeline from Lake Huron to be built. In the interim, water was pumped from the Flint River. The river water was highly corrosive and should have been treated. Because it was not treated, lead leached out from the old pipes into the homes of the Flint residents, who complained about the appearance, taste, and smell of their tap water. In response, the Michigan Department of Environmental Quality (MDEQ) insisted Flint water was passing all quality tests (Denchak, 2018).

A task force looked into this scandal and concluded that the MDEQ bore the primary responsibility by ignoring indications that Flint water was unsafe:

> *On the federal level, an EPA employee named Miguel Del Toral wrote an internal memo in June 2015 outlining concerns about Flint's water. His memo, which became public when Flint resident LeeAnne Walters gave a copy of it to an investigative reporter at the Michigan American Civil Liberties Union, turns out to have been completely prescient. But at the time, the EPA publicly nay-sayed it as a set of 'initial results' that others would have to 'verify and assess,' and did not require Flint to take any action to improve water treatment* (Mathis-Lilley, 2016, para. 17).

There was a similar scandal involving lead in New York City. The New York City Housing Authority (NYCHA) allegedly failed to conduct required lead inspections since 2013 and lied to Federal officials about this. NYCHA attempted to cover up the seriousness of the problem but finally had to admit that since 2012, 1,160 children living in housing owned by NYC have been diagnosed with lead poisoning (Hicks, Gonen & Jaeger, 2018).

FORD'S PINTO FIASCO

The first ever criminal homicide charge brought against a U.S. corporation occurred in the landmark 1978 case of Indiana v. Ford Motor Co. The case's impetus was the tragic deaths of three teenagers whose Ford Pinto exploded after being rear-ended by a van. The Pinto had a known design flaw relating to its fuel tank placement that made it prone to gas tank explosions in rear-end collisions. Ford became aware of this design flaw during the preproduction crash testing stage but, in a morbid display of corporate profits over public safety, they determined that the $11 repair cost per vehicle to correct the flaw across more than twelve million vehicles would exceed the anticipated costs of death and injury-related lawsuit payouts.

This cost-benefit analysis was internally documented in the notorious 'Pinto Memo' by Ford's Environmental and Safety Engineering division. The memo pegged the cost of human life at $200,000 USD and the cost of burn victims at $67,000 USD. In other lawsuits against Ford, jurors awarded the plaintiffs large punitive damages due to the inappropriateness of Ford’s cost-benefit analysis and pursuit of profit at the expense of human consideration (Orts & Strudler, 2002). In all, more than two dozen people were killed or injured as a result of the Pinto’s fatal flaw before Ford finally recalled the cars. Time magazine included this recall in its 2009 list of the Top 10 Product Recalls and declared: ‘The Ford Pinto was a famously bad automobile, but worse still might be Ford's handling of the safety concerns’ (Time, 2009).

VALE MINING DISASTER

Executive of the Brazil-based mining giant, Vale, were charged for negligence in a dam disaster that killed at 270 people on Jan. 25, 2019. Vale had an internal list of a number of dams that were at high risk of bursting, but paid German company Tüv Süd to present Vale with reports about their dams’ stability. State prosecutors say that Vale executives hid ‘hid evidence of safety concerns and retaliated against auditing firms that flagged problems’ (Londono & Andreoni, 2020). There is evidence that Vale knew about major problems with the dam in Brumadinho since November 2017 but did nothing to rectify the issues. The state prosecutor stated that the ‘goal of these omissions, ultimately, was to avoid any negative impacts to Vale’s reputation that could affect its market value,’ and that they ‘knowingly took risks that could cause environmental damage, eventual homicide and deaths.’ This is another incident where a heavy price was paid so that the company’s bottom line would not be adversely affected (Londono & Andreoni, 2020).

CONCLUSION

This paper demonstrates what actually happens when unbridled greed wins out over safety. When executives are concerned about bonuses, profits, compensation, and/or growth to the exclusion of concern with human welfare they are highly prone to cause harm to others. The above examples illustrate how focusing on the short-term can result in disaster in the long term for a company. It is true, however, that the CEO culprits often destroy their organizations with short-term thinking but emerge as millionaires and even billionaires (think of the Sacklers). The board of directors of an organization have a moral responsibility to ensure that the CEOs they hire will consider the long term.

The calamities that result from unethical behavior are not limited to corporations in a capitalist society. Communist and socialist countries need people to run their factories and businesses and there is no guarantee that these individuals will be more concerned with safety and quality than with meeting production goals. Some of the culprits chronicled above work not for private industry but for government or government-regulated entities. PG&E is a regulated utility and has allowed all kinds of unethical practices to prevail.

The problem of lead in the water supply of Flint was caused by a government agency, not a private company. The solution to improving business ethics will not necessarily be solved by moving away from capitalism. The same may be said for corruption: Communism and socialism have been as unsuccessful as capitalism in rooting out corruption. Indeed, communist and socialist despots have caused millions of deaths through total ruthlessness in the service of their cause and/or unbridled corruption milking their country for their private gain, such as previous KGB agent Putin who counts as one of the wealthiest men on the planet.

Despite all this, surveys show that 'nearly one-half of millennials are receptive to living under socialism and regard capitalism as a captive of greed' (Edwards, 2019). Capitalism has its faults but it has contributed to the incredible decline in extreme poverty from about 90% of the world population throughout most of history to 10% today (Kristof, 2017; Pinkovsky & Sala-i-Martin, 2010). Thus, capitalism with a moral foundation can be a potent tool for eliminating poverty. However, capitalism without morality and government regulation can cause a great deal of harm to society.

Beck and Seru (2019) posit that capitalism that is based on short-term thinking cannot thrive or survive: 'Over the long run, the profitable thing and the right thing are usually the same,' Milton

Friedman also lamented that ‘business leaders are often ‘incredibly shortsighted and muddle-headed in matters that are outside their businesses but affect the possible survival of business in general.’ The solution is for organizations to hire leaders who think in terms of the long term.

Beck and Seru (2019) believe that short-term thinking is undermining capitalism They point to the fact that since 2006, a typical share of stock is held for less than a full year. One study found that CEOs at public companies were quite willing to sacrifice long-term growth for a short-term boost in the price of their stock. This is understandable, given that the median tenure for CEOs is now about five years. Beck and Seru (2019) aver that ‘executives may be increasingly unable, not just unwilling, to pursue long-term value-creating activities like investing in research or training for their employees.’

What should be the most important objective of an organization? Jack Welch, former CEO of GE, believed that a firm’s objective should be to make high quality, constantly improving products in order to maximize customer satisfaction. He also stated that the corporate objective stressed in all finance courses, that of maximizing shareholder value, was the ‘dumbest idea in the world’ and could destroy an organization in the long run (Denning, 2011). The above vignettes demonstrate the disasters that result from unethical practices and lend credence to Welch’s view

At the Davos 2019 World Economic Forum, Punit Renjen, Global CEO of Deloitte, discussed the results of a major survey by his firm which polled 2,000 C-suite executives across 19 countries. The survey showed that executives are now aware that societal impact is a key factor when evaluating performance, not shareholder value:

> *Executives expressed a genuine commitment to improving the world. Leaders rated societal impact as the most important factor when evaluating their organizations’ annual performance, ahead of financial performance and customer or employee satisfaction. In the past year, nearly*

> *three-quarters of respondents said their organizations had taken steps to make or change products or services with societal impact in mind* (Renjen, 2019, para. 5).

Hopefully, these vignettes will make boards aware of the dangers of hiring CEOs that are only concerned with short-term profits and high stock prices. Those type of leaders are the wrong ones for the Fourth Industrial Revolution and could be responsible for the destruction of an organization in the long run. The Davos Manifesto 2020 which describes the purpose of a company during the Fourth Industrial Revolution, makes it clear that a company must have a 'zero tolerance for corruption' and 'serves society at large through its activities' (Schwab, 2019).

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