Some Ethical Consequences of Economic Competition

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ABSTRACT. Commonly accepted dictates of morality clash with the a priori laws of free economic competition. These divergent directives — that stem from the essence of their sources and cannot be changed or negated without altering their sources — contradict each other and so set up conflicts of the most fundamental kind in men's psyches (or souls). In addition, this clash of moralities implies a most serious question respecting real freedom under a system of so-called free-enterprise. For, if in order to thrive, we must perform actions that at the same time violate our own moral self respect, we cannot call ourselves free.

I would like to discuss some fundamental questions regarding business ethics that stem (for me) from personal observations I've made over twenty five years of responsible activity in the world of free enterprise.

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First, I note that a conflict exists between attitudes and actions demonstrated by myself and my associates when related to business, and attitudes and actions shown in more private affairs. I am aware of acts of charity, kindness, and public service performed by my co-workers in their private lives. In their dealings with me, they are truthful and faithful; we share common goals. Yet, in our dealings with customers and suppliers neither our truthfulness nor our fidelity can be assumed. If we are truthful and faithful it is because of (economically) rational or sentimental reasons, not because we are determined by moral law. We excuse ourselves by assuming a similar lack of truthfulness and fidelity in our trading partners. And they too, we believe, assume the same of us. Sometimes we are dealt with openly — all cards on the table. In that case, we assume laziness or sentimentality. These attitudes, actions, and reactions derive from the many years we have spent surviving in competitive markets. They are pragmatic; they are learned from experience.

We are seldom kind. When large sums are at stake, kindness is irrelevant. Nor do we look for kindness. Thus sympathy and compassion are excluded from those attitudes and expectations determining our course. The obligation of mutual aid is irrelevant, too. Suppliers are those you buy cheaply from; customers those to whom you sell as dearly as possible. We view competitors as the enemy and suppose that we are the enemy to them. Our relations with them are formal; our attitudes, dislike and fear. An act dictated by thoughts of beneficence toward any of them by any of us would be considered by the rest of us to be a foolish act at best, and, at worst, an act of betrayal. With respect to competing for orders or resources, our gain is our competitors’ loss; and we rejoice at our gain. Thus we are undismayed at their loss to which we have contributed. Again, we suppose like feelings on their part. We take none of these attitudes, dispositions, and actions to be exceptional, but rather expect that they are more or less universal in the business world. They seem to be rational attitudes and actions; and their rightness also seems to be confirmed by the (business) benefits they confer, and the (business) losses which follow when their controlling precepts are ignored. Now I have not observed these statements to be always true, of course. But they hold as to primary tendencies.
Certainly, the reader should not rely only upon my personal observations. My business or industry may be peculiar. It is possible that my views are distorted. If the reader is, or has been, engaged in commerce, he can reflect on his own observations to see how they jibe with mine. In addition there are two more investigations he can make. He can examine the daily press to see if the stories printed about business tend to confirm or contradict my reports. And the reader can construct hypothetical situations and note what he would expect the responses of the actors to be.

The press seems to afford confirmation. As an exercise in preparing this paper I noted in *The New York Times* and *The Wall Street Journal* during the period March 9, 1982—April 2, 1982, many articles either stating directly or strongly implying attitudes and actions on the part of persons engaged in business or the professions, or who were ‘investors’, that we probably would take to be violations of accepted moral rules. Two examples illustrate the point clearly.

(1) *The Wall Street Journal*, March 11, 1982, headlined ‘Comparative Ads Are Getting More Popular, Harder Hitting’. Comparative advertising, of course, directly compares the advertiser’s product to that of his competitor(s). The competing products are often disparaged; sometimes it is suggested that they are dangerous. The *Journal* quoted the director of broadcast standards and practices at one of the major networks. “Competitors are taking each other by the throat”. The imagery is apt. Although almost all advertising carries with it the implication that if successful it will contribute to the unsucces of the advertiser’s competitors, this implication may be ignored by the audience and denied by those who conceive and execute it. But this masking must grow much less effective when the ads become ‘hard hitting’. Ultimately, it is not other advertisers and other firms, but rather other people that are being attacked and presumably will suffer from the success of the ‘hard hitting’ campaign. The executives, copywriters, and art people of the agency whose campaign is less successful will suffer; they may lose their jobs. The persons responsible for merchandising the product under attack will be damaged in some proportion to the rise in fortunes of the attackers.

(2) *The Wall Street Journal*, April 2, 1982, headlined ‘The Workout Crew. Bankers Who Step In If Loans Go Bad Reveal Lenders’ Other Face. There Isn’t Any Smile on It; Teams Tell Ailing Clients To Make Changes Or Else. ‘We See a Management Void’” This long lead article begins by stating that “...workout specialists, the bankers who take over when a business loan goes bad” are known as “undertakers, morticians, black hats, or goons”. They are dreaded. They force firings. Sometimes they are known by euphenisms because “Sometimes ailing companies extricate themselves from workout at one bank by borrowing from another institution. If the new banker, unaware of the customer’s less-than-perfect status, calls the old one for information and hears ‘workout’, he will run the other way.” “A [client] company’s change in status from master to slave often comes abruptly... ‘Its always interesting to watch them walk down that corridor, look at that sign [Institutional Recovery Management] [a euphenism] and watch their faces change as it dawns on them they might be in trouble’, chuckles [a senior banking officer].” “Bankers say they have only one concern... : getting their money back. ‘We have the right to get paid and they have an obligation to pay us.... The bank didn’t cause the company to make bad investments or whatever it was that caused them to lose money’. The sense of this article is fear and humiliation on the part of the executives of the company in difficulty, contempt and rationality by the bankers.

Neither of these articles (nor the others) conveys any feeling that the actions and attitudes of the participators are unacceptable or even unexpected. Their activities are interesting and so newsworthy. But they are not subject to moral judgment. Yet the comparative advertisers are engaging in an obviously maleficient enterprise (even if unacknowledged by themselves). The workout crews—as described in the article—are brutal. These attributes—maleficence and brutality—are not, of course, those that we would wish our friends and neighbors to hold