erative process requires considerable investment in the dramatic rsal of possibilities, engaging the imagination to develop strategies that onize the conflicting demands of the problem at hand. This element approach is reminiscent of some of the scenario analysis literature, on strategy development tools developed at Shell.

ifth, deliberation requires more than just developing inclusive scenar-he question of "who or what character do we want to epitomize" is also al to the deliberative process. Intelligent deliberation requires man- to imagine what it would be like to "live through" the scenarios. How l it feel? How would it feel for others affected? What would than say you as a manager/ what would it say about you as a firm?

inally, pragmatic deliberation would emphasize that all principles, s, strategies, and even "core" values are always tentative—subject to re- by a new and demanding ethically pioneering situation. Continuity re- than we change and challenge only certain aspects of these systems at e, however progress demands that we challenge them on a regular basis.

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Chapter 3

Truth Telling

Case Study

Cynthia Cooper and WorldCom

EMILY MEAD ● PATRICIA H. WERHANE

In late May of 2002, Cynthia Cooper, the 38-year-old Vice-President of Internal Audit for WorldCom, the second largest telecommunications company in the United States behind AT&T, faced an extremely difficult decision. After months of sleuthing, initially not sure what they were seeking, she and two of her employees at the Clinton, Mississippi WorldCom headquarters had discovered almost $4 billion in questionable accounting entries. The specter of the Enron collapse in the fall of 2001 still loomed large and Cooper realized that the situation at WorldCom might even be a far greater financial debacle. Enron's case was complex: the company had devised a number of partnerships and specific entities to hide debt and create the illusion of income. At WorldCom, however, the fraudulent entries Cooper and her co-workers had discovered seemed pretty straightforward. If this fraud were revealed, much was at stake: the company's credibility, never mind its existence as well as that of its many subsidiaries, the fate of thousands of employees, and pension funds, full of WorldCom stock. WorldCom, the only Fortune 500 company in Mississippi, had long been the pride of the state. Cooper also worried about her and her sleuthing co-workers' reputations being muddied should they assume the role of "whistleblower." Nonetheless, Cooper knew she had to do something; the apparent fraud they suspected they had uncovered was too large and glaring. The logical next step was to meet with the board's audit committee, but Cooper had to decide whether she wanted to take that step.

This case was prepared by Research Assistant Jenny Mead under the supervision of Patricia H. Werhane, Ruffin Professor of Business Ethics, Darden Graduate School of Business, University of Virginia. This case was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Reprinted with permission.

UNTANGLING A WEB

Bernard Ebbers resigned as CEO of WorldCom on April 29, 2002 after a $400 million personal loan to him from the company came to light. Then WorldCom COO John Sidgmore succeeded him and immediately asked for a complete examination and assessment of the books in every division of the company. Cynthia Cooper was happy to comply because, after a series of small tips, she and auditor Gene Morse, one of her 24 employees, had begun to suspect that WorldCom might be "cooking the books."[1] In one disturbing conversation in March of that year, John Stupka, head of WorldCom's wireless division, complained to Cooper that CFO Scott Sullivan had yanked $400 million from Stupka's division to use as an income boost for the company. Stupka had specifically set aside this money to make up for potential shortfalls; now, his division would have to report a tremendous loss in the coming quarter. He had approached two Arthur Anderson auditors who backed Sullivan's decision. Stupka and Cooper were skeptical of this decision, however; "under accounting rules, if a company knows it isn't going to collect on a debt, it has to set up a reserve to cover it in order to avoid reflecting on its books too high a value for that business."[2] Cooper herself tried approaching Arthur Anderson again with no success; the auditors there said that they only answered to Sullivan in WorldCom's accounting issues. Rather than drop the matter—WorldCom's CFO and two of the outside accountants had okayed the wireless division transaction, anyway—Cooper persevered in her investigation. In early March, Cooper presented her concerns about reserves to the company's board audit committee, headed by Max Bobbitt. Although Sullivan did not defend himself in this meeting, he later tracked down Cooper at her appointment with a hairdresser and angrily warned her not to interfere in John Stupka's business affairs. Certain that she was about to lose her job, Cooper packed up her personal belongings in her office. At the same time, Cooper's curiosity was piqued by Sullivan's rage. "When someone is hostile, my instinct is to find out why," she said.[3]

In the meantime, the Securities and Exchange Commission (SEC)—suspicious because in 2001, a notoriously difficult year for telecommunications companies, only WorldCom had a successful year financially—submitted a "Request for Information," giving them access to the company's financial data unavailable through public sources. Startled by this request and in preparation, Cynthia Cooper and her staff began to compile pertinent information. Cooper had also become concerned about Arthur Anderson after the accounting firm's involvement, including document shredding, with the 2001 Enron debacle.

Although it was not the internal audit department's duty, Cooper decided that she and several others in her division would investigate the company's financials on their own, performing what essentially would be a series of mini-audits. She did not mention this task to any of the higher-ups at WorldCom; instead, she and her staff worked long hours, often through the night, as they carefully pored over the books. Cooper was then alarmed when she heard that a WorldCom auditor in Texas had been fired for questioning the accounting method for some capital expenditures. The subject of capital expenditures had already piqued Cooper's interest. She and her team had unearthed a questionable $2 billion that in 2001 WorldCom had

ascribed to capital expenditure when, upon further research, it had not been authorized. To Cooper's dismay, she realized that WorldCom had probably shifted operating expenses to the capital expenditure category, an illegal and deceptive accounting practice that made the company look far more profitable than it actually was.

On the evening of May 28, Gene Morse brought Cooper's attention to a rather startling accounting computer expenses entry for $500 million, with no corresponding invoices. These were recorded as capital expenditures. When they tried to follow up on this and on the concept of "prepaid capacity," a vague term that one of WorldCom's financial planners had used when Cooper questioned him about capital expenditures, they were stymied. Cooper and Morse realized that they needed to scrutinize the company's computerized accounting system and Morse figured out a way to access it. Using a new software program that the information-technology staff was testing, Morse examined the debit and credit sides of all transactions. Since the number of transactions was huge and his requests began to slow down the system, Morse started working at night when there was far less demands on the computer system and when there would be less scrutiny by other employees. Within a few weeks, he discovered $2 billion in suspicious accounting entries.

Cooper was unclear as how to proceed. In the meantime, Scott Sullivan, who knew that her department had been doing some investigation, asked Cooper and Glyn Smith, a senior manager who had worked with Cooper and Morse on the investigation, to explain what they had been doing. Without going into the details of what they found, the two told Sullivan about the audit they had been conducting themselves. Sullivan asked them to hold off on continuing the audit or revealing its results, explaining that he planned to take care of the problems the following quarter. Refusing to stall, Cooper met again with Max Bobbitt, who urged her to double-check her findings and to work with the company's new auditors, KPMG, on this problem. As part of their double-checking, Cooper and Smith talked to a number of employees, including Betty Vinson, director of management reporting, and Buford Yates, the company's director of general accounting. The path eventually led to WorldCom's controller, David Myers. Cooper and Smith explained their findings: that WorldCom was capitalizing what should have been ordinary operating expenses, and consequently reflecting less cost on a daily basis than the company was actually incurring against income. Myers admitted that the entries did not have back-up, the accounting practices used were wrong and that while he had been uncomfortable with the practice when it started in 2001, it was hard to stop once started. He also said that he hoped it didn't become a focus of investigation for the SEC.

CYNTHIA COOPER

Cynthia Cooper was born and raised in Clinton, Mississippi, in a neighborhood not far from the WorldCom company headquarters. Growing up, Cooper was well aware that money was tight and consequently began working as a teenager at places like McDonald's, Morrow's Nut House, and Golden Corral. According to her family, her determination was legendary. Unable to compete with veteran waitresses who could carry five food trays at once and could carry just as many. After several weeks, her manager told her "I did everything I could to make you quit. You were the worst waitress I ever had. . . . And now you're the best."[4] A top student at Clinton High School, Cooper earned an undergraduate accounting degree from the University of Alabama in 1987. Classmates remembered her as "ferocious" in class as "she would proceed to pepper the professor with questions, oblivious to her classmates' disdain."[5] Her first marriage, which landed her in Atlanta, ended in divorce and in 1991, Cooper returned to Clinton with her 2-year-old daughter. She subsequently married a high school crush, Lance Cooper, a former computer consultant who was a stay-at-home dad, and they had another daughter together.

Now in her late 30s and a regular churchgoer, Cooper had worked at WorldCom for ten years, since being hired in the early 1990s to start an internal audit division. When she started the internal audit division in 1994, Cooper was overjoyed. "These guys were entrepreneurs," she said about Ebbers and his cronies. "There was a need to prove ourselves and the value of internal auditing," she remembers. "I loved it. It was a very exciting place to be. We were moving and shaking and acquiring companies."[6] Eight years later, Cooper remained proud of working at WorldCom and often gave tours of the facility to family and friends. The responsibilities of her department included setting budget standards, increasing efficiency, and evaluating performance; the department did not, however, have complete oversight of the company's finances. WorldCom's outside accountants, Arthur Anderson, performed the financial audits. In the presence of Bernie Ebbers, who was known to be difficult with employees not in his inner circle, Cooper was known to hold her ground even when presenting information that Ebbers did not like. Once again, Cooper's determination to succeed with this new department showed. In one of her first meetings with Ebbers and top management—a meeting that many employees remembered long afterwards—Cooper kept her cool when Ebbers arrived late. One WorldCom worker described the encounter:

> Cooper refused to start without him. After 30 painful minutes, he finally strode in, wearing his trademark sweat suit and holding a cigar. . . . "What the hell is the purpose of this meeting?" Ebbers demanded to know. Cooper, in her low, serious voice, asked him to have a seat and turned to her first slide, which defined the purpose. "He wanted to know where his next dollar was coming from," Cooper says. And she told him. Her division could find millions of dollars in wasteful operations with the use of internal controls. And indeed, over the years that followed, Cooper says, "we paid for ourselves many times over." Ebbers ended up being the last person to leave the meeting.[7]

WORLDCOM ROOTS

WorldCom began in 1983 as Long Distance Discount Services (LDDS), a small Arkansas-based long distance service broker. After the 1984 court-ordered breakup of AT&T Bell System and subsequent de-regulation of the long distance market, LDDS—like many other companies—began buying the excess capacity of the larger long-distance companies at reduced rates and reselling that time to individuals at a slight mark up over its cost. Since the re-seller owned no capacity and had no operating cost, its only risk was whether it would be able to sell its purchased time at a price in excess of the price it committed to pay. LDDS did that well and, at a time when the business community had become obsessed with telecommunications opportunities, LDDS's stock rose quickly. (See Exhibit 3.1 for a chronology of WorldCom history)

EXHIBIT 3.1. WorldCom Chronology through May 2002

1983

- Businessmen Murry Waldron and William Rector create Long Distance Discount Services (LDDS).

1985

- Bernard Ebbers, an early investor in LDDS, becomes CEO.

1989

- LDDS goes public through the acquisition of Advantage Companies, Inc.

1993

- LDDS acquires two other long-distance providers, making it the fourth largest long-distance network in the U.S.

1995

- LDDS changes its name to WorldCom Inc. after the acquisition of Williams Telecommunications Group Inc. for $2.5 billion.

1998

- WorldCom completes a merger with MCI Communications Corp. for $37 billion, the largest takeover in history at that time. Also complete merger with Brooks Fiber Properties, Inc., for $1.2 billion, and Compuserve Corp. for $1.3 billion.

1999

- June 21—WorldCom stock hits an all-time high of $64.50.

2000

- June—WorldCom's proposed $115 billion merger with Sprint is blocked by the Department of Justice on antitrust grounds.

2001

- January 2—WorldCom stock closes at $15.93.
- February 28—Struggling with depressed stock price and troublesome debt, WorldCom cuts about 6,000 jobs nationwide.

2002

- January 2—WorldCom stock closes at $14.50.
- March 11—The SEC begins an investigation of WorldCom regarding its accounting procedures and loans to officers. Over the next week WorldCom stock drops 22% to $7.06.
- April 3—WorldCom announces that it is cutting 3,700 jobs (four percent of the telecom's 75,000 work staff) in the U.S.
- WorldCom stock closes at $6.51.
- April 22—Standard & Poor's cuts WorldCom's long-term and short-term credit ratings.
- April 23—Moody's Investors Service and Fitch cut WorldCom's rating.
- April 29—WorldCom CEO Bernard Ebbers resigns, potentially in connection with the SEC inquiry into the controversial $408 million in loans extended to him by WorldCom. WorldCom stock closes at $2.35.
- April 30—Vice Chairman John Sidgmore succeeds Ebbers who resigned as CEO in the midst of an SEC probe of his personal loans.
- May 9—Moody's Investor Service downgrades WorldCom's long-term debt rating three notches to 'junk' status.
- May 13—The S&P 500 drops WorldCom. WorldCom stock closes at $1.44.
- May 15—WorldCom says that it will draw down a $2.65 billion bank credit line, while it attempts to secure $5 billion more in funding from its lenders.
- May 21—Company announces that it is eliminating dividend payments and its two tracking stocks, one of which reflects internet business and the other residential telephone service.
- May 23—WorldCom secures $1.5 billion in new funding to replace the $2 billion credit line.

Although in the 1990s long-time CEO Bernard J. "Bernie" Ebbers became practically synonymous with WorldCom, as LDDS eventually became known, he was not one of the founders. Rather, he was one of the initial investors, coming on board in 1983 after a series of careers that included high school coaching and hotel management. After two years in operation, LDDS was deeply in debt and Ebbers took over as CEO, beginning a long stretch of acquisitions that, by the late 1990s, would make WorldCom one of the largest and most powerful telecommunications companies. Under Ebbers, LDDS used its increasingly valuable stock to acquire other resellers and eventually other telephone companies both in the United States and overseas.

BERNIE EBBERS

Born in Edmonton, Alberta in 1941, Ebbers traveled to Mississippi to attend college; he "arrived at a Jackson train station 32 years ago," a reporter wrote in 1997, "too broke to hire a cab. He had to hitch a ride to a college in nearby Clinton."[8] Ebbers graduated from Mississippi College in 1967 with a degree in physical education, and coached basketball for several years at Hazlehurst High School. From coaching, he went into distribution for a garment manufacturing company then became a hotelier. At six feet, four inches, Ebbers kept himself trim and healthy, and often berated WorldCom employees who did not. Despite the fabulous growth of the company and its financial status, Ebbers moved the company in 1999 to Clinton, Mississippi, home of his alma mater.

Although Ebbers had a rather tyrannical reputation within the WorldCom corridors, most of the community, particularly those who knew him personally, admired and liked him, even after his resignation in 2002. Ebbers, "Bernie" to most people, faithfully attended the First Baptist Church of Bookhaven, where he taught Sunday school, had a folksy, farm- and home-grown demeanor, and often wore leather vests and cowboy hats. He was generous and donated money regularly to non-profits, including his college, the Mississippi Children's Home Society, CARES Center Inc., and the Baptist Children's Village. He was known for personal kindnesses, including flying an ill woman on a church mission trip back to the hospital in Mississippi. After his resignation, many locals still supported him. The Clinton country club golf pro and country club manager echoed many others' sentiments when he said "I am 100 percent behind Bernie, and anyone who knows what kind of man he is would be too. . . . He is a good guy, who cares for the community, a regular, nice guy."[9]

ACQUISITIONS PILE UP AND WORLDCOM GROWS

After taking the helm at LDDS in 1985, Ebbers began a series of acquisitions: ReTel Communications and TPC, both in Tennessee. By the end of 1986, LDDS was doing extremely well, with year-end revenues of $8.6 million. Acquisitions continued through the next several years, and in 1989, LDDS became a public company after acquiring Advantage Companies, Inc. LDDS's stock sold for approximately 84 cents per share, and the company hired Arthur Anderson as an independent auditor. LDDS acquisitions continue through the mid-1990s and, in 1995, Ebbers renamed the company WorldCom and brought Michael Jordan onboard as a spokesperson. WorldCom finished out the year with 19.4 billion billed minutes and annual revenues of $3.9 billion. There were 7,000 employees and 160 offices worldwide. In 1996, the *Wall Street Journal* ranked the company number one among 1,000 corporations in returns to shareholders, the company was added to the S&P 500 index, and Ebbers earned the moniker "rising star" from *Fortune Magazine*.[10] By 1997, WorldCom was the fourth largest telecommunications company in the United States. (See Exhibit 3.2 for WorldCom financials through 1997.)

WorldCom's biggest acquisitions were UUnet and MCI in 1998, the latter of which WorldCom virtually stole, at a price tag of $40 billion, from under the nose of British Telecom. This acquisition shocked the business world, since MCI was three times the size of WorldCom. In 1999, WorldCom and Sprint agreed to merge, but U.S. and European regulators stopped the merger in 2000. This was, according to one analyst, a "major stumble" for WorldCom. "Ebbers had grown WorldCom's revenues principally through acquisitions of other telecom companies, rather than through growth in operations. Now there were no other large telecommunications companies available for merger, and without mergers the company's phenomenal

EXHIBIT 3.2. WorldCom Financials, 1988–1997

WORLDCOM, INC.

This record provides a historical snapshot of the company as it appeared before Hoover's discontinued active coverage.

Historical Financials & Employees

Income Statement

Year	Revenue ($ mil.)	Net Income ($ mil.)	Net Profit Margin	Employees
Dec 97	7,351.4	383.7	5.2%	20,300
Dec 96	4,485.1	(2,213.3)	—	13,000
Dec 95	3,639.9	267.7	7.4%	7,500
Dec 94	2,220.8	(122.3)	—	4,379
Dec 93	1,144.7	104.2	9.1%	2,440
Dec 92	801.0	(8.0)	—	901
Dec 91	263.0	18.0	6.8%	516
Dec 90	154.0	10.0	6.5%	360
Dec 89	110.0	1.0	0.9%	—
Dec 88	53.0	2.0	3.8%	—

Stock History

	Stock Price ($)			P/E		Per Share ($)		
Year	FY High	FY Low	FY Close	High	Low	Earns.	Div.	Book Value
Dec 97	39.88	21.25	30.25	—	—	0.40	0.00	148.59
Dec 96	28.88	16.25	26.06	—	—	(5.56)	0.00	146.43
Dec 95	17.94	9.56	17.63	—	—	0.64	0.00	56.59
Dec 94	14.75	7.00	9.72	—	—	(0.48)	0.00	57.23
Dec 93	13.19	10.06	12.06	—	—	0.38	0.00	67.99

Source: http://premium.hoovers.com/subscribe/co/boneyard/fin/history.xhtml?ID=15160

revenue growth would come to a halt."[11] Also hurting WorldCom was the overall slowdown in the telecommunications industry growth. Growth had outpaced demand, and 1999 saw a softening of prices overall in this industry.

By the 21st century, WorldCom was a "fully integrated communications company," providing "switched and dedicated long distance and local telephone services, dedicated and broadband data services, debit cards, conference calling, advanced billing systems, enhanced fax and data connections, high speed data communications, facilities management, Web server hosting, integration services, connection via Network Access Points to Internet service providers, and resale of cellular services."[12]

Like Ebbers, WorldCom retained a wild and woolly cowboy-like culture. By 2002, WorldCom had 70,000 employees and was $28 billion in debt. At its peak, the company's market cap was $175 billion. There were 70,000 miles of wire, and lots of entities strung from Mississippi to Bermuda and the Caymans. All of the companies acquired by WorldCom continued to operate as they had before and many WorldCom employees reported chaos despite the company's proud acclaim of "synergy." However, many of WorldCom's employees had no idea whether it was profitable, in large part because the accounting methods were described as "backpocket." Concerns cropped up. A manager in London was troubled when his costs went down—after he had closed the books for his unit. When he questioned local Andersen auditors about this, he was told by Myers, the Chief Accounting officer in Mississippi, to stop asking questions.

Ebbers faced trouble in the spring of 2002 when it was revealed that he had borrowed $400 million from the company, collateralized by his WorldCom stock, causing some employees to refer to the company as WorldRon, a nod to Kenneth Lay and his borrowing from the now defunct Enron. Shortly afterwards, in April, Ebbers was forced to resign.

CONCLUSION

Cynthia Cooper had an important decision to make. A lot was at stake. She loved her job and the entrepreneurial spirit at WorldCom and was very loyal to the company. Cooper did not want to damage WorldCom's reputation, nor did she relish the role of whistleblower, a word she hated and which she likened to "tattletale." The events of that spring and her sleuthing efforts had taken a physical and emotional toll on Cooper; family members had seen the strain on her face. Cooper remembered the words her mother used to say repeatedly: "Never allow yourself to be intimidated. Always think about the consequences of your actions."[13] With this in mind, Cooper pondered her choices. Should she report her additional findings once again to the audit board? Should she take steps to make sure this information became public?

Notes

1. Information taken from Susan Pulliam and Deborah Solomon, "How 3 Unlikely Sleuths Uncooked WorldCom's Books; Company's Own Auditors Sniffed Out Cryptic Clues, Followed Their Hunches," *The Wall Street Journal Europe,* October 31, 2002, p. A8.
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Ethical Duties Towards Others: "Truthfulness"

IMMANUEL KANT

The exchange of our sentiments is the principal factor in social intercourse, and truth must be the guiding principle herein. Without truth social intercourse and conversation become valueless. We can only know what a man thinks if he tells us his thoughts, and when he undertakes to express them he must really do so, or else there can be no society of men. Fellowship is only the second condition of society, and a liar destroys fellowship. Lying makes it impossible to derive any benefit from conversation. Liars are, therefore, held in general contempt. Man is inclined to be reserved and to pretend. . . . Man is reserved in order to conceal his faults and shortcomings which he has; he pretends in order to make others attribute to him merits and virtues which he has not. Our proclivity to reserve and concealment is due to the will of Providence that the defects of which we are full should not be too obvious. Many of our propensities and peculiarities are objectionable to others, and if they became patent we should be foolish and hateful in their eyes. Moreover, the parading of these objectionable characteristics would so familiarize men with them that they would themselves acquire them. Therefore we arrange our conduct either to conceal our faults or to appear other than we are. We possess the art of simulation. In consequence, our inner weakness and error is revealed to the eyes of men only as an appearance of well-being, while we ourselves develop the habit of dispositions which are conducive to good conduct. No man in his true senses, therefore, is candid. Were man candid, were the request of Momus[1] to be complied with that Jupiter should place a mirror in each man's heart so that his disposition might be visible to all, man would have to be better constituted and possess good principles. If all men were good there would be no need for any of us to be reserved; but since they are not, we have to keep the shutters closed. Every house keeps its dustbin in a place of its own. We do not press our friends to come into our water-closet, although they know that we have one just like themselves. Familiarity in such things is the ruin of good taste. In the same way we make no exhibition of our defects, but try to conceal them. We try to conceal our mistrust by affecting a courteous demeanor and so accustom ourselves to courtesy that at last

From *Lectures on Ethics*, by Immanuel Kant, trans. Louis Infield (London: Methuen, 1930), pp. 224–35.

it becomes a reality and we set a good example by it. If that were not so, if there were none who were better than we, we should become neglectful. Accordingly, the endeavour to appear good ultimately makes us really good. If all men were good, they could be candid, but as things are they cannot be. To be reserved is to be restrained in expressing one's mind. We can, of course, keep absolute silence. This is the readiest and most absolute method of reserve, but it is unsociable, and a silent man is not only unwanted in social circles but is also suspected; every one thinks him deep and disparaging, for if when asked for his opinion he remains silent people think that he must be taking the worst view or he would not be averse from expressing it. Silence, in fact, is always a treacherous ally, and therefore it is not even prudent to be completely reserved. Yet there is such a thing as prudent reserve, which requires not silence but careful deliberation; a man who is wisely reserved weighs his words carefully and speaks his mind about everything excepting only those things in regard to which he deems it wise to be reserved.

We must distinguish between reserve and secretiveness, which is something entirely different. There are matters about which one has no desire to speak and in regard to which reserve is easy. We are, for instance, not naturally tempted to speak about and to betray our own misdemeanours. Everyone finds it easy to keep a reserve about some of his private affairs, but there are times about which it requires an effort to be silent. Secrets have a way of coming out, and strength is required to prevent ourselves betraying them. Secrets are always matters deposited with us by other people and they ought not to be placed at the disposal of third parties. But man has a great liking for conversation, and the telling of secrets adds much to the interest of conversation; a secret told is like a present given; how then are we to keep secrets? Men who are not very talkative as a rule keep secrets well, but good conversationalists, who are at the same time clever, keep them better. The former might be induced to betray something, but the latter's gift of repartee invariably enables them to invent on the spur of the moment something non-committal.

The person who is as silent as a mute goes to one extreme; the person who is loquacious goes to the opposite. Both tendencies are weaknesses. Men are liable to the first, women to the second. Someone has said that women are talkative because the training of infants is their special charge, and their talkativeness soon teaches a child to speak, because they can chatter to it all day long. If men had the care of the child, they would take much longer to learn to talk. However that may be, we dislike anyone who will not speak: he annoys us; his silence betrays his pride. On the other hand, loquaciousness in men is contemptible and contrary to the strength of the male. All this by the way; we shall now pass to more weighty matters.

If I announce my intention to tell what is in my mind, ought I knowingly to tell everything, or can I keep anything back? If I indicate that I mean to speak my mind, and instead of doing so make false declaration, what I say is an untruth, a *falsiloquium*. But there can be *falsiloquium* even when people have no right to assume that we are expressing our thoughts. It is possible to deceive without making any statement whatever. I can make believe, make a demonstration from which others will draw the conclusion I want, though they have no right to expect that my action will express my real mind. In that case I have not lied to them, because I had not undertaken to express my mind. I may, for instance, wish people to think that I am off on a journey, and so I pack my luggage; people draw the conclusion I want them to draw; but others have no right to demand a declaration of my will from me.

. . . Again, I may make a false statement (*falsiloquium*), when my purpose is to hide from another what is in my mind and when the latter can assume that such is my purpose, his own purpose being to make a wrong use of the truth. Thus, for instance, if my enemy takes me by the throat and asks where I keep my money, I need not tell him the truth, because he will abuse it; and my untruth is not a lie (*mendacium*) because the thief knows full well that I will not, if I can help it, tell him the truth and that he has no right to demand it of me. But let us assume that I really say to the fellow, who is fully aware that he has no right to demand it, because he is a swindler, that I will tell him the truth, and I do not, am I then a liar? He has deceived me and I deceive him in return; to him, as an individual, I have done no injustice and he cannot complain; but I am none the less a liar in that my conduct is an infringement of the rights of humanity. It follows that a *falsiloquium* can be a *mendacium*—a lie—especially when it contravenes the right of an individual. Although I do a man no injustice by lying to him when he has lied to me, yet I act against the right of mankind, since I set myself in opposition to the condition and means through which any human society is possible. If one country breaks the peace this does not justify the other in doing likewise in revenge, for if it did no peace would ever be secure. Even though a statement does not contravene any particular human right it is nevertheless a lie if it is contrary to the general right of mankind. If a man spreads false news, though he does no wrong to anyone in particular, he offends against mankind, because if such a practice were universal man's desire for knowledge would be frustrated. For, apart from speculation, there are only two ways in which I can increase my fund of knowledge, by experience or by what others tell me. My own experience must necessarily be limited, and if what others told me was false, I could not satisfy my craving for knowledge.

. . . Not every untruth is a lie; it is a lie only if I have expressly given the other to understand that I am willing to acquaint him with my thought. Every lie is objectionable and contemptible in that we purposely let people think that we are telling them our thoughts and do not do so. We have broken our pact and violated the right of mankind. But if we were to be at all times punctiliously truthful we might often become victims of the wickedness of others who were ready to abuse our truthfulness. If all men were well-intentioned it would not only be a duty not to lie, but no one would do so because there would be no point in it. But as men are malicious, it cannot be denied that to be punctiliously truthful is often dangerous. This has given rise to the conception of a white lie, the lie enforced upon us by necessity—a difficult point for moral philosophers. For if necessity is urged as an excuse it might be urged to justify stealing, cheating, and killing, and the whole basis of morality goes by the board. Then, again, what is a case of necessity? Everyone will interpret it in his own way. And, as there is then no definite standard to judge by, the application of moral rules becomes uncertain. Consider, for example, the following case. A man who knows that I have money asks me: "Have you any money on you?" If I fail to reply, he will conclude that I have; if I reply in the affirmative he will take it from me; if I reply in the negative, I tell a lie. What am I to do? If force is used to extort a confession from me, if any confession is improperly used against me, and if I cannot save myself by maintaining silence, then my lie is a weapon of defence. The misuse of a declaration extorted by force justifies me in defending myself. For whether it is my money or a confession that is extorted makes no difference. The forcing of a statement from me under conditions which convince me that improper use would be made of it is the only case in which I can be justified in telling a white lie. But if a lie does no harm to anyone and no one's interests are affected by it, is it a lie? Certainly, I undertake to express my mind, and if I do not really do so, though my statement may not be to the prejudice of the particular individual to whom it was made, it is none the less in *praejudicium humanitatis.* Then, again, there are lies which cheat. To cheat is to make a lying promise, while a breach of faith is a true promise which is not kept. A lying promise is an insult to the person to whom it is made, and even if this is not always so, yet there is always something mean about it. If, for instance, I promise to send someone a bottle of wine, and afterwards make a joke of it, I really swindle him. It is true that he had no right to demand the present of me, but in Idea it is already a part of his own property.

. . . If a man tries to extort the truth from us and we cannot tell it [to] him and at the same time do not wish to lie, we are justified in resorting to equivocation in order to reduce him to silence and put a stop to his questionings. If he is wise, he will leave it at that. But if we let it be understood that we are expressing our sentiments and we proceed to equivocate, we are in a different case; for our listeners might then draw wrong conclusions from our statements and we should have deceived them. . . . But a lie is a lie, and is in itself intrinsically base whether it be told with good or bad intent. For formally a lie is always evil; though if it is evil materially as well, it is a much meaner thing. There are no lies which may not be the source of evil. A liar is a coward; he is a man who has recourse to lying because he is unable to help himself and gain his ends by any other means. But a stout-hearted man will love truth and will not recognize a *casus necessitatis.* All expedients which take us off our guard are thoroughly mean. Such are lying, assassination, and poisoning. To attack a man on the highway is less vile than to attempt to poison him. In the former case he can at least defend himself, but, as he must eat, he is defenseless against the poisoner. A flatterer is not always a liar; he is merely lacking in self-esteem; he has no scruple in reducing his own worth and raising that of another in order to gain something by it. But there exists a form of flattery which springs from kindness of heart. Some kind souls flatter people whom they hold in high esteem. There are thus two kinds of flattery, kindly and treacherous; the first is weak, while the second is mean. People who are not given to flattery are apt to be fault-finders.

If a man is often the subject of conversation, he becomes a subject of criticism. If he is our friend, we ought not invariably to speak well of him or else we arouse jealousy and grudge against him; for people, knowing that he is only human, will not believe that he has only good qualities. We must, therefore, concede a little to the adverse criticism of our listeners and point out some of our friend's faults; if we allow him faults which are common and unessential, while extolling his merits, our friend cannot take it in ill part. Toadies are people who praise others in company in hope of gain. Men are meant to form opinions regarding their fellows and to judge them. Nature has made us judges of our neighbors so that things which are false but are outside the scope of the established legal authority should be arraigned before the court of social opinion. Thus, if a man dishonours someone, the authorities do not punish him, but his fellows judge and punish him, though only so far as it is within their right to punish him and without doing violence to him. People shun him, and that is punishment enough. If that were not so, conduct not punished by the authorities would go altogether unpunished. What then is meant by the enjoinder that we ought not to judge others? As we are ignorant of their dispositions we cannot tell whether they are punishable before God or not, and we cannot, therefore, pass an adequate moral judgment upon them. The moral dispositions of others are for God to judge, but we are competent judges of our own. We cannot judge the inner core of morality; no man can do that; but we are competent to judge its outer manifestations. In matters of morality we are not judges of our fellows, but nature has given us the right to form judgments about others and she also has ordained that we should judge ourselves in accordance with judgments that others form about us. The man who turns a deaf ear to other people's opinion of him is base and reprehensible. There is nothing that happens in this world about which we ought not to form an opinion, and we show considerable subtlety in judging conduct. Those who judge our conduct with exactness are our best friends. Only friends can be quite candid and open with each other. But in judging a man a further question arises. In what terms are we to judge him? Must we pronounce him either good or evil? We must proceed from the assumption that humanity is lovable, and, particularly in regard to wickedness, we ought never to pronounce a verdict either of condemnation or of acquittal. We pronounce such a verdict whenever we judge from his conduct that a man deserves to be condemned or acquitted. But though we are entitled to form opinions about our fellows, we have no right to spy upon them. Everyone has a right to prevent others from watching and scrutinizing his actions. The spy arrogates to himself the right to watch the doings of strangers; no one ought to presume to do such a thing. If I see two people whispering to each other so as to not be heard, my inclination ought to be to get farther away so that no sound may reach my ears. Or if I am left alone in a room and I see a letter lying open on the table, it would be contemptible to try to read it; a right-thinking man would not do so; in fact, in order to avoid suspicion and distrust he will endeavour not to be left alone in a room where money is left lying about, and he will be averse from learning other people's secrets in order to avoid the risk of the suspicion that he has betrayed them; other people's secrets trouble him, for even between the most intimate of friends suspicion might arise. A man who will let his inclination or appetite drive him to deprive his friend of anything, of his fiancée, for instance, is contemptible beyond a doubt. If he can cherish a passion for my sweetheart, he can equally well cherish a passion for my purse. It is very mean to lie in wait and spy upon a friend, or on anyone else, and to elicit information about him from menials by lowering ourselves to the level of our inferiors, who will thereafter not forget to regard themselves as our equals. Whatever militates against frankness lowers the dignity of man. Insidious, underhand conduct uses means which strike at the roots of society because they make frankness impossible; it is far viler than violence; for against violence we can defend ourselves, and a violent man who spurns meanness can be tamed to goodness, but the mean rogue, who has not the courage to come out into the open with his roguery, is devoid of every vestige of nobility of character. For that reason a wife who attempts to poison her husband in England is burnt at the stake, for if such conduct spread, no man would be safe from his wife.

As I am not entitled to spy upon my neighbour, I am equally not entitled to point out his faults to him; and even if he should ask me to do so he would feel hurt if I complied. He knows his faults better than I, he knows that he has them, but he likes to believe that I have not noticed them, and if I tell him of them he realizes that I have. To say, therefore, that friends ought to point out each other's faults, is not sound advice. My friend may know better than I whether my gait or deportment is proper or not, but if I will only examine myself, who can know me better than I can know myself? To point out his faults to a friend is sheer impertinence; and once fault finding begins between friends their friendship will not last long. We must turn a blind eye to the faults of others, lest they conclude that they have lost our respect and we lose theirs. Only if placed in positions of authority over others should we point out to them their defects. Thus a husband is entitled to teach and correct his wife, but his corrections must be well-intentioned and kindly and must be dominated by respect, for if they be prompted only by displeasure they result in mere blame and bitterness. If we must blame, we must temper the blame with a sweetening of love, good-will, and respect. Nothing else will avail to bring about improvement.

Note

1. CF. *Babrii fabulae Aesopeae*, ed. O. Cousins, 1897, Fable 59, p. 54.

Trust, Morality, and International Business

George G. Brenkert

I. INTRODUCTION

The expanding globalization of business has brought with it the increased importance of an international business ethics. We need answers to a multitude of questions concerning an international business community in which commerce would occur in accordance with justified moral standards. This ethics would tell us when workers in developing nations were being exploited, which dangerous products should not be shipped across national

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