Ethics versus corruption in globalization

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Received September 2003
Revised December 2003
Accepted January 2004

Keywords *Ethics, Corruption, Globalization, Individual behaviour*

Abstract *Individuals and organizations will exhaust all available gains from trade and the resulting allocation of resources will be efficient when allocation will reflect accurately society's opportunities and preferences – including preferences related to individuals' ethical standards. Which behaviours are ethical and which are unethical? International society due to globalization has to develop and establish common ethical principles of behaviour in social life taking into account religion and world civilization. The basic values of humans and life as creation have to be identical all over the world, which means that human behaviour should be similar all over the world. So, similar actions should be ethical or unethical similarly all over the world and principles established by different kinds of societies should not alter the basis of values of life and humanity.*

1. Introduction

Aristotle, Plato, and Socrates dealt with ethics providing a set of principles of human conduct and values. An act is suitable if and only if it promotes an individual's long-term and produces the greatest balance of good over bad for everyone affected. Which behaviours are ethical and which are unethical? Kant argued that only good deeds matter – the nature of the act should be judged, not its outcome (Gilbert, 1994). Is there a difference in ethical behaviour for individuals and the ethics of organizations like public corporations that encompass large groups of people? What is the basis for an action to be considered as ethical or unethical? Are universally accepted ethical principles applicable to all human actions? Are there ethical behaviours of different grade and value?

Globalization, as a process, is by now a historical fact, which enriches the interactions of people in a lot of different countries: they meet, swap goods and ideas and borrow or buy resources. Many of the functions traditionally performed by governments are being disaggregated and privatised. The Westphalian view was simple: each country was separated from its neighbours by frontiers: interaction took place at or across the frontiers. On a post-Westphalian view, there are no such separations: interactions take place within different "transnational" networks. Three primary factors have affected the process of economic globalization and are likely to continue driving it in the future. First, improvements in the technology of transportation and communication have reduced the costs of transporting goods, services, and factors of production and of communicating cost-effectively useful knowledge and technology. Second, the tastes of individuals and societies have generally, but not universally, favoured taking advantage of the opportunities provided by declining costs of transportation and communication through increasing economic integration. Third, public policies have significantly influenced the character and pace of economic integration, although not always in the direction of increasing economic integration.

Journal of Management Development
Vol. 23 No. 7, 2004
pp. 631-647

0262-1711
DOI 10.1108/02621710410546641

The following investigation starts with the analysis of ethics in relation to value maximization to find out the value of ethics for people. Secondly, the ethical behaviour of individuals and individuals' behaviour in companies are examined. The investigation of the role of law in shaping ethics follows. Later it analysed the balance between ethics and corruption in relation to value maximization. Finally, the impact of globalization upon corruption and ethics is investigated. The aim of the analysis is to examination the interrelation of ethics and corruption and the role of globalization in the substance of the two terms.

2. Ethics versus value maximization

Are ethical behaviour and value-maximizing behaviour equivalent? Individuals and organizations will exhaust all available gains from trade and the resulting allocation of resources will be efficient when allocation will reflect accurately society's opportunities and preferences – including preferences related to individuals' ethical standards. Ethical behaviour and value-maximizing behaviour obviously are not equivalent. There is no universal standard as to what constitutes ethical behaviour, which means that a broad array of value-maximizing corporate policies might violate individual notions of ethical behaviour (Fama and Jensen, 1985). Although managers have a fiduciary responsibility to owners to maximize the value of their companies, unregulated markets create incentives to recognize the ethical standards of employees, customers, investors, and others who interact within the organization. Does a value maximization is equivalent to a short-run profit maximization might suggest? Value maximization requires a deeper understanding of ethical standards than the typical economics discussion of short-run profit maximization recommend. Ethical behaviour frequently is profitable and especially important in financial services, where business depends as much on reputation as on performance.

Trust is one of the ethical complements between individuals in the society as well as trust in the fundamental institutions in the economy. Starting with basic interactions between individuals, any transaction involves a promise to deliver a particular good in good condition in exchange for a promised payment either in terms of money or other goods. The individual trusts that the good will be delivered, that the individual's property rights will be protected in a fair and honest proceeding by the courts, that the government's tax laws will be enforced in a fair and uniform manner, and that the value of the money will be protected by the central bank. So, if any part of a transaction is subject to mistrust or corruption, then the competence and justice of the economic system will be harshly impaired (Dixit, 2001). Ethics act positively into business and society in contrast with corruption that acts negatively to efficiency. Without the establishment of trust in the society, it is not possible to support long-term debt or the instruments that accompany it, such as interest rate swaps and asset-backed securities. Trust and trustworthiness appear to be essential to economic efficiency. To that extent ethics and trust are compatible because ethical behaviour leads to trust. Moreover, trust between individuals has generally been rejected in favour of selfish, opportunistic behaviour and there is a need to make trust compatible with this picture of human nature. Consequently, trust coming out of ethical behaviour leads to higher productivity.

A trustworthy individual is someone who would produce whether or not predatory behaviour is more lucrative. On the other hand, an amoral person may choose to produce only if their consumption is larger than the proceeds from predatory behaviour. Grossman and Kim (2002) take as given that a trustworthy individual is more productive. However, the level of consumption by an individual is adversely affected by the amount of resources devoted to guarding against predatory behaviour and the probability that their goods may be appropriated by a predator. In equilibrium whether or not trustworthy behaviour is rewarded is dependent on the ratio of amoral to moral people relative to the chance of goods being appropriated. If more resources are devoted to guarding the produced goods, then the predators are less productive. Finally, an increase in technology leads to a more lucrative predatory behaviour.

3. Ethics for people and companies

Persons assign priorities to their wants and then choose their most preferred options from among their available alternatives. Are people selfish in the sense that they care only about their personal wealth? It should be considered that people care about charity, family, religion, and society. Can gospel determine ethical behaviours? Humans have given priority on tangible goods and money rather than on ideas and spirit, which means that ethics have been influenced by this fact. All human actions regarding different aspects of life have their own principles established by society in order to help its existence and accepted as ethical which means that every society will have its own ethical principles. Cultural behaviour affects the understanding of ethical values and so every aspect of life has its own ethics. So, ethical principles of one society might be unethical in another one. Are the basic values of humans and life globally identical? The basic values of humans and life as creation have to be identical all over the world, which means that human behaviour should be similar all over the world. So, similar actions should be ethical or unethical similarly all over the world and principles established by different kinds of societies should not alter the basis of values of life and humanity. Globalization brings forward the matter of conflict of values from the ethics perspective, which means that there is a need for harmonization of ethical behaviour not only among people but also among companies. It should be considered that the imposition of different values upon human beings members of different societies by the prevailing groups of people of these societies in order to keep their privileges and make society workable according to their interests is the reason for alteration of values. Are ethical behaviours flexible according to the understanding of the prevailing groups of various societies interests? Individuals make the most of their perceived well being given their opportunities and the design of the payoffs that they receive and the constraints that they confront determine the opportunities that individuals face and so their choices.

Potential incentive problems between a company and its customers, creditors, or employees play important role in ethical conduct together with the human resource management. A company needs to reward the cooperative behaviour and punish the inappropriate behaviour so that cooperative behaviour becomes more likely. Ethical problems arise for the company when its organizational architecture creates perverse incentives that lead employees to choose behaviours that are ethically objectionable. Various groups work together so that each group may enjoy some benefit from this association. Ethical behaviour, therefore, is defined at the level of group – group interaction. In the real world, however, ethical problems are common within the company because constituencies are omitted from the bargaining or because the bargaining is neither free nor fair. Within the company, the groups that receive excessive benefits from this situation are not likely to complain, but the constituencies whose rights are denied can press for renegotiation. Changing incentives will affect employee behaviour. For instance, management can make available incentives to suppliers through supply contracts, to employees through the structure of compensation plans, and to customers through pricing decisions.

Business ethics involve the behavioural norms and rules that are operant within an enterprise taking the form of an ethical code covering areas such as conflict of interest, use of internal information and in general violating business law. For instance, product safety, human resources, energy and environment and business behaviour are part of social responsibility falling within business ethics. Organizations attain reputations for ethical behaviour based on the actions of their employees. Individuals respond to incentives devising methods to make use of the opportunities they face which means that when they are faced with ill-structured incentives, dysfunctional actions possible occur. The internal structure of a company establishes an imperative set of incentives for those individuals who compose the company. The organizational architecture (the assignment of decision rights, the structure of rewards, and the performance-evaluation system within the company) increases the possibility that individuals will behave in required ways in their roles as employees and managers. Managers should foresee prospective responses by employees, customers, or suppliers that might produce undesirable outcomes. Not doing so invites individuals to game the system resulting in failure of well-intentioned policies. A company's reputation for ethical behaviour, including its perceived integrity in dealing with customers, suppliers, and other parties is part of a company's brand-name capital. Private markets offer potentially vital incentives for ethical behaviour by imposing costs on companies and eventually on individuals that breech accepted ethical standards.

Management decides how to assign decision rights among employees of the company. Variety of tasks and the level of decision authority are dimensions of a job. Decentralization forced companies to leave space for decisions to lower level employees and so assigning decision-making authority to employees with the relevant information. Benefits of decentralization include more effective use of local knowledge, conservation of senior management's time, and additional training/motivation for lower level employees. Delegating decision rights gives rise to increased incentive problems requiring the development of control systems leading to rise in the costs of transferring information among the various decentralized decision makers and coordinating efforts across the organization. Costs include higher contracting and coordination costs and less effective use of central information. Competition tends to weed out the less fit and if companies adopt policies that are inefficient, competition places strong pressures on them to adapt; if they do not, in the long run they will close. As Robert Hass has noted, "you have to have a financially viable business or all the words about values can ring hollow" (Schoenberger, 2000). There is a need to maximize the possibility that decision makers have both appropriate information to make good decisions and incentives to use the information efficiently. Besides makers might not have appropriate incentives to make effective decisions even if they have the relevant information.

Through the delegation of decision rights, employees are granted authority over the use of company resources. Employees are not owners and cannot sell company property and keep the proceeds, which means fewer incentives to worry about the resourceful use of company resources than do owners. Managers develop control systems to manage incentive problems and rewards and performance-evaluation systems help to align the interests of the decision makers with those of the owners. An optimal control system depends on how decision rights are partitioned in the company and vice versa. Promotions, titles, office location, perquisites, and layoffs are each components of the reward system. On the one hand, corporate ethics programs have the prospective to offer an effective method of setting and communicating expectations among employees for their dealings with customers, suppliers, and other employees. On the other hand, corporate managers and employees cannot be mechanically expected to know the fitting decision that promotes the interests of the company. So, there is a need for a harmonization of values leading to ethical behaviour, which means more trust and productivity.

Social changes and corporate restructuring altered conceptions of socially acceptable behaviour. Moreover, globalization of companies is more and more forcing corporate employees to acknowledge and become accustomed to differences in national or regional cultural expectations. In the process of globalization companies might be forced to respond to the increasing cultural differences. Furthermore, corporate codes of ethics play a key educational role by efficiently communicating corporate expectations to employees and by demonstrating to them how certain kinds of behaviour reduce the value of the company.

It is important of having a framework of morality as a foundation for economic interaction. Are morality and efficiency consistent? According to Richard A. Posner "the criterion for judging whether acts and institutions are just or good is whether they maximize the wealth of society" (Posner, 1998). Is an act ethical if it is more efficient than any other alternative? The act should not result in the misallocation of resources and it is unethical if it reduces efficiency. Economic communities have moral free space in which they may produce ethical norms for their members through micro-social contracts. Globalization brings forward the immense need for common ethical norms. A norm has to be established as legitimate before it may become binding for members of the norm-generating community. It should be considered that chaotic economic conditions have prevailed from time to time in countries that lacked the social and political background institutions essential to sustain an ethical framework. As a result violence is used to achieve economic advantage and capital markets either become distorted or fail altogether owing to a primary lack of trust. All humans are constrained by bounded moral rationality and even rational persons knowledgeable about ethical theory cannot always divine good answers to moral problems without being acquainted with community-specific norms. The costs of cheating on quality are higher if information about such activities is more rapidly and widely distributed by the use of cyberspace to potential future customers contributing to the fact that the likelihood of cheating is lower. It could be argued that quality of certain goods is universally identical. Markets impose substantial costs on institutions and individuals that engage in unethical behaviour, thus, market forces provide private incentives for ethical behaviour. As a result, a company with an established market position and substantial franchise value faces higher costs of cheating and so are less expected to do so. Managers and people have gradually redefined their view of the underlying responsibilities of companies. Companies were expected to focus on producing goods and services at reasonable prices, but today companies are held responsible for a variety of issues involving fairness and quality of life.

4. Ethics and the law

Does law shape ethics or merely enforce the existing ethical norms? The legal system functions as an incentive mechanism to promote ethical behaviour in society shaping incentives through its rules, regulations, and punishments. The legal system should articulate and enforce society's rising expectations for ethical behaviour on the part of business, and those who ignore this reality place their careers and their companies in jeopardy. As the economy develops and technology changes, the context in which these values must be interpreted changes and so, the legal system must be flexible enough to respond quickly to these changes while remaining strong enough to protect these fundamental values. In countries where the market system is not deeply rooted, laws not enforced, and state intervention is invasive, bribes and payoffs may help companies overcome bottlenecks, enhance the market system and raise overall welfare.

The ethical "game" of business today is played by different rules and wide shifts of moral consensus have occurred (Donaldson, 1996). Every era seems to have its own moral consensus. Morals-based laws reflect the moral value system of the country proscribing the law. Moral values are the substance of ethics. Although moral values are normally specific to one nation or culture, economic forces in general function under a market-based competitive scheme that is applicable to all nations. Codes of conduct may themselves be understood as an evolutionary step along the way to legally binding standards that carry the support of a responsible majority while ensuring censure and accountability of wrongdoing companies. Furthermore, globalization, a fundamental process of change that is transforming the world economy, widening and intensifying international linkages in trade and finance. It is being driven by a near-universal push toward trade and capital market liberalization, increasing internationalisation of corporate production and distribution strategies, and technological change that is fast eroding barriers to the international tradability of goods and services and the mobility of capital, which means a convergence of moral values and in general ethical behaviour.

Human beings everywhere are deserving of respect. Morality can be "conditional" or "situational" at least in the sense that two conflicting conceptions of ethics can sometimes be both valid, and that community agreements about ethics often matter. So, every society has established its own ethics. For instance, two economic systems need not have exactly the same view about the ethics of insider trading regardless their views about what is wrong with insider trading may differ, yet both may be legitimate. Insider trading is a viable and efficient economic means and can be used to serve the best interests of shareholders and the economy at large (Zekos, 1999a). Is insider trading unethical? What kinds of conduct should be regarded as unethical? Is insider trading inherently immoral? It could be argued that insider trading undermines the efficient and proper functioning of a free market (Simmons, 1992). Manne contends that insider trading provides a powerful incentive for creativity and is the only appropriate way to compensate entrepreneurial activity (Manne, 1966). Martin and Peterson raised the question of whether the prohibition of insider trading is itself unethical. Insiders as shareholders have the same rights as ordinary shareholders to trade based on their information and judgment (Martin and Peterson, 1991). Thus, expropriating value from insiders by prohibiting insider trading is both senseless and immoral. If insider trading, as an informational measure, will increase company value and shareholder wealth, then it is good for shareholders and for society and so not necessarily unethical or illegal. Insider trading is not all based on private information, but stems in part from the belief that insiders should not exploit their special positions for personal gains through short-term trading. Insider trading in a big scale erodes the investing public's confidence in the market. Moreover, insider trading is unethical only if it leads to a wealth reduction for shareholders. It erodes the fiduciary relationship that lies at the heart of the business organization. Insider trading will benefit insiders at the expense of ordinary shareholders and motivated by the desire for exclusively personal material gain affects negatively the ideal of laissez-faire in any market, from both moral and economic perspectives. So, insider trading will benefit corporate managers at the expense of ordinary shareholders. To that extent investors will avoid transactions in markets, which are considered corrupt. Adjustment of the participant's behaviour will bring efficiency to the market than any strict regulation. Insider trading and hopes for sudden and big gains makes investors to play in securities. Furthermore, insider trading that results in harm to society and economy beyond direct wealth transfers should be prohibited. Hence, law shapes in a degree and enforces ethical behaviour.

All humans are constrained by bounded moral rationality and persons are acquainted with community-specific norms. Existing norms in industries, corporations, and other economic communities are part of ethics. Different ethical precepts are sometimes appropriate for different industries, companies, and professions (Donaldson and Dunfee, 1999). In other words, there is a variety in individual and cultural values and preferences. Moreover, gift and entertainment practices within a Japanese keiretsu need to conform to the practices for government contracting within the European Union. Higher quality and more efficient economic interactions are preferable to lower quality and less efficient economic interactions. Economic activity that is consistent with the cultural, philosophical, or religious attitudes of economic actors is preferable to economic activity that is not. Local economic communities have moral free space in which they may generate ethical norms for their members through micro-social contracts.

Societies with higher levels of business ethics tend to be characterized by greater certainty of actions and lower costs of regulation and policing. Deterioration in business ethics has increased the difficulties in conducting business in some formerly centrally controlled economies. International organizations find that financial aid is often subjected to ethically questionable practices and behaviour. The increased costs of conducting business in countries with low ethical standards are evident to businesses involved in international markets. People establish a mutually beneficial principle of justice as the foundation for regulating all rights, duties, power, and wealth (Simmons, 1992). People construct institutions, such as law, government, educational systems, and others, to formalize social activities and the institutions are shaped by local influences on acceptable modes of behaviour within a given nation and are so different across countries. A wide variety of mechanisms important in the generation of norms: law, internalization, globalization, dominance, deterrence, membership, social proof, and reputation are utilized by the society (Reidenbach and Robin, 1990).

While national legal systems introduce obligations regarding the behaviour of social actors, societies vary significantly in the degree of freedom they support. Moreover, there is a divergence between the people's belief and the reality of law, leaving vast gray areas in which other mechanisms shape social interaction. Powerful groups define the dominant behavioural norms in a society and various institutions establish diverse standards of acceptable behaviour across different societies. Hence, the relation of ethics and value maximization plays its role in shaping ethical norms in society and consequently to business. It could be argued that law authorizes and formalizes the shaped ethical norms. There are some universally accepted norms such as the norm of reciprocity that have an equalizing effect on the standards of social behaviour (Gouldner, 1960).

Is ethical behaviour in economy similar to ethical behaviour in social life and relations? Does the ethical behaviour in social relations shape the ethical behaviour in business? Ethical behaviour in economic systems determines the quality and effectiveness of economic interactions (Hasnas, 1998). So, economic systems that do not have institutions to provide legal protection against fraud will have difficulty in developing activities that need some level of trustworthiness. Besides, economic systems with institutions of higher quality and efficiency will have higher quality and more efficient economic interaction. Legal, judicial, and political systems to a certain extent allow the expropriation of profits by company insiders and acknowledge the possibility of existence of other mechanisms through which outside investors can protect themselves.

Do the rules of ethical conduct rise out of the market itself? Social groups have the ability to make norms and rules effective. Maitland suggests that the market rewards and reinforces certain virtues, by which the market "strengthens its own foundations and reproduces a moral culture that is functional to its own needs" (Maitland, 1997). For instance, in the US, ethics is focused more on the individual and is more legalistic and rule oriented, with economic behaviour more regulated by law (Vogel, 1992). Entrepreneurs bring personal values into their business decisions and suppose greater personal responsibility for the outcomes. Furthermore, business owners are influenced significantly by the community in which their companies operate, with non-urban owners adhering to stricter ethical values than their urban counterparts.

Through the concept of peremptory *jus cogens* norms and the enforcement of a number of legal rules *erga omnes*, international law has developed a hierarchy of norms, which expresses the superiority of certain values that are regarded by the international community as being fundamental (Smith and Oakley, 1994). It has to be emphasized that the extent of common values shared by the international community is heavily influenced and restricted by the cultural, religious, and political diversity. Members of the contemporary international system share a sufficient number of common values to be regarded as constituting an international society. The OECD (1999) Anti-Bribery Convention was signed in December 1997, and has been ratified by 34 countries and entered into force in February 1999. Anti-corruption laws are generally based on either economic principles or moral values. The United States and recently many other Western nations have chosen to base their extraterritorial anti-corruption laws on moral values, which emphasize the immorality of committing a corrupt act.

5. Corruption and ethics

On the one hand, ethical considerations are significant to the competent functioning of individual businesses and entire economies. On the other hand, corruption is an abuse of public office for private gain and it is often symptomatic of wider governance problems hurting economic development. Moreover, ethical behaviour can certainly be costly, but the consequences of ignoring ethics are costlier still, in terms of foregone opportunities as well as economic inefficiency. Second, economic ideas and methodology are essential to any discussion of business ethics. Economic ideas should take precedence over ethical principles, but they should not eliminate ethical norms. Political instability and corruption induce socially sub-optimal governmental polices, with potentially large adverse effects on social welfare. Norm changes and collective action are occurring in the global business community aided by international organizations. Private companies have to consider profit maximization and have obligations to “stakeholders“ such as employees and local communities and global ones are beginning to accept a broader set of obligations. Is corruption a value-maximizing strategy? Companies pay bribes to get favoured treatment on contracts, concessions, and privatization deals achieving the actual award of the contract or of inside information that makes a bid more likely to succeed. Managers justify corrupt behaviour invoking a double standard in which unenforced laws in host countries are taken to be irrelevant even though companies make no similar calculation in their home countries claiming that their highest obligations are to their stockholders and employees, not the citizens of host countries. If managers do not make payoffs, a less competent company will win the contract, concession, or privatized company with losses all around. Public officials have set up a well-organized corrupt system and payoffs are acceptable because they are a routine part of doing business in the country and the system is so inadequately organized that companies see corruption as the only way to organize a chaotic reality. Companies justify their behaviour as a means to their greater goal of the creation of economic value. It is argued that a deal does not offend common morality because it can be viewed as an act of self-defense, which means that morality and ethics is a changeable measure (Walzer, 1973).

Is there a level of ethics adjusted according to economic interests? Has corruption accepted as a fact of life by both companies and politicians? Corruption lowers investment and, so, economic growth. When political power is translated corruptly into economic gains, corruption redistributes resources from the poor to the rich and in corrupt societies government bureaucrats compete for positions of economic power and spend their time and energy in the pursuit of rents affecting the competence of public institutions to provide services. Moreover, corruption distorts incentives and creates uncertainties about the expected profits of productive activities, forcing entrepreneurs to undertake costly and inefficient loss-avoiding behaviours (Shleifer and Vishny, 1993). Hence, corruption can undermine the functioning of countries and lower the efficiency of production having a destructive impact on a country’s economic and political system. Governments need to engage in anti-corruption efforts. Corruption introduces inefficiencies that reduce competitiveness by limiting the number of bidders, favouring those with inside connections over the most efficient candidates, limiting the information available to participants, and introducing added transactions costs. Officials are concerned with maximizing personal gain favouring an inefficient level, composition, and time path of investment. Investors’ decisions may be affected by the fact that they are dealing with corrupt political leaders. A corrupt official who discriminates in favour of some bidders will frequently select an inefficient contractor designing the project to maximize the profits available to share between officials and the bidding company scarifying values that an honestly negotiated contract would include. The corrupt nature of the deal introduces uncertainties that can have supplementary effects on the way private companies do business and so shaping the ethics on business. Hence, corruption introduces new ethics in economy and consequently in social life. Can privatization reduce corruption? Privatization can reduce corruption by removing certain assets from state control and converting discretionary official actions into private market-driven choices. For instance, privatization of public enterprises in Peru reduced corruption in the public sector, but created several problems in the privatization process itself including lack of transparency (Manzetti, 1999). Moreover, bidders for a public company can bribe officials in the privatization authority or at the top of the government. Corrupt incentives are more particular to the privatization process. Corrupt insiders may be favoured by giving them information not available to the public, providing information early in return for payoffs, or giving corrupt companies special treatment. Most of the time the company is awarded to those with the best political connections in the bidding process (Nellis and Kikeri, 1989). In other words, the state pays too much for large-scale procurements and receives too little from privatizations and the award of concessions. Corrupt officials distort public sector choices to produce large rents for themselves and to make incompetent and inequitable public policies reducing the revenue-raising benefits of privatization and the award of concessions. Hence, companies retaining monopoly power through bribery and favouritism undermine the efficiency benefits of turning over state companies to private owners.

Corruption involves both a buyer and a seller, and their cooperation is needed to make a serious reduction in corruption possible. Companies are legal creations and operate subject to legal constraints, companies' obligations to the legal order are stronger than those of natural persons, but companies' political and economic obligations are not always consistent. A company is a creation of law operating in multiple political jurisdictions only with the permission of governments and its creation is justified insofar as it, on balance, furthers desirable social goals both economic and political. The duty to refrain from corruption derives from the organizational and legal position of companies and appeals to personal morality are inadequate and often inappropriate. Law and its enforcement seem to shape the degree of corruption. So, managers and directors need to establish clear and well-enforced corporate guidelines and policies against corruption rather than rely on the personal morality of employees. Corporations have legal personalities not turning them into real human beings, but have moral obligations. Organizations should not be anthropomorphized regarding rights and responsibilities, but still have moral responsibilities and cannot always be reduced to individual responsibilities. Citizens accept organizations if the benefits in increased productivity outweighed the costs (Donaldson, 1989). Business organizations and individual entrepreneurs preserve the systems in which they operate even when this might be against their narrower goals.

The competitive market system operates to produce resourceful results even though all the individual actors are only concerned with their own narrow self-interest. Companies engage in actions that destabilize the market producing inefficient results and so laws exist to contain the worst sorts of behaviour such as fraud against customers or intimidation of one's competitors through threats of violence seeking to limit monopoly power, requiring certain types of information disclosure, and control externalities such as environmental pollution.

Laws express aspirations but are not perfectly enforced and in practice seldom providing an incentive for optimal deterrence and so leaving room for companies and their managers to consider their ethical obligations. Besides, even if an individual corrupt deal is effective, measures that contribute to the acceptability of corruption in the marketplace undermine competence. The company is a recipient of the market system and the normative justification of markets rests on their efficiency and so a company has an obligation to act in ways that improve the efficient functioning of the market. Otherwise the entire market system leaves itself open to charges of immorality and illegitimacy. Corruption erodes public confidence in the market and seriously affects the capacity of honest entrepreneurs to carry out their activities and so a company has a duty not only to refuse corrupt demands but also to make them public. It could be argued that extensive corruption does not lead to value maximization.

Does a small-scale corruption erode confidence or it is a factor of success and a moral demand? Has corruption transformed into an ethical tactic in achieving the goal? Companies are dependent for their success not only on the existence of a functioning market system but also on a state that facilitates market activity and maintains order and stability. Foreign direct investment and the success of industrial development policies are linked to the quality of governance and the relative lack of corruption. Besides, if corrupt payoffs help a company to obtain business, managers and owners may hope to facilitate their subordinates' bribery while remaining ignorant of the details. It should be considered that individuals express strong norms of moral behaviour but do not apply these norms to their behaviour as the employees of for-profit companies opting for the profitable course of action if doing so would further company interests. Hence, it could be argued that ethical behaviour can drive a company out of business.

A company may gain leverage with its buyers or suppliers by taking a strong stand against corruption in case that the company's product may be obviously superior to those of its competitors (Vitell and Festervand, 1987). Companies with an advantage over their competitors will not only seek to limit corruption within their own company but may also support reforms in host countries that increase transparency and accountability (Tanzi and Davoodi, 1997). Although companies are constrained by the test of market viability, they are obligated not to undermine market effectiveness or democratically legitimate states. Companies that are leaders in their industries or are major international actors have a particularly strong obligation to take a public anti-corruption stand. Incentives to work for a reduction of corruption will be weak if managers and boards suffer no consequences for inaction.

Transnational corruption (Hazlet and Sullivan, 1994), or the bribery of government officials by foreign business interests, is harmful to national economic and political systems, particularly within those countries that host the corrupt practices promoting financial incompetence by adding an extra and unwarranted level of cost to routine government functions and undermining governmental legitimacy by damaging public confidence in the national administration. Furthermore, transnational corruption has had a destructive impact globally by bringing inefficiency to national economies, destabilizing political regimes, and causing social discord between the public and its governing officials. Corruption increases the level of uncertainty regarding the return on investment, as the current political climate could change radically against the favoured companies reflecting officials' preference for short-term gains, and for investments that are more likely to hide corrupt behaviour. Choices made by the corrupt officials and wary investors increase the level of uncertainty in the country, which is detrimental to the economic growth and welfare. Some countries permit bribes to be deducted from taxes as "operating expenses" or "special outlays", other countries such as the United States have anti-corruption legislation that even makes the bribing of foreigners in a foreign country a punishable offence. In many cultures gifts given directly, as in the form of an invitation to dinner or other favours of this order, are frankly expected as marks of respect or as proof of amicable relations. Refusing them can be taken as a sign of rejection or even as an affront. In other cultures the fact that a company presents potential customers with gifts may be criticized as bordering on corruption or at least as ethically suspect (Lloyd, 1993). Various organizations have drawn up guidelines on how their employees should act with respect to the gifts they give to customers or business friends as well as those they themselves receive. Gifts are not altogether unproblematic either, since they do serve to generate good will that can pay off later in some other connection. Although the transition from "petty" to "big" corruption is fluid in the individual case, the latter presents a distinct problem area. Corruption is socially destructive leading to disregard of the public interest.

A business that can flourish merely by "greasing" has no incentive to strive for quality. In a climate of corruption the quality and competitive price of products and services do not determine market success, but rather how much bribe-money changes hands; not the reliability and integrity of a company, or other gauges of genuine competence, but rather the unscrupulousness of corrupt individuals. Virtually every theoretical discussion on the subject of corruption sees a close tie to poor governance. Good governance is undoubtedly the most fundamental condition of a country's political development. It could be said that corruption leads to inefficiency and so value minimisation.

6. Globalization and corruption

One of the principal features of contemporary globalization is the perception of the creation of a transnational community in which geopolitical boundaries are reduced to no more than bureaucratic nuisances. According to Susan Rose-Ackerman "Corruption in contracting, the award of concessions and privatization promotes inefficiency and undermines state legitimacy… an affirmative duty to at least publicize the situation and to build coalitions to work for reform" (Susan Rose-Ackerman, 2002). The reality of economic growth in most societies is that it has entailed a fair amount of "corruption". Neither geography nor political and cultural particularities should be allowed to insulate the practice from the moral and legal condemnation of the "international community". Developing countries and emerging economies are at a severe disadvantage in dealing with corruption. These economies are very much in need of foreign investments and have weak bargaining positions in the competition for international capital. They will therefore be unwilling to take energetic steps to police corruption if that would mean short-term loss of investment opportunities to other developing economies. Creating and enforcing international standards for corruption would remove this fear because all capital-importing economies would then present an identical facade on the corruption front. Since some of the participants in any corrupt act are necessarily public officials, it might be expecting too much of any society to rely exclusively on its own means for policing the conduct.

The effects of corruption cannot be contained within the man-made national boundaries that are the creations of politics and geography. Internationalising the regulatory framework may be necessary both to make the prohibitions effective through active coordination of their enforcement and to avoid conflicting regulations where each regulator may otherwise focus on its own narrow needs. Hence, law harmonization should lead to efficiency in battling corruption and establishing ethical norms. When strong countries act unilaterally, their economic dominance leaves the weaker countries with having to accept the imposed rules with whatever costs result from their socio-political structures, or to seek to revoke them with offsetting rules, and with the certainty that economic costs would follow. This is another consequence of globalization.

The framing of corruption as an issue of global concern emanates from the same basic sources and essential impulses as those already surveyed with regard to privatization: the question is whether the consequences of globalization have created an international community that can be subjected to standardized rules. The debate over globalization is important both for what it says about the existence of a transnational community bound by legal standards, and the acceptability of those standards. Power is related to the making of law; yet, once made, law typically abjures the invocation of power as an fundamental element of its legitimating – or perhaps more aptly, law so enfolds power in itself that they become one. It is the object of law to compel compliance unobtrusively. While industrialization delegitimized the inequalities of feudal distributions, globalization legitimises the uneven distributions brought about by differential access to technology-based information. The justification is not only the purely economic one of efficiency but also the political-legal one of substantive justice. Perhaps, recent history demonstrates that the threat to human welfare is less economic predation than it is state-sponsored denials of individual liberty and human rights. Civil society provides the best guarantee of liberty and human rights.

Civic faith depends in part specifically on its adaptability to the circumstances and conditions of particular peoples at particular historical moments. A constitutional faith relevant to nations comprised of rival ethnic fragments requires a civic ideology in which difference itself is recognized and honoured. It may be that globalization, and with it, the globalization of law, are more likely to succeed genuine democratisation than the other way around. Law has played a powerfully integrating role in Europe, but this is a consequence of its democratic sensibilities. Modern technology provides civil society with the means to check State power, and globalization enables the transnational collaboration of civil societies in this venture. The technology that creates the perception of a borderless world of empowered atomic individuals also displays the rapaciousness of centralized power, which can only be regulated by invoking governmental power. The answer has been to look to the international community to provide the benign governance both to suppress errant national governments and institutions and to provide the mandatory rules and standards applicable directly to individuals and subgroups within national societies. Hence, schemes of simultaneous "harmonization" and "deregulation", and of "internationalisation" and "regionalization" come out. Democratic constitutionalism may be the favoured form of assuring accountability under a rule of law scheme, but so far, it operates exclusively on a national basis. This is true even of pretenders to supranational governance, such as the European Union. Thus, as long as the State is the central unit in international law accountable for the welfare of a community, the applicable rule of law norms must be filtered through its perspectives. This is not a claim that those perspectives are right and just, rather it is a claim that they are essential to the well being of the particular community. Rapid technological change is bringing with it significant changes in our capacity to break in distant worlds. It is less clear that these changes are altering fundamental human nature, and the latter is just as important in shaping the norms and uses of the rule of law. Hence, collective action is the only way to produce widespread changes in ethical behaviour and corruption policies rather than waiting merely by MNEs to do it.

7. Conclusion

The antithesis of ethics versus corruption is obvious and while ethics can lead to value maximization in the long run, corruption leads to value minimization in the long run regardless of short-term value maximization. Ethical norms are changing and are influenced by culture, technology and religion affecting in parallel the conception of the wrong doing of corruption. There is not a standard level of ethics in different parts of social life, but the author considers that at least the standard of ethics of human life should be unchangeable. Cloning should not differentiate immensely ethics regarding the existence of human life and change the substance of humans' existence and role on earth. Unfortunately, people cannot always agree on what is ethical and what is not. Many of the trade policies that most countries have adopted are unethical. A company possesses a political-economic identity depending on a state for its legal existence, and so an ideal situation will be that the company should consider the consequences of its actions for the state and to act positively to preserve political values enhancing market system competence and not to undermine legitimate government institutions. Companies should have in place personnel policy and codes of conduct that mirror ethical principles rather than just rules, and which aim to induce employees to feel that they ought to "comply with" rather "obey" company imposed rules. Corruption in a small scale is obvious that will continue to survive and consider that humans will not become angels. The process of globalization should lead to a harmonization of ethical principles in business and in a better understanding of moral principles and values. International society due to globalization has to develop and establish common ethical principles of behaviour in social life considering religion and world civilization. The introduction of codes of conduct enforceable internationally and not voluntarily defining the fundamental principles of business contacts will establish a harmonized view regarding corruption tactics and ethical principles and prohibiting the establishment of corruption methods and not baptizing them as ethically necessary for business.

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