

for public
opinion.

This ethical dimension comes up again in the way in which profit is understood, in its definition and its amount, in its utilization, and in the importance it is given in our hierarchy of values.

Let's dispense immediately with profits which result from immoral or illegal activities because these acts are reprehensible, and they are even more so because they are motivated by profit. As for profits obtained from speculation, these profits are often very substantial as a result of large risks. They are curiously enough accepted by certain segments of public opinion. Nevertheless, there is a need to limit such speculations which are perverse and make no positive social contribution. Thus, speculation on variations in exchange rates will disappear between European moneys included in the euro, a situation which is already a step in the right direction.

The Amount of Profit

Let's concentrate our analysis on corporate profits. Profit represents the difference between receipts and expenditures. Decisions which influence this profit margin are the allocation to depreciation, to research and development, to various provisions for risks and unforeseen events, to gifts, and to taxes. One immediately sees that both subjective and objective evaluations enter in at each stage. Some result from market conditions and others from negotiation.

Establishing prices seeks to maximize profits and does not imply an ethical concept.

Some may feel that a profit margin is excessive for certain products or services, but it is based upon the quality of an innovation, the cost of development, and the risk incurred as well as market conditions and an eventual monopoly. Competition and its regulation should prevent excessive profits. What must be eliminated are monopolies and collusion on prices. Moreover, in general, competition should tend to create lower prices which is

generally the case for products of current use; for other products, the buyer remains free to decide.

As for expenditures, the amount should be compatible with the amount of financial resources available. The tendency to exploit both personnel and suppliers should be tempered with a sentiment of equity, a principle which should also apply to compensation policies, purchase of raw materials, and subcontracting. Some companies which refuse to consider fairness in their dealings apply competitive pressures beyond acceptable limits. Suppliers are often obliged to comply to them. Such practices do not generally last very long because they lead to bankruptcy, refusal to comply, or strikes. Taking into account the interests of all upon whom the success of the enterprise depends is the reasonable and ethical approach.

Profit and Compensation

Levels of compensation are at the heart of decisions about expenditures, and in this area wisdom as well as ethics is required, notably in providing the best possible compensation considering the work to be done. Such an evaluation should be shared with the interested parties, and in this lies the essential difficulty. It can be overcome only if there is a climate of mutual trust and respect which in turn is the result of ethical behavior on the part of both of the parties concerned.

The extraordinarily high levels of compensation of certain top executives -- notably in the United States -- is shocking, especially in the case of companies losing money! It may appear justified to some people as the only way to attract exceptional talents and, finally, to increase profits, thereby ensuring the success and perpetuity of the enterprise. I do not share this view, and it appears difficult for me to defend paying, in 1997, the president of a large American bank 230 million dollars, or 1.4 billion francs, even if an important part comes from exercising stock options of the bank whose

share

prices do not derive only from his performance and capability.

Surely, such cases are exceptional, but annual compensation of between 2 and 10 million

dollars are frequently the case in the United States, which equals 5 million

French francs

per month. Such is not the case in other countries like Japan, the Scandinavian countries,

or France. Some American top executives have shown the courage to correct this anomaly.

One is the president of Kodak whose financial results were disappointing. His compensation

remained the same at 2 million dollars and he turned down a bonus of 1.75 million dollars.

Profit, Employment, and Investment

Poorly managed enterprises which are no longer competitive and are losing money are the

ones which pose the most serious problems for their personnel and for the communities in

which they operate. Unfortunately, because of new and changing technology, maintaining the

competitiveness of an industrial enterprise always leads to producing more with fewer

personnel.

This painful ordeal of "restructuring" is inevitable, but it must be foreseen far ahead of time and its consequences taken into consideration with all the social

partners involved. Therein resides an ethical approach which does not ignore reality, but

which takes into consideration the human problems involved. One cannot systematically put

off investments in productivity, but one can generally program them over a certain period

of time in order to minimize their social impact.

An excellent example was given by the owner of a small company who decided not to

invest in a new and more efficient machine which would permit elimination of three jobs.

He turned it down in order to avoid having to lay people off and to retain his employees

and their confidence. This example, however, is an exception because of the extreme

pressures of competition.

Another ethical attitude consists in accepting responsibility for the placement

of
employees to be laid off whether by innovation within the enterprise or by
helping place
them elsewhere.

Profit and Interest

Outside sources of financing enterprises include capital and loans, the first
being
remunerated with part of the profit, the other reimbursed before profits with
solid
guaranties and fixed rates from the beginning. The Koran forbids interest. It
considers
interest as a sin, or usury, regardless of the amount. The only financing
mechanism
envisaged is taking part of the shares or equity with an equitable sharing of
both profits
and risks.

Bankers can explain that amounts loaned are not their own, but rather those of
their
clients, and that they must protect against the risk of losing the funds.

The economic consequences are not negligible. This explains the shortage of
risk
capital and the fact that many investors have found themselves ruined because
banks
holding debt are reimbursed before those who have invested the capital. That
situation
justifies, however, a higher level of compensation for capital which has a
higher risk.

Profit and Taxes

We should not forget that the government is the greatest beneficiary of profits
through
the double and sometimes triple collection of taxes: on the profits of the
enterprise, on
personal income, and then on the sales tax on purchases made with these same
dividends.
Such taxation should make those who feel profits are unethical happy or at
least those who
are concerned with equity. Unfortunately, excessive taxes lead some individuals
to a
reprehensible evasion of taxes and lead others to emigrate elsewhere.

Is it ethical to create an enterprise abroad whose activities are essentially
those
carried out previously in one's home or host country? Is it ethical to leave
one's country for six months? It is perfectly legal, but one has the right to

question the different aspects of such a delicate solution.

When a tax takes everything, as for example, when it exceeds the revenue of the taxpayer, and when the tax takes most of the pension one has worked for and to which one has contributed all his or her working life, can one blame those who evade taxes? When one totally disapproves of the way the government is being run, or when one loses hope and confidence in the government of his or her country, it is understandable that the person should seek to reside abroad.

Nevertheless, other factors which weigh against emigration and which are qualitative, cultural, and ethical can have more influence than those concerned with taxation. Such factors can be the recognition of the education one has received and a certain sentiment of solidarity with one's fellow citizens. Let us not make any definitive judgment in these cases because it not up to us to condemn, yet it is desirable to bring up these problems and to avoid their causes.

The Purpose of the Enterprise

I am always surprised when one defends the thesis that the only objective of the enterprise is profit. This is the great vice of capitalism which I denounced before. The goal of the enterprise and its purpose are the product and the service which it renders in a competitive manner. The means which it has to achieve its purpose are, on the one hand, money which it receives in compensation for its services, from its capital, its reinvested profits and loans, and, on the other hand, the work of all employees.

We should not confuse the objective and the means. The priority given to profit disfigures the image of the enterprise and in some ways distorts it. To put service rendered at the heart of company's objectives makes the enterprise's activities more humane and meaningful. It is up to the managers to allocate resources equitably among all the expenses and constraints already discussed. It is up to them to make the decisions which optimize profit and remunerations taking into consideration all those who

are linked
to the enterprise and the community as a whole.

Conclusion

If we accept the definition of Spinoza, "ethics defines the good as being that which corresponds to my nature and the bad that which does not correspond", we may conclude in saying, ethically speaking, that there is good and bad profit. Such an attitude finds expression in the spirit of those who create profit and in the work they carry out.

The continuing success of the enterprise depends not only on the professional competencies at all levels but also on the climate of confidence which prevails. Only ethical behavior can elicit and sustain confidence. If, in one's concern about earning profit, the only preoccupation is the short term price of the company's shares, that attitude is not the right motivation. The objective should not be the search to maximize profit short term, but rather to optimize profits medium and long term.

If an objective of profit coexists with the concern for an optimum contribution to the enduring success of the enterprise, to its environment, and to enriching all those who participate, then a much greater social cohesion can be obtained. The level of profits and of economic and social results will be even more satisfying if they result from actions profoundly inspired by ethical values.

METADATA

Views9778 views since posted 2012-07-30; last edit 2025-01-31 18:49 UTC;

previous at archive.org.../destaing_ethics_profit

Language

English

Permission

fair use

Share

Shortlink: bahai-library.com/1729

Citation: ris/1729

select Collection:

Archives
Articles
Articles-unpublished
Audio
Bibliographies
BIC
Biographies
Books
Chronologies
Compilations
Compilations-NSA
Compilations-personal
Documents
East-asia
Encyclopedia
Essays
Etc
Excerpts
Fiction
Glossaries
Guardian
Histories
Introductory
Letters
Maps
Music
Newspapers
NSA-documents
NSA-letters
Personal
Pilgrims
Poetry
Presentations
Resources
Reviews
Scripts
Software
Statistics
Study
Talks
Theses
Transcripts
Translations
UHJ-documents
UHJ-letters
Video
Visual

[Writings](#)

[home](#)

[sitemap](#)

[series](#)

[chronology](#)

[search:](#)

[author](#)

[title](#)

[date](#)

[tags](#)

[adv. search](#)

[languages](#)

[inventory](#)

[bibliography](#)

[abbreviations](#)

[links](#)

[about](#)

[contact](#)

[RSS](#)

[new](#)

— The Ethics of Profit (Used by permission of the curator)