

The Cheating Culture by David Callahan

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It's great to be here today with so many of you. My thanks to the Ethics Centre for this invitation.

It's a pleasure to be here to talk not just about my last book, *The Cheating Culture*, but also my new book, *The Moral Center*.

I like to think the books go together pretty nicely. One is incredibly depressing and the second is pretty uplifting. This means that if you buy and read the first book you have to then run out to buy the second one as an antidote, which I think is a brilliant marketing strategy. I thought of that all by myself, thank you.

So *The Cheating Culture* came out about two years ago, and the book is not exactly light and happy reading. It shines a spotlight on some disturbing trends -- on pervasive greed and dishonesty, on the corruption of vital institutions in our society, particularly the business sector, and on the ways that even good people often do bad things. That said, I'm actually optimistic. I believe that periods of ethical decline tend to go in cycles. And that upsurges of cynical, self-interested behavior are nearly always followed by periods of reform and renewed idealism. So in my mind, the question is not whether we will see a backlash to recent trends but when.

I started writing *The Cheating Culture* few years ago when the corporate scandals like Enron and WorldCom exploded onto the headlines. Reading the papers, I was struck by the fact that so many respectable executives -- upstanding citizens, by any measure -- were implicated in wrongdoing. In fact, the scandals involved not just a few bad apples in a few rogue companies, but hundreds of corporate leaders. As well as top accountants, investment bankers, and lawyers.

I wondered what is going on here. Many explanations for the scandals focused on institutional causes, like the way that corporate boards had been filled with cronies or the failure of independent auditors to blow the whistle or changes in compensation practices that had loaded up CEOs with too many stock options. Clearly, all these were important.

But the explanation for the scandals that intrigued me most came from business executives of an earlier era, the so-called greatest generation who had run corporations in the 1960s and 1970s. What I heard from these former CEOs is that corporate America had become so corrupt because our nation's values had broadly changed over recent decades. And that, simply put, greed and dishonesty had become more acceptable at the highest levels of U.S. society, and particularly in business.

I wondered about this. I wondered: Are the values of today really that much different? Is there really more dishonesty today, and if so, why?

I started my investigation by getting some basic facts on the table about cheating. I focused on the United States, obviously, but I think there are some parallels also to what is happening in Canada.

Beyond looking all the corporate scandals – the worst scandals we’ve seen since the Robber Baron era a century ago – I looked at cheating by more ordinary people.

For instance, I learned that tax evasion in the U.S. has more than doubled in the past decade. It’s now about \$350 billion a year.

I learned that theft or fraud by employees is the single biggest form of crime in the United States. It adds up to over \$600 billion a year. I know that problem is also quite acute here in Canada.

I learned that ethics of many doctors are not what they should be, that pharmaceutical companies often use money and gifts to tempt doctors to neglect the interests of their patients.

I learned that we might as well just erase from the computers all baseball statistics from the past decade, given the explosion of steroids in major league baseball.

And I learned that cutting corners started very early indeed. According to surveys, between two-thirds and three quarters of U.S. high school and university students admit to some cheating. Earlier this year, the first major study of cheating among Canadian students was released and revealed that cheating is a serious problem in this nation as well.

As I probed into all the dishonesty occurring these days, one thing that surprised me is that so much cheating to get ahead in life is occurring at the same time that people are behaving better in many areas. In my new book in particular, I document a lot of the good news from recent times.

Crime has fallen sharply over the last decade, and major U.S. cities – like New York, where I live – are safer than they have been in forty years. The crime rate also fell in Canada during the 1990s.

Teenage pregnancy rates in the U.S. and Canada also fell sharply during the 1990s. In the U.S., the abortion rate fell by nearly a third in the 1990s. The divorce rate has fallen by 20 percent.

The suicide rate is down in the U.S. since 1980. Drunk driving deaths are down. Domestic violence against women has fallen. The use of illicit drugs and tobacco by teenagers has also gone down since the 1970s.

The United States is not in a period of moral decline writ large. In many ways, it is undergoing an era of moral renewal. And yet at the same time, there is so much cheating to get ahead. The way I came to think of it is that many people seem to go through life with two separate moral compasses: one shapes their decisions when it comes to sex or drugs or violence. But a second and utterly different compass governs people's lives when it comes to academic advancement, money, and career success.

Now, if you listen to many conservatives talk about values, their explanations of what is wrong always boil down to how the liberalism of the 1960s has eroded moral standards. We hear about parents or schools or courts that are too permissive. We hear about moral relativism and the lack of clear dictates about what is right and wrong. We hear about how social freedom has gone too far.

These arguments have largely framed the values debate in recent decades. And they have at least some truth to them. I think the Sixties did help to usher into a culture that is too individualistic and did loosen the restraints on personal behavior in some negative ways.

But if you look at recent trends, the conservative critique offers little insight into what's been happening lately. It can't explain why people are behaving better in some areas and worse in others. Conservatives can't explain why we have these two separate moral compasses.

We need better answers. In fact, we need a very different values debate, one that goes beyond the culture war framework. And in both *The Cheating Culture* and *The Moral Center*, I present an alternative story about what has happened to moral values in recent decades.

And basically, what I say, is look: let's be real here. Liberalism hasn't been a potent force in America's politics or culture for a generation. Moreover, the individualism of the Sixties was co-opted and transformed long ago by the greed-is good ethos of the Eighties. The hippies became yuppies a long time ago, as we all know.

In fact, looking back over the past quarter century, I don't think there can really be much doubt about what has been the biggest influencer of American life. And that is market capitalism. At some level, of course, we all acknowledge this. We hear endlessly about how technology and globalization and new media are changing everything. Again and again we are told, by any number of mainstream commentators like Thomas Friedman, that these forces are reshaping every sphere of life. And indeed they are.

Yet somehow, this conventional wisdom rarely informs the discussion over values. And I think it should. Capitalism is unmatched as a creator of wealth. But at the core of this system is a soulless logic of self interest and a ruthless bottom line. To make capitalism go and generate all its good things, we ride the tiger of selfishness.

Ideally, we get all the good things from the impulse toward self interest and none of the bad things. It's a tough balance to strike. And we've haven't done such a good job at striking that balance lately.

I think what's been happening in the United States, but also in Canada to some extent, is that the values of the free market have bulldozing aside other values. Increasingly, more of us identify ourselves as consumers, always looking for out for me, me, me, and less and less see ourselves as citizens who share a common fate with total strangers. A focus on self interest has displaced a concern about the common good. Meanwhile, we've seen the erosion of the social contract.

So my belief is that if want to understand the pervasive nature of ethical misconduct and push for solutions to ethical problems, we need to understand the bigger picture and clearly face what we are up against.

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One way to understand what we're up against is by examining at how recent economic trends have created growing temptations to cheat and led many of us to develop two separate moral compasses to guide us through life.

First, cheating is more tempting today because the carrots for winners are bigger than ever. Look in any field, and you'll find bigger paychecks for the stars these days. Top athletes can make more money in a year than Mickey Mantle or Joe Namath made in a lifetime. Julia Roberts gets paid more money for a single movie than Marilyn Monroe made in her entire career. Successful CEOs make fortunes that executives of a generation ago could never have dreamed of. Inequality has risen dramatically in the past three decades and Economists call the U.S. a winner-take-all society, but of course income inequality has also risen in Canada over the past two decades. Given how big the carrots have become, it shouldn't actually be surprising that more people will cut corners to grasp them.

You can see the logic of cheating in baseball, where Major League players take steroids so that they can build the muscles that will enable them to hit more home runs. Barry Bonds makes \$18 million a year. If the guy took steroids, you can kind of see why.

You can see the logic of cheating in the classrooms of high schools and universities. These days, even the high-achieving kids who already have everything going for them often cheat to guarantee the grades they need to further increase their chances of getting into an Ivy League school, and thus enjoy all the advantages that come from a name brand degree.

You can see this logic in journalism, where star journalists who break out can now make a fortune while most ordinary journalists are barely making a living. Winner

take all trends help explain the growing rash of high profile ethics cases involving ambitious journalists.

And, of course, can you this logic in all the corporate scandals. During the recent boom, executives who cooked the books at places like WorldCom and pumped up the value of their stock stood to make hundreds of millions of dollars in a few short years – rewards that simply didn't exist in corporate America a few decades ago.

You know, there's been a tendency to demonize the executives who orchestrated the scandals. But I don't think these people are evil. I don't think they're much different than anyone else. For the most part, they are ordinary people who were exposed to extraordinary temptation – temptations that simply didn't exist when there was less inequality in the corporate world and workers and management split the pie more evenly.

George Washington once said, "Few men have virtue enough to withstand the highest bidder." All too true. And lately, thanks to unchecked market forces, the bidding for our souls has been getting higher and higher.

Now, of course, the obsession with winning is not the only reason people cheat. A lot of people aren't out to strike it rich or become a big shot. They just want to lead a comfortable and secure life. But increasingly, that is not something one can take for granted given what's been happening in our economy, and more people are afraid of falling behind, and not being able to lead that comfortable life. This brings me to a second reason people cheat, which is fear.

Things are tough out there. Jobs are less secure, and even the best jobs are now getting outsourced to China or India. 47 million Americans lack health insurance.

And a lot of middle class people who should be feeling securing are instead feeling anxious. And their kids are growing up around this anxiety. I think there are a lot of young people who go through life, thinking I better not screw things up. If I take one wrong step, can get one blot on my permanent record, I'll end up living at home for the rest of my life.

Starting early on, in high school, lots of students feel extreme anxiety about getting into a good college and being able to pay for it. Given the increased competition, it's not enough just to have good grades to get into a good college. Now you have to have great grades to get into a good school. And once you get into college, you often have to worry about keeping your grades up to hold on scholarships and to get into a good graduate school. And maybe you need to work one or even two jobs to help pay your way, which makes it harder to find time for studying. You all know these facts better than I do.

And there's no question about it, these pressures help explain widespread cheating in our high schools and universities. In my book, I quote one college student who

explained her cheating this way. She said “good grades make the difference between going to medical school and being a janitor.” That’s how a lot of young people see the stakes.

And, of course the pressures to compromise your integrity don’t end once you graduate from college. They continue through life, especially in the workplace. In many professions, a growing focus on money, efficiency, and the bottom line over recent decades has clearly led to an erosion of ethics.

You can see this in corporate law, to take just one example. I have a friend, a smart and ambitious guy, who became a lawyer. He went to a top law school and when he got out, he went to a leading firm that paid him a huge starting salary, like a hundred thousand dollars a year.

But in exchange for that money he was expected to bill the firm’s clients a huge number of hours every year. But what he soon found out was that no matter how hard he worked he couldn’t honestly bill the number of hours expected of him, no matter how hard he worked. However, he soon found out something else, which that many of the other young who were in the same boat simply made up more hours. They padded their time sheets and inflated all the numbers upward. Most of the young lawyers at the firm did it and it was no big deal. And if you didn’t cheat in this way, you looked bad. You looked like the person who wasn’t working as hard as everyone else. Which meant that maybe you wouldn’t get promoted or get a raise.

So what did my friend do? He padded his hours, as well. He cheated and violated the laws of New York State, not to mention the code of ethics of his profession.

Now if you dig beneath the surface of this story and look at what has happened to the legal profession, as I did, what you find is that corporate law firms have been fundamentally transformed in recent decades. Once, they were relatively small and clubby institutions with longstanding ties to their clients. But in the 80’s they began to operate like other businesses, with a much more relentless focus on profits. Among other things, young associates at the firms were put under far greater pressure to perform, in terms of the hours they billed to clients. Rampant over-billing, along with other ethics problems, has been a logical outgrowth of the changes in corporate law.

We have seen similar changes in other professions, a point I’ll return to.

Finally, there is a third reason people are tempted to cheat. And that’s because often, nobody is looking.

In the United States, key government regulatory and enforcement agencies have been too weak to uphold the law. Tax evasion doubled in the 90s as the IRS lost of a third of its enforcement capacity and as Congress made it harder to go after tax cheats. The SEC, which oversees Wall Street, had neither the authority nor resources during

the '90s to stop the worst corporate abuses since the Robber Era. Other government agencies which enforce workplace safety or environmental rules have also lost their ability to crack down on wrongdoing.

Why was the government downsized during the 80s and 90s? -Because of the growing influence of corporations in our politics. Watchdogs were put to sleep because the people they watch worked over years worked to put them to sleep – with campaign donations, lobbyists, and other means. In recent decades, private power has succeeded in taking over government to a degree not seen since the Gilded Age.

This is all scary stuff. If we are going to have a serious conversation about values in this country, we have to confront the morally corrosive effects of too much inequality, too little insecurity, and too few watchdogs. Related to this, we have to confront the fact that market players increasingly have more clout than those institutions that once pushed us to think beyond ourselves—like family, government, community and religion. And we have to confront the unnerving truth that the once fringe libertarian ideas of Ayn Rand, which celebrate self interest as the greatest virtue, now have moved to the very center of North American culture. In today's climate, it's become more of an uphill fight to preach such quaint notions as self-restraint or honesty or duty to others or compassion for the less fortunate.

And that's something you should be worried about, whether you're on the left right or center.

So how do we turn things around? How do we push back the influence of market forces and actors? My new book takes up that question in the context of a number of issues, such as family, sexuality, media, and work.

But again, I think the best way to illustrate my points today is to come back to ethics and how we might escape the Cheating Culture.

I think we need to work for change on three fronts. One, we need to change the way key institutions operate, particularly leading professions. Two we must change how society writ large operates. And three, we need to change how we operate and make personal choices. All three are important, and they are connected to each other.

Let me take up the professions first. And in order to be really concrete, I'll use the example of medicine to show what kind of progress we can make and, in fact, are making.

As most people know, the healthcare field in the U.S. has gone through radical changes in recent decades. Like corporate law, it is become far more governed by bottom line thinking and large market actors. HMOs and managed care have undermined the quality of life for doctors and also decreased their earnings. At the same time, we've seen widespread corruption of doctors by pharmaceutical

companies and an upsurge of other ethics problems. I think these trends are very related. Unhappy or under compensated doctors are more likely to seek additional income in unethical ways.

Now, clearly it would be a huge job to roll back the changes we've seen in medicine. However, I don't think it's such a big job to get doctors to behave more ethically. And in just the last year or two, we've seen a sea change in the ethical climate in medicine. Hospitals and medical schools have enacted new rules governing the gifts doctors can receive from industry. The American Medical Association has beefed up its code of ethics. I know that there have been some reform efforts here as well to prevent conflicts of interest among Canadian doctors. In addition, a number of pharmaceutical companies have been heavily fined by the U.S. government.

We are light years from where we were just four years ago, when I began researching this topic. And I think the recent progress in medicine shows the kind of progress we can make in changing behavior by focusing at the institutional level, even if we can't address the deeper underlying causes of ethical problems. The success of honor codes at some colleges and universities is another example, as is the success of drug testing regimes in certain sports, like professional football. And the success of strong ethics initiatives in certain major companies or industries. I'd be happy to discuss some other examples of how to change institutions in the Q&A.

Ultimately, though, I do think that systemic change in how society writ large operates is crucial. At a larger level, we need to create a new social contract so that ordinary people don't feel the rules are stacked against them and rich people don't feel they are above the rules. This means creating more economic security and increasing social mobility, so that everyone who plays by the rules can enjoy a decent standard of living; it means reforming the justice system so that anyone who breaks the rules, rich or poor, is held to the same standard of justice. And it means revitalizing democratic institutions, so that *ordinary people feel they have a real voice in how the rules are made.*

If we want a more ethical society, we need to create a fairer society. When people believe in the rules, they're more likely to follow them. It's that simple. Clearly, the United States faces a profound challenge in reconstructing its social contract, but the social contract is also under growing siege here in Canada, as well as other wealthy nations. Today, no country is immune from the powerful global forces which produce higher levels of inequality and insecurity.

A final way to change the ethical climate in society is to focus at the individual level. In general, I think conservatives are naïve to imagine that an exclusive focus on personal responsibility can solve moral problems, particularly in this day and age, with such large structural forces at work. But liberals have also been wrong when they have downplayed the role of individual volition and excused bad behavior by pointing to a screwed up system. In my new book, I argue that any moral vision for this country must include a focus on both personal and social responsibility. We need

to change institutions and society, but we also need to push individuals to hold themselves to higher standards.

How do we do that? And in particular, how do we get people to resist temptation or put aside self-interest even when there are plenty of rational incentives to do otherwise.

That's a big question and I've already been talking for too long. But briefly, I think we need to focus on children and young people, where it's easiest to shape character. And we need to concentrate in three spheres, the family, the schools, and civic life. There are a lot of promising ideas in each area, but I'll name a few very quickly.

When it comes to family, we need to deal with the crisis of fatherhood. Some 40 percent of kids are growing up without regular contact with their fathers. And research suggests that this is correlated with any number of behavioral problems. It's not that mothers can't be effective disciplinarians. It's that you get much better results with the involvement of two parents. And today there's a whole movement of advocates who are working to bring absent fathers back into the lives of their kids. I can talk about this more if you're interested.

Another promising set of efforts is taking place in our schools, with the spread of character education programs. These initiatives seek to build character by teaching kids what it means to be part of a respectful community. In many ways, they fill the void left by weak families.

A third promising area is civic life. In the U.S., we have seen an explosion of community service efforts in the past decade, most notably AmeriCorp but also organizations like CityYear. In Canada, we have seen the recent creation of the Canada Corps, which is similar to the U.S. peace corps. This is important stuff.

The research on these programs suggests that they help young people think outside their own narrow self-interest and focus more on the common good.. What we need to now is to scale up these efforts to a much larger level.

Is it naïve to imagine that we can change the values of young people and thus change the culture more broadly? I don't think so. Not at all.

Time and time again, through history, we've seen young people play a pivotal role in ushering in new eras of idealism and reform. And when – not if – we see the backlash to this recent era of corruption and cynicism take full flower, I guarantee that young people will again be on the forefront of efforts to change the culture.

And more than anything perhaps, this is a reason to be optimistic about the future. .