



THE UNIVERSITY OF
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The Business & Professional Ethics Group in conjunction
with the Natoli Ethics Fund

Student Ethics Essay Prize 2017 **(postgraduate)**

This certificate is awarded to

Mamoni Gharami

in recognition of the best essay submitted by a
postgraduate student.

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Category 2: Postgraduate students

The category 1 essay contest is open to any student currently studying a business degree or unit at postgraduate level within the University of Sydney Business School. The best essay will be chosen for a \$1,000 cash prize.

Transparency can and should result in more ethical behaviour – the simple reality is that we behave more ethically when we think we are being watched
Mamoni Gharami

Introduction

It is a self-evident truth that human beings behave more ethically when under observation. As Oscar Wilde once said in his inimitable wit, “Man is least himself when he talks in his own person. Give him a mask, and he will tell you the truth.” The implication is clear: only in anonymity do people assume their true behaviour.

The most potent resistance to transparency is often in the form of the claim that increased transparency will result in greater criticism and challenges to the established methodologies of work and the status quo (Rotunda, 2009). However, the concern that lack of transparency leads to lack of accountability and abuse of power is also very real. The presence of a well thought out procedure to enforce accountability and ethical behaviour is absolutely necessary for both the public confidence in the integrity of institutions as well as ensuring that proper justice is meted out to violators (Rotunda, 2009).

Transparency is not an easy goal to achieve. Abandoning security concerns in the name of full transparency is definitely not an intelligent decision. Privileged information must be protected from the inappropriate disclosure that may pose inherent risks to the public interest. It is therefore of essence that the structures that govern the existence of transparency be made rigorous (Milton, 2009; Turilli and Floridi, 2009).

Recent Ethical scandals

Trump Administration:

Abandoning the ideals of transparency and ethical behaviour is deeply undemocratic behaviour. However, that is exactly what has happened over the past few months since the 45th President of the United States Donald Trump took office. While legal challenges to the actions of Mr Trump and his administration are being formulated, there is one thing of which their guilt and complicity have been proven beyond any reasonable doubt: violating the established norms and ethics of the Office of the President (Lizza, 2017).

Mr Walter Shaub resigned from his position as the head of the Office of Government Ethics on July 7, 2017 (Fandos, 2017) after a protracted battle with the Trump administration. Extant government ethics laws being quite toothless, the Office of Government Ethics used its position and clout mostly in an advisory role than an enforcing one, a tradition which stood unbroken since the arrival of the incumbent President (Lizza, 2017). Mr Trump and White House counsel Don McGahn took the blatantly unethical stance of doing the absolute bare minimum necessary to preclude prosecution and nothing more. Mr Trump’s adamant refusal to disclose his tax returns (Davis, 2017) on the campaign trail made headlines for being “non-traditional but legal” (every Presidential candidate in history,

except Mr Trump, had voluntarily disclosed their tax returns) but his attitude regarding transparency has not changed at all in the time since the campaign ended and he assumed real power of millions of Americans.

In the absence of any statutory power or legal authority, Mr Shaub had, in the past, depended on appealing to the sense of ethics and threats of public disclosure and shaming to make errant officials in the Bush and Obama administrations toe the line and adhere to conflict-of-interest laws (Lizza, 2017). Mr Shaub resigned his post as he felt that the Trump administration was beyond such persuasion.

While top administration officials might have grown thick skin over the course of the campaign and resultant media coverage, the fact remains that the vast majority of government officials adhere to the ethical norms set out by the Office of Government Ethics voluntarily; it is the “fear of exposure” and public shaming that enforces ethical behaviour, not the goodness inherent in the hearts of public officials.

Caterpillar Inc.:

Caterpillar Inc., best known as a manufacturer of heavy agricultural and construction equipment, had been the target of federal investigators for a very long time, albeit unsuccessfully. The company had been using complicated methods to funnel billions of dollars’ worth of income into offshore accounts and tax havens to avoid taxes to the tune of over a billion dollars. Daniel Schlicksup, an accountant on Caterpillar’s payroll for 16 years, blew the whistle in 2008 when he revealed how he was chastised for raising concerns about the way the company was using illegal means to avoid taxes (Gruley, Voreacos and Deaux, 2017). Schlicksup provided over 150 pages of evidence detailing how the company, in association with the auditing firm PricewaterhouseCoopers, transferred billions of dollars of profit to Switzerland to reduce their US tax burden and how his superiors retaliated against him for protesting. In 2013, the Internal Revenue Service finally concluded that Caterpillar owed over USD 2 billion in back taxes and penalties.

In March of 2017, the US government formally accused Caterpillar Inc. of tax and accounting fraud (Drucker, 2017). It is an extremely rare incident in which a major US company is accused of committing intentional fraud to the tune of billions of dollars but federal investigators raided the company’s headquarters in Illinois armed with warrants, betraying their intentions to bring formal charges against the company, charges which might result in the company’s current and former executives to face jail time.

Conclusion

Transparency is one of the essential tools that keep officials honest in their dealings and exercise of power. If the implementation of transparency has costs in the form of checks and balances that reduce the ease or speed of exercise of power, those costs must be accepted as a necessary sacrifice. We are well aware of what entails when transparency is not there and officials are allowed to operate without accountability and out of the public eye. Transparency leads to self-policing and uses the threat of public shaming, a remarkably effective tool, to keep people in line. In its absence, and consequently,

the absence of appropriate punishment, ethical violations are all but guaranteed.

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