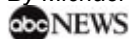


Is Greed Ever Good?

No, Say Ethicists; and It's Not Even Good for Capitalism, Some Argue

By Michael S. James



Aug. 22, 2002 — When stock speculator Ivan Boesky declared "greed is healthy" in 1985, his audience cheered. And when the comment was echoed a couple of years later by the infamous "Greed ... is good" line in *Wall Street*, moviegoers flocked to the film. But in the intervening years — following a high-tech stock bubble gone bust and amid a wave of corporate accounting scandals — "greed" has become a bug nobody wants to catch.

In fact, "infectious greed" was the diagnosis from Federal Reserve Chairman Alan Greenspan, who last month told Congress it was the reason for the current business crises.

The prominent central banker blamed greed for causing business executives to embellish balance sheets and artificially inflate stock values, adding, "The rapid enlargement of stock market capitalizations in the latter part of the 1990s ... arguably engendered an outsized increase in opportunities for avarice."

So how did greed go from "good" to "infectious?"

Greed Is Good — No, Bad

It's happened before in American business, and likely will happen again.

Robert Brent Toplin, who has written on the history of business greed (and on the films of *Wall Street* director Oliver Stone), says for more than a century, from the robber barons to the junk-bond arbitrageurs, American capitalism has run in cycles.

Often in American business history, amusement over greed precedes revulsion with it, business leaders go from glamorized to demonized, and deregulatory atmospheres yield to cries for reform.

"Greed can get out of control, and you need rules," says Toplin, a professor of history at the University of North Carolina at Wilmington. "You need a level playing field. That's the challenge, to make sure this system of competitiveness works for everybody and provides no unfair advantages to those who are in privileged positions."

David Batstone, author of the forthcoming *Saving the Corporate Soul — and (Who Knows?) Maybe Your Own*, believes that large public companies may, in effect, breed greed into the executives they hire: "They're brought in and they know from day one that their job rides on their ability to raise that stock price."

Even in boom times, open advocates for "greed" are rare, ethicists say. After all, it is one of the traditional seven deadly sins.

However, once corrective reforms take effect and the business pendulum swings back from the current doldrums, a handful of people again may see greed — or at least some similar wealth-building euphemism — in a different light.

Perhaps that could partly explain the bad-boy appeal of the "Greed is good" speech in *Wall Street*, where Oscar-winner Michael Douglas as character Gordon Gekko suggested ruthlessness and greed drive inefficiencies out of corporations and the marketplace, jack up profits and drive overall market success.

And maybe it could explain why Boesky reportedly drew applause and laughter during his 1985 commencement speech at the University of California-Berkeley's School of Business Administration when he said, "Greed is all right, by the way. I want you to know that. I think greed is healthy. You can be greedy and still feel good about yourself."

Price of Greed

Of course, it's also true that Boesky paid a huge fine and went to jail, and the fictional Gekko appeared set for a similar comeuppance.

When people start going to jail, get hauled off in handcuffs or become disgraced, it's a sign the pendulum has swung, greed has fewer champions and pressure for reform builds, as Toplin's argument goes.

The cycle happened as the Gilded Age's social Darwinism yielded to President Theodore Roosevelt's trust busting, and the Carnegies and the Rockefellers moved to soften their images through philanthropy.

It happened again as the Roaring '20s yielded to the Depression and criticism of capitalism like the groundbreaking 1934 book, *The Robber Barons*. It happened as '80s excesses became ridiculed or unmasked in books like best-selling *Den of Thieves*.

The cycle again may be playing out now, Toplin says, though he notes there is more resistance to business reform and regulation in American culture now than in the past.

Why Greed Is Bad

Some argue the historic cycles illustrate that unregulated greed may not really work so well within the capitalist system, after all. The cycles show that what's good for the few can work against the common good — which includes the fates of average investors, workers, the economy and honest businesspeople.

"If you have an unregulated arena, cheaters win," says Michael Josephson, a radio commentator and president of the Josephson Institute of Ethics in Marina del Rey, Calif. "But if you have a civil society, which we do, with a series of checks and balances, by all means the honest people can win. ... Honesty and integrity is the way to conduct business."

Put in Gekko-like terms, greed — as opposed to honest competition, ambition and hard work — is bad.

In fact, the current crises may show unrestrained greed can be bad even for the greedy, as fake earnings and artificial stock inflation can lead to stock crashes and bankruptcy — while less greedy companies may have more solid underpinnings to survive in the long term.

"I think there's such a thing in the business world as a fair profit and ... fair competition in which everybody in the business community is profiting, rather than one particular business sort of gobbling up all of the interests of others," says W. Michael Hoffman, executive director of the Center for Business Ethics at Bentley College in Waltham, Mass.

Warns Hoffman: "If you carry greed out to its logical point of conclusion, essentially you would drive all competitors out of the market. [You] wouldn't have a market in the end, which is essentially antithetical to the whole capitalist system."

What Is Greed? It's Not Always Clear

In talking about greed, there is a problem: What exactly is it? Its subjective nature makes its meaning different to different people.

Not even *Webster's New World College Dictionary* seems clear. In the 2000 edition, "greed" seems simply to mean wanting more than you need or deserve, but being "greedy" seems to add disregard for others to the definition.

"I think there's a continuum," says David Batstone, a professor of social ethics at the University of San Francisco. "We want our kids to be competitive, but we don't want them to cheat to win. I think greed is the same thing, we call it entrepreneurialism ... but when it crosses a line, we call it greed.

"I think it really comes at a place where you start to play unfair," Batstone adds. "I don't think anybody mentions greed by your bank balance. Your neighbor can be greedy even if he or she hasn't succeeded. ... I think it's how you go about your wealth creation."

When Federal Reserve Chairman Alan Greenspan cited "infectious greed" for the current business and economic malaise, says W. Michael Hoffman, executive director of the Center for Business Ethics at Bentley College in Waltham, Mass., he "could have been referring to just CEOs and other high-level executives who have taken advantage of opportunities that have been provided to them to rake off money from shareholders and employees and put it in their own personal pockets and piggy banks."

But perhaps you don't have to be a cheater, a criminal or even unethical to be greedy, Hoffman adds. Being ethical but selfish and obsessed with wealth to the exclusion of other things could be enough.

"[Greenspan] also might be referring to all of us, because we weren't asking as a society exactly how our stock portfolios were growing at 30 percent a year," Hoffman says.

"When I hear how much money some people have, I can't imagine how they can possibly spend it, and they want more, it seems," he adds. "That's a point at which it seems to me that we begin to look at others as well as ourselves as King Midas counting his golden coins ... and how empty and futile and ultimately unsatisfying that life can be."

— *Michael S. James, ABCNEWS.com*