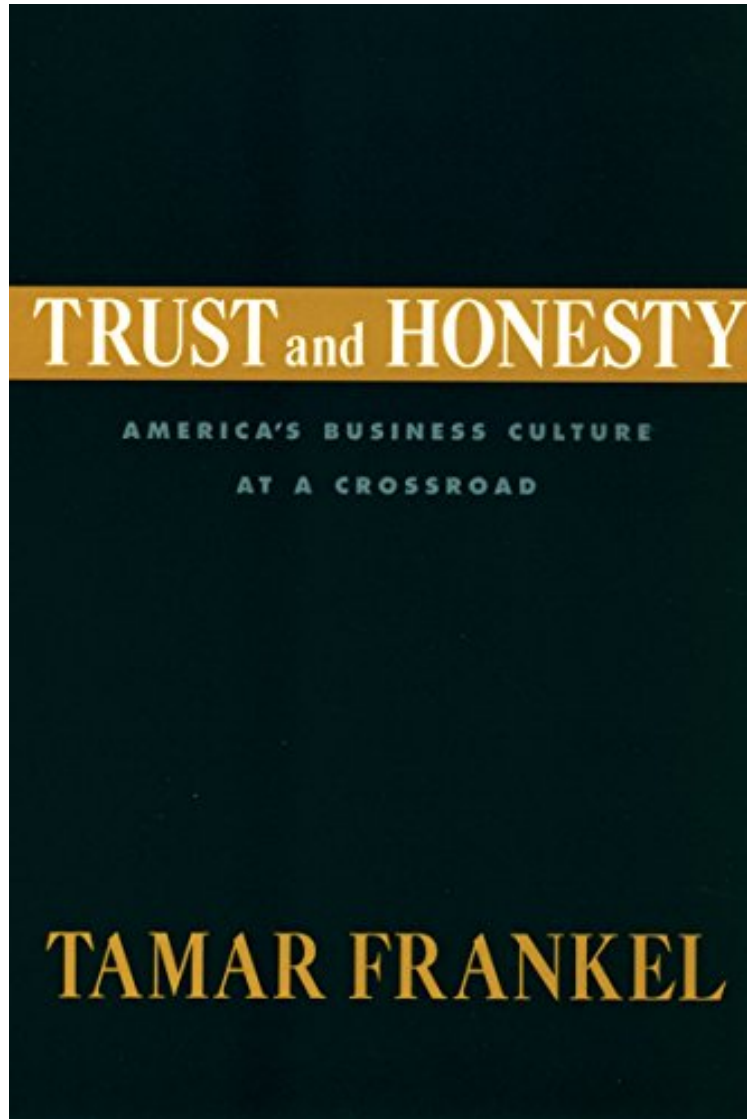


## Trust and Honesty: America's Business Culture at a Crossroad

*Tamar Frankel*

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**Tamar Frankel : Trust and Honesty: America's Business Culture at a Crossroad** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Trust and Honesty: America's Business Culture at a Crossroad:

3 of 4 people found the following review helpful. Business EthicsBy CustomerFrankel's book is thought-provoking and original. It raises issues that affect all of us. If we listen to TV or open the newspaper, almost every day we read about dishonesty and fraud. We must ask ourselves whether America has changed. Yet, it may well be that we always had such abuses, except that we now have more information about them. Frankel recognizes this point. Her argument is not that there is more fraud today, but that there are more acceptances, more widespread justifications and

sometimes more legitimizing of fraud. And that she proves with meticulous research. But she does not stop here. Her next question is: how did this come about? And her short answer is: Temptations went up and barriers to fraud went down at the same time. As examples, she discusses corporations that "cooked the books," and the attitude of corporate management in the manipulation of its stock options. Barriers to such behavior have gone down as the importance of markets (protect yourself!) has risen. While morality (limit your own temptations!) and the law (enforcing social rules) have gone down. The last question of course is: If all this is true, how do you resolve it. The answer she gives focuses on culture, and when culture is involved there is no quick fix. That is because culture is a social habit - the assumption (without much thought) of how people will behave. Habit takes a long time to form and a long time to change. Change must occur first by recognizing that we have gotten into a bad habit. Frankel shows that a culture of dishonesty is costly. It undermines economic prosperity. As such, we must aim at a better habit and each of us must do something to change it, while leaders must lead the way. "If Americans have had enough of financial abuse, they can demand of their leaders, of themselves and of each other more honesty and trust and less cynicism.... A society can have 'bad apples' and may disagree about the precise meaning of trust and truth, yet such a society can remain honest, so long as it aspires to honesty." Is a change in corporate culture underway? A recent article in the Wall Street Journal describes three CEOs who now behave differently: They listen to others. They tolerate criticism. They are not in the news, focusing on the corporation rather than themselves. Could they be the new and future leaders of American business? 1 of 1 people found the following review helpful. Trust By Dr. B. Being a published author on trust myself, I looked forward to reading Professor Frankel's book with the utmost anticipation; and I must admit that the book did fully live up to it. Professor Frankel carefully studies the idea of investing in trust, monetizing it, and unfortunately because of some [...], cashing it in. She provides examples and also a very strong analytical framework for policy discussions. I personally found the book all the more insightful because of the high transaction costs imposed on society as a result of a decrease in a priori trust. All in all, a must read! 2 of 2 people found the following review helpful. Brilliant and Well Written By Michael Professor Frankel is the undisputed leading authority on matters of fiduciary duty and trust in financial law. She applies these themes and principles to the broad topic of business and drives us to some fascinating and challenging conclusions. Any business executive, lawyer, accountant or finance executive who is in a leadership role should read this book and consider its conclusions carefully.

America's culture is moving in a new and dangerous direction, as it becomes more accepting and tolerant of dishonesty and financial abuse. Tamar Frankel argues that this phenomenon is not new; in fact it has a specific traceable past. During the past thirty years temptations and opportunities to defraud have risen; legal, moral and theoretical barriers to abuse of trust have fallen. She goes on to suggest that fraud and the abuse of trust could have a widespread impact on American economy and prosperity, and argues that the way to counter this disturbing trend is to reverse the culture of business dishonesty. Finally, she presents the following thesis: If Americans have had enough of financial abuse, they can demand of their leaders, of themselves, and of each other more honesty and trust and less cynicism. Americans can reject the actions, attitudes, theories and assumptions that brought us the corporate scandals of the 1990s. Though American society can have "bad apples," and its constituents hold differing opinions about the precise meaning of trust and truth, it can remain honest, as long as it aspires to honesty.

"Tamar Frankel sounds a warning that America's commitment to minimal standards of good faith in business dealing is being progressively eroded, with Enron and World Com being only the tip of a very large iceberg. Disturbingly this corruption has been tolerated or even justified by decision-makers and opinion formers. Frankel provides a diamond-clear analysis, drawing on a deep knowledge of law, business, ethics, philosophy, sociology, and economic theory. She has produced a compelling case for American business, law and economics to make an account of the soul and repent." --Dr. Joshua Getzler, Fellow and Lecturer, Faculty of Law, Oxford University "Tamar Frankel has written a brilliant analysis of the ethical deterioration of corporate America and sets forth a practical way of redirecting our misguided culture. This immensely readable book pulls no punches in calling for a mass movement towards an 'honest society which will reap the rewards of honesty.'" --Arthur Levitt, Former Chairman, United States Securities and Exchange Commission "Tamar Frankel's book, *Trust and Honesty: America's Culture at a Cross Road*, is a provocative and broad-sweeping assessment of American culture, especially business culture. Weaving together press stories, observations, and research from economics, law, psychology, and sociology, Frankel draws a disturbing conclusion: Those in positions in trust are less trustworthy and our society is weakened by this trend." --Peter Tufano, Sylvan C. Coleman Professor of Financial Management, Harvard Business School "In this timely and thought-provoking book, Tamar Frankel points out the important role that social norms and attitudes play in good corporate governance. What makes a society dishonest, Frankel argues forcefully, is not merely fraud but a general acceptance of fraud; when market participants begin to assume that others will cut corners whenever they can get away with it, the trust needed for economic prosperity will be undermined. A well functioning corporate system, Frankel suggests, is not merely the presence of good legal rules but also general aspirations to honesty. The book makes the reader stop and think, and no one who reads it will fail to recognize the importance of the issues it raises." --Lucian Bebchuk, Harvard Law

School" A valuable contemporary contribution to longstanding inquiry about the optimal mix of markets and oversight in economic life; Tamar Frankel offers fresh perspectives emphasizing the role of honesty in the analysis." -Lawrence A. Cunningham, Boston College Law School "Tamar Frankel sounds a warning that America's commitment to minimal standards of good faith in business dealing is being progressively eroded, with Enron and World Com being only the tip of a very large iceberg. Disturbingly this corruption has been tolerated or even justified by decision-makers and opinion formers. Frankel provides a diamond-clear analysis, drawing on a deep knowledge of law, business, ethics, philosophy, sociology, and economic theory. She has produced a compelling case for American business, law and economics to make an account of the soul and repent." --Dr. Joshua Getzler, Fellow and Lecturer, Faculty of Law, Oxford University "Tamar Frankel has written a brilliant analysis of the ethical deterioration of corporate America and sets forth a practical way of redirecting our misguided culture. This immensely readable book pulls no punches in calling for a mass movement towards an 'honest society which will reap the rewards of honesty.'" --Arthur Levitt, Former Chairman, United States Securities and Exchange Commission "Tamar Frankel's book, *Trust and Honesty: America's Culture at a Cross Road*, is a provocative and broad-sweeping assessment of American culture, especially business culture. Weaving together press stories, observations, and research from economics, law, psychology, and sociology, Frankel draws a disturbing conclusion: Those in positions in trust are less trustworthy and our society is weakened by this trend." --Peter Tufano, Sylvan C. Coleman Professor of Financial Management, Harvard Business School "In this timely and thought-provoking book, Tamar Frankel points out the important role that social norms and attitudes play in good corporate governance. What makes a society dishonest, Frankel argues forcefully, is not merely fraud but a general acceptance of fraud; when market participants begin to assume that others will cut corners whenever they can get away with it, the trust needed for economic prosperity will be undermined. A well functioning corporate system, Frankel suggests, is not merely the presence of good legal rules but also general aspirations to honesty. The book makes the reader stop and think, and no one who reads it will fail to recognize the importance of the issues it raises." --Lucian Bebchuk, Harvard Law School "A valuable contemporary contribution to longstanding inquiry about the optimal mix of markets and oversight in economic life; Tamar Frankel offers fresh perspectives emphasizing the role of honesty in the analysis." -Lawrence A. Cunningham, Boston College Law School

About the Author Tamar Frankel is Professor of Law at Boston University. She is also the author of *Securitization: Structured Financing, Financial Assets Pools, and Asset-Backed Securities* (1991) and co-author of *The Regulation of Money Managers* (2001), and *Investment Management Regulation* (2003).