

Running Head: The Integration of ethics and investment: Whitehead's Process Philosophy

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Abstract

In the past few decades there has been a growing societal concern about businesses engaging in unethical issues and financial investments in particular. The traditional view of the world of finance and investment was making money in whatever way legally possible. Today, one cannot mention investment without incorporating the term 'ethics'. This thesis discusses the process-based accounts of Alfred North Whitehead's Process and Reality in an effort to integrate relevant issues concerning ethics and investment.

By using A.N. Whitehead's process philosophy, this thesis proposes an interaction as coming together of two or more conditions. In this case three models are discussed in order to bring an interaction of ethics and investment conclusively. Whitehead is used because he is a temporal character of reality who dominates his process philosophy. This will offer a chance to move away from traditional conception towards a philosophy that emphasizes mutual acts that constitute ethics-investment encounter.

Keywords: Process Philosophy, Integration, Investment, Ethics.

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Chapter 1

Introduction

1.1 The Pursuit of Knowledge as a History

Epistemology cannot ignore the question of the value of knowledge. There is an argument that goes 'epistemology is more valuable compared to its subparts', however, this is one of the highly questioned assumptions in epistemology. The initial discussion can be started by taking into account Plato's Meno. Knanvig is one of the people who have delved into discussion about the value of knowledge. He comes to one conclusion that knowledge is not as valuable as it is assumed. The concept of knowledge is at the center of epistemology history. The most difficult question that can be posed is whether knowledge is possible and if it is, how much of that knowledge is out there. Philosophers have for a long time reflected on the nature and extent of knowledge. The interrelationship between a human's mind and his environment and the possibility of success in his judgment on what is true and what is false poses the greatest dilemma (Doris & Nichols, 2009:434). Philosophers reflect on just one thing – that "knowledge is valuable" and surprisingly, this is what they all share.

Academics alike joined in the discussions and research about knowledge and the pursuit of it. Most academics however usually base their suggestions on non-practical ideas. Therefore, a controversy arises on the nature of these points. Plato was the first person to introduce the problem related to the pursuit of knowledge in the Meno. In the Meno, Socrates defends the view "true belief works similar to knowledge in terms of practical purposes. The pursuit and value of knowledge can be based on Plato's Meno and in investigating these historical roots, several dimensions on the question of value of knowledge are revealed. Socrates is one of the key persons in the topic 'pursuit of knowledge' and most of his works is based on the

comparativeness between true belief and knowledge. However, Socrates places much weight on 'the value of knowledge'. He argues that knowledge has more value compared to true belief. The historical roots of pursuit of knowledge are found in the discussion between Meno and Socrates who question the relationship between knowledge and the value of right opinion.

In the late eighteenth century, many Americans who gave themselves to scientific pursuits believed the practice and study of science could and would contribute to the formation of individual character. Furthermore, they believed the development of individual character was necessary for a functioning and healthy republican body politic, and that, therefore, there was an important place for science within their new nation.

The Scottish philosopher David Hume (1749) was first to conclude that all knowledge can be reduced to two kinds of relationship; those that refer to the similarity of events and those that refer to the temporal contiguity of events. At first glance this conclusion might seem too simple and even absurd. However, if it is accepted that knowledge of relationships is mediated by the development of functional connections between neurons, then it follows that similar events can be related because they will activate overlapping subsets of neurons. The concurrent and recurrent synergistic activity of two subsets of neurons is the only other way in which it is possible to account for the learning-related formation or enhancement of functional connections between different neurons.

The natural attitude of mind is as yet unconcerned with the critique of cognition. Whether in the act of intuiting or in the act of thinking, in the natural mode of reflection human beings are turned to the objects as they are given to them each time and as a matter of course, even though they are given in different ways and in different modes of being, according to the source and level of human cognition. In perception, for instance, a thing stands before human eyes as a

matter of course. It is there, among other things, living or lifeless, animate or inanimate. It is, in short, within a world of which part is perceived, as are the individual things themselves, and of which part is contextually supplied by memory from whence it spreads out into the indeterminate and the unknown.

Human beings' judgments relate to this world. They make (sometimes singular, sometimes universal) judgments about things, their relations, their changes, about the conditions which functionally determine their changes and about the laws of their variations (Bruhn, 2005:195). They find an expression for what immediate experience presents. In line with their experiential motives they draw inferences from the directly experienced (perceived and remembered) to what is not experienced. They generalize, and then apply again general knowledge to particular cases or deduce analytically new generalizations from general knowledge. Isolated cognitions do not simply follow each other in the manner of mere succession. They enter into logical relations with each other, they follow from one another, they "cohere" with one another, they support one another, thereby strengthening their logical power.

On the other hand, they also clash and contradict one another. They do not agree with one another, they are falsified by assured cognition, and their claim to be cognition is discredited. Perhaps the contradictions arise in the sphere that belongs to laws governing the pure predicational form: they have equivocated, they have inferred fallaciously, they have miscounted or miscomputed. In these cases they restore formal consistency. They resolve the equivocation and the like. Or the contradictions disturb our expectation of connections based on past experience: empirical evidence conflicts with empirical evidence. Where do they look for help? We now weigh the reasons for different possible ways of deciding or providing an explanation. The weaker must give way to the stronger, and the stronger, in turn, are of value as long as they

will stand up, i.e., as long as they in turn do not have to come into a similar logical conflict with new cognitional motives introduced by a broader sphere of cognition.

Thus, natural knowledge makes strides. It progressively takes possession of a reality at first existing for us as a matter of course and as something to be investigated further as regards its extent and content, its elements, its relations and laws. Thus the various sciences of the natural sort (natürlichen Wissenschaften) come into being and flourish, the natural sciences (Naturwissenschaften) as the sciences of physics and psychology, the sciences of culture (Geisteswissenschaften) and, on the other side, the mathematical sciences, the sciences of numbers, classes, relations, etc. The latter sciences deal not with actual but rather with ideal objects; they deal with what is valid per se, and for the rest with what are from the first unquestionable possibilities. In every step of natural cognition pertaining to the sciences of the natural sort, difficulties arise and are resolved, either by pure logic or by appeal to facts, on the basis of motives or reasons which lie in the things themselves and which, as it were, come from things in the form of requirements that they themselves make on human thinking. Now a contrast can be seen between the natural mode (and habit) of reflection with the philosophical.

1.2 Ethics and Investment: The Players

1.2.1 Ethics

The word ethics comes from the Greek word ethos, which means “custom,” “usage,” or “character.” To have ethics is to use fairness and integrity when dealing with others, including in relationships between countries or with the environment. An ethical person or country is one whose word is trusted, whose actions are respected, and whose judgment is considered sound. Ethical choices are rarely black-and-white decisions. Unfortunately, many choices are in the gray area, requiring decisions based on what's right or best for individuals and

a community at a given time. Ethics is considered to be the study of morality and the term 'ethical' is normally used to refer to something that is morally right. Morality incorporates those aspects of motives, intentions and actions. These are the aspects through which the society judges an individual.

There are many philosophical problems in ethics related to the philosophical problem of the origins of ethics; that is, there are other philosophical questions about ethics that can be thematically clustered. Thinking about the close relationship between ethics and society might prompt someone to wonder what life would be like and how human beings would behave if they did not live in civilized society and whether ethical standards would apply to them. The philosophical problem of ethics continues to press hard as globalization advances, that is, as global interactions of societies become more extensive.

In attempting to answer the questions about the history and origin of ethics, many scholars and researchers have had to closely examine the human nature. But the question still exists, "what is human nature?" Therefore, the problem continues to deepen. It becomes necessary to establish the characteristics that are essential to being a human. In search of answers, another question arises of whether human beings are selfish creatures who act only to benefit themselves. People may help others in anticipation that the help that they have offered will be reciprocated in future. Therefore, most people are not motivated by genuine concern for others. .

Mahatma Gandhi (1869–1948) of India stressed the importance of protecting the poorest of individuals, the Antyodaya, and the welfare of the entire human society, the Sarvodaya (Engel & Engel, 1990). Aldo Leopold (1887–1948), who is considered the father of wild-life ecology, stated that ethics must constrain the individual to act as a member of a community, which

includes other people and the environment. The decision-making process in investment is littered with influences from individuals, society, and personal satisfaction (pride, greed, fame, power). Small decisions develop into a body of broader actions, and even the smallest choices will lead to the “ethics” of an individual. From the broad perspective, it would be wise for one to ask himself/herself, “What if everyone made this choice?” (Botzler& Armstrong, 1998: 520).

Whenever urban growth occurs, the natural or developed environment is modified. It may involve the construction of homes, the need for additional water supplies, or the increased pollution of streams. Public policy attempts to minimize the impact of such growth. In some situations, in-depth scientific analysis is used to protect society and the environment through careful mitigation of impacts. Unfortunately, in other situations, money, politics, or a lack of public funds for such scientific studies allows the development process to proceed largely on its own.

Public policy toward investment and business could well follow Gandhi's philosophy that all individuals must be protected, but too often, in practice investors do not follow this approach. This is where ethics enters. Inadequate funding can lead to limited implementation of government policy, and policy makers must determine the “best use” of funds for the “greatest good.” What activity or investment will provide the greatest public good? What activity or policy will provide the best return on the investment? Ethics plays a key role in selecting the “best” uses of funds.

Monastersky (2005) discussed scientific misconduct and found a correlation “between scientists who perceived injustice in the system and those who admitted misbehaving” (p. A11). He developed a list of questionable behaviors in which researchers might have engaged. Using this list, he surveyed 3,247 postdoctoral students and midcareer scientists. Monastersky cited

actions such as “overlooking others’ use of flawed data, failing to present data contradicting one’s own work, and circumventing minor aspects of human-subject requirements” (p. A11) as examples of unethical behavior in science. As many as 33% of the respondents indicated that they had engaged in one of more of the unethical behaviors referenced above. Monastersky concluded that there was a relationship between those who believed there was injustice in the system in which they operated and their unethical behavior.

An ethical person is reliably perceptive, reliably open, is curious, and genuinely aspires to behavioral and emotional consistency. Perceptivity requires a person is aware when, in concrete situations, their own ethical views make demands upon them. Problems for ethical behavior may be counted under three broad categories:

- a. Assessment problems negatively affect human ability to accurately assess whether they are succeeding or failing to be ethically right.
- b. Strategic problems negatively affect human ability to formulate effective plans for being ethically right.
- c. Resource problems negatively affect human ability to get, maintain, or deploy the resources needed to be ethically right, for instance time and energy.

Unethical behavior, seems to have been increasing in recent years, particularly. Hardly a day goes by when a new instance of unethical or even illegal behavior an investor or an organization is not reported in the news. According to Sloan (2006), stories about business leaders such as Jeffrey Skilling and Kenneth Lay indicated that unethical behavior permeated private industry as well as government. The large financial agreements between plaintiffs and various archdioceses of the Catholic Church illustrated that ethical issues were present in religion as well as government and the private sector (Cullen & Kurkjian, 2003: n.p). As a result of unethical issues

such as these, many corporations now have corporate codes of ethics designed to prevent such activities. For instance, SAS, a major software company founded by North Carolina State graduate Jim Goodnight, has an extensive corporate code of ethics (SAS, 2006).

1.2.2 Investment

Investment is a term that is often misused in a multiplicity of situations and contexts. Investment can both be interpreted economically and financially, and also in a more general application. In an economic interpretation, it is considered to be the expansion of productive capital whereas in the financial context, it is interpreted as an activity where someone puts his/her money in business or stocks with an aim of obtaining profit or income. In general context, it involves investing time in charitable and social activities or pursuits. In the latter context, an individual spends his/her time away from the current activities such as work or leisure in order to indulge in an activity that will bring benefits to oneself or others in future. For example, parents may talk about investing time on their children or even more diverting some of their financial resources to improve their children's future prospects. Many organizations and governments around the globe encourage their employees to divert some of their earnings from current consumption in order for them to have a good retirement life. On the same ground, commercial enterprises are continually investing in environmental preservation, social developments and community services.

Investing has long existed in many cultures with the first investment activity appearing in Rome in the second century B.C. According to Chancellor (2001), under this activity, money was lent and interest paid as financial markets flourished. Similarly, in the Bible, monetary investing is shown through the parable of the talents. Therefore, investment is not a new phenomenon. However, Monks (2001) argues that investing in the modern era begun in London

in 1600 when East India Company was created. Families, groups and societal groupings involved themselves in investment activities. However, when states emerged, there was need to muster financial resources in order to support extravagant monarchies.

The first legal framework for investment was provided at 1700 BC by the Code of Hammurabi. Hammurabi was the fifth Babylonian King who enacted various laws that were carved on a stone known as Stele (Prince, 1904). Investment during that time established a pledge of collateral that codified the rights of debtors and creditors in regard to pledged asset. The purchasers and dealers in stocks, bonds and securities emerged in 1900s and were commonly described by the media and academics as speculators. In 1950s, the word investment was commonly applied by financial brokers and advertising agencies. After 1950s, the term speculator referred to higher risk ventures.

Investment for future use

McDonalds is one of the exemplary employers. The company has launched several programs which promote retirement plans among its employees. For instance, in 2008, it partnered with Visa Inc. to launch employer-based financial literacy program. McDonald offers several financial benefits including insurance programs, McDonald's Gold Card, and McResource Line. McDonald also started offering substantial retirement savings program in order to promote investment by its employees. Most employers are cutting back on their employees' retirement contributions. However, McDonalds has for long retained its lavish 401 (k) plans. In 401 (k) both the employer and the employee contribute to a fund, and the employee is responsible for investment decisions. In McDonalds, employers sponsor these plans and make some contributions but the employees decide if they want to sign up, how much to invest, and

how to invest it. Employees who invest successfully can accumulate substantial funds for retirement.

There are other companies that have followed suit. These companies include JCPenny, HP, IBM, and DuPont. These companies have switched from traditional retirement pension plans to 401 (K)s (Jackson, Schuler & Werner, 2011).

McDonalds 401 (k) Plan extract

McDONALD'S VENTURES 401(k) PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year ended December 31, 2006
(In thousands)

Additions to net assets attributed to:	
Investment income from the McDonald's Corporation Profit Sharing and Savings Master Trust	
Investment securities income	\$ 8,360
Other income	20
Interest on participant loans	111
Total net investment income	8,491
Contributions	
Company	2,439
Participant	4,537
Rollovers	341
Total contributions	7,317
Total additions	15,808
Deductions from net assets attributed to:	
Benefits paid to terminated participants and withdrawals	7,817
Management and administrative expenses	330
Total deductions	8,147
Increase (decrease) prior to plan transfers	7,661
Plan transfers (Note 1)	(16,240)
Increase (decrease) in net assets available for benefits	(8,579)
Net assets available for benefits	
Beginning of year	45,691
End of year	\$ 37,112

Many employees do not or make very little effort to learn how to achieve a higher standard of living through financial planning.

Organization and Employees' high Morale

Instilling positive morale is beneficial to any business organization. Disregarded employees have low morale and hence less efficient. This costs employers billions of dollars in

lost productivity. Employees represent human capital in any business organization. According to Dzinkowski (2000) defines human capital as the know-how, capabilities, skills and expertise of the members of an organization. Human capital is one of the most relevant organs of an organization. According to available research and theory, human capital influences organizational performance both directly and indirectly (Roberts, 2011: 28). Practices that enhance human capital can affect organizational performance by shaping their skills, attitudes and behaviors. These practices will determine the organization’s performance (Ostroff& Bowen, 2000: 121). Companies are utilizing human capital as one of the sources of competitive advantage that adds value to the organization. Employees increase their productivity in response to increased attention from the management. Whether the conditions will increase, management’s concern towards the employees makes them feel that the management is trying to do something. Human factor is very important in an organization. The productivity of an organization depends on management attitude towards man-machine relationship, man-money relationship, and man-material relationship. The following figure shows the management process and the elements involved.



Staffing

Staffing refers to the workforce/manpower that an organization requires to execute its business objectives. Staffing is a managerial function and it is the one that is concerned with remuneration and development of managerial personnel. Employees are the most important asset of a business organization. The organization should focus more on managing feelings in the workplace. Mayo (1933) emphasized on the emotional attitudes of employees. His goal was to create a workplace free of conflict and promote gains in productivity. Efficient management of employees such as the one that is done by McDonalds is essential for business's survival. The management must mix different resources in the organization in order for it to achieve its objectives. There are four basic inputs that management must consider. These inputs are man, money, materials and machines. Elton Mayo's wish was to demonstrate how management's concerns are connected to psychological nature of its employees.

Organization and the Wider Society

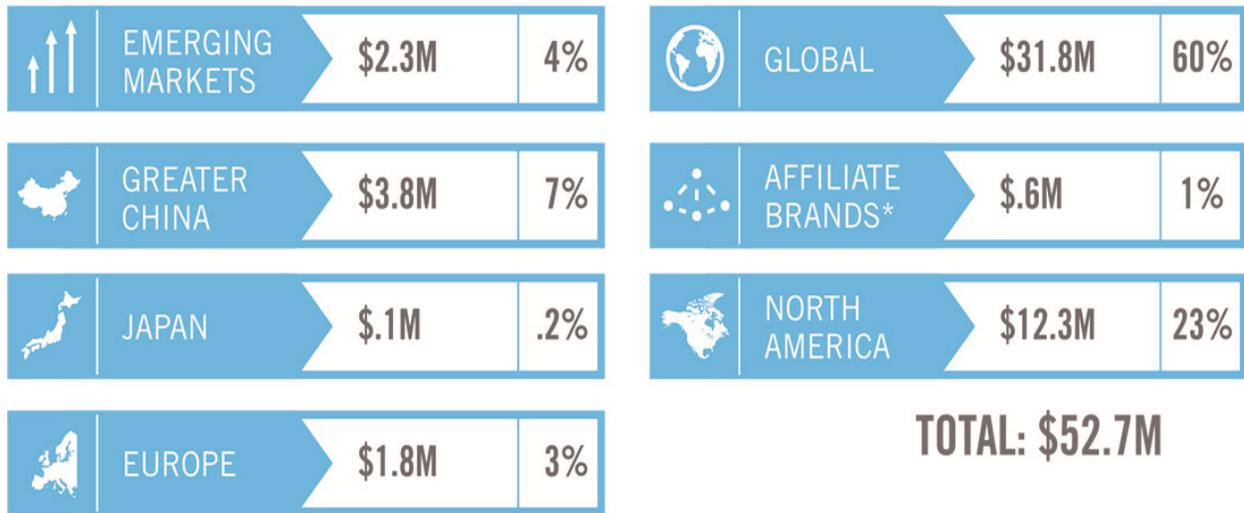
Companies should undertake investments that will impact on the wider society. Impact investment seeks to bring positive outcomes for the wider society and provide financial returns for investors. For instance, Nesta launched an impact investment fund which has products such as Bridges Ventures Social Entrepreneurs Fund or Big Issue Invests Social Enterprise Investment Fund. Nike Inc. also leverages the power of its employees, consumers and the society at large. Nike mainly invests in the wider society by empowering the lives of adolescent girls in the developing world (nikeresponsibility.com). Nike has injected \$95.5 million to society programs over the two fiscal years.

NIKE, INC. TOTAL CASH, PRODUCT & IN-KIND CONTRIBUTIONS (IN MILLIONS USD)

	FY12	FY13
Cash	\$27.9	\$34.9
Product/In-Kind	\$14.9	\$17.8
Total	\$42.8	\$52.7

Nike also has products such as ‘Move your Asterisk’ which is aimed at bringing inspiration and innovation to athletes in the world. Nike has invested heavily in athletes and more than 100 organizations have adopted this initiative and are collaborating in promoting and delivering widespread action. The following figures show Nike’s investment globally.

FY13 DONATIONS BY REGION:



NOTE: All of the totals for geographic regions are for the NIKE Brand only.

*The figure for Affiliates includes global totals for the following NIKE, Inc. brands: Cole Haan, Converse and Hurley International.

**Global includes NIKE Foundation, and other work that spans geographies and brands. Global also includes the corporate backyard giving program, employee matching gifts and other community impact work that may have been previously reported as part of North America.

Retrieved from <http://www.nikeresponsibility.com>

1.2.3 Interplay

Investment is the utilization of capital from the current consumption and committed to other ventures for some future benefit. A good investment is not the one that generates great returns but rather, the one that is morally desirable. On the other hand, 'a bad investment is the one that is morally undesirable. Moral aspects are used in the investment domain to determine whether an investment is good or bad. It is important to be careful in distinguishing between ethical and unethical investments. Like in human acts, ethical investments have three components: an objective act, a subjective motive and a situation. Therefore, an ethical investment concerns the objective act of investing, the subjective motivation of the investor and the circumstances behind the investing decision. The investment is right or wrong based on the moral principles applied. Moral principles are the statements that individuals make about actions or conduct.

Substantive aspects

These aspects relate to the outcome of investing decisions and are purely concerned with the investor motivation and the investing target.

Summary

There is interplay between ethics and investment. As it was suggested by Doris and Nichols (2009) there exists an interrelationship between a human's mind and his environment. Interplay between investment and ethics are very important today in the world of business. For this interplay to work well investors have to overlook the saying that, "no man can serve two masters. The major challenge to the interplay of investment and ethics is an increasing trend where there is a shift away from trusted investors serving the interests of the community towards commercial enterprises seeking competitive advantage and maximization of wealth. Investment

and ethics are mutually dependent entities. For one to thrive in its environment of practice, it has to depend on the other one.

In the light of success-seeking in the current business environment, it sometimes becomes illogical to apply ethics in investment. This makes the topic of ethics-investment interplay become a very contentious issue. The first time when interplay between ethics and investment occurred in the mid-1950s when Martin Luther King became one of the greatest activists the world had ever seen (Porterfield, 2009: 97). King was a champion in integrating ethical reasoning and investment in personality. As individuals gain more and more knowledge and become more ethical in their reasoning, they will continue transforming the world and nature of investment.

Chapter 2

Models of the Relation between Ethics and Investment

2.1 The Conflict Model

The conflict relation constitutes of two variants which are scientific materialism which holds that the scientific method is the only reliable path to knowledge. There are different types of conflict relations such as ValentinaMeged where parties impose their own views on others without accepting each other contributions. In this type of conflict relation, parties often argue and disagree, and neither do they accept each other arguments (www.the16types.info). The second type of conflict relation is LaimaStankevichyute commonly referred to as intertype relations. In this type, parties get into debates but often hit each other on most painful areas and they both suffer as a result (www.the16types.info). The third type of conflict relation is A.V. Bukalov where misunderstandings arise very easily. The parties to this type think that an opposite party is being difficult intentionally (www.the16types.info). Mitchell's Conflict model states that the conflict is comprised of three parts, that is, behavior, situations as well as attitudes (Demmers, 2008: 5). These aspects interrelate and create a conflict between actors. Conflict model makes simpler the complexities of a conflict. This model was created for the purposes of solving military and political conflicts. However, it is also applicable to the changes in conflict perceptions that are experienced in different aspects of the international community such as human, environmental and economic security. In order to incorporate all these aspects, Mitchell (1981) came up with a conflict model. What makes the conflict model complicated is the fact that conflicts occurs in mixed-motive associations where both parties to the conflict have competitive and cooperative goals. However, Conflict model neglects this multifaceted

dimension to the relationship (Leung & Tjosvold, 1998: 29). The competitiveness of this relationship is the one that creates a conflict.

A conflict can therefore be defined as a situation where parties strive for acquisition of similar scarce resources at the same time. The main point about a conflict and which can be seen as the source of conflict is the term scarce resources. However, even the resources have to be incorporated in the discussion. According to Wallensteen (1994), argues that resources are not only economical in nature. Economic, human, historical and environmental conflicts do not necessarily arise from resource scarcity. In addition, conflicts are not based attitudes and behaviors but rather. In the discussion about conflicts, perception should replace resources as the central concept of a conflict.

A conflict relation is not an attack relation. Conflict is always expected to collapse a relationship; however, A conflict helps the parties to the conflict to develop methods of solving problems. A conflict drives an agent to react in a certain way. The agent may change its norm system, thereby changing the priorities of the goal, changing a goal and generating another goal and so forth. This fact shows the importance of conflict relation. A conflict relation is where the agents enter into normative reasoning.

2.2 The Independence Model

Independent relation seeks to overcome the weaknesses of the conflict relation by viewing two variables as completely independent and autonomous enterprises. Laing (1994) argued that a relationship can exist only between parties/agents who are separate but who are not isolates. Independence is a virtue itself and it is also an energy source. According to Firestone & Catlett (2011), independence offers vitality rather than drains energy from others and the society at large. In regard to ethics, independence is looked at in the context of how and for what

purpose that energy is directed. Only when people have a sense of independence are they able to sustain healthy give-and-take relationships. To be established a close relationship the agents/parties have to be separate and autonomous. Independence model is a model in which two or more random variables are independent of one another. In this model, the value that has been taken by one variable does not completely become affected by the value that has been taken by the other variable. In the investment field, independence model is based on person-centered planning focusing on clients' needs, abilities and strengths and supporting clients' inclusion into the community – immediately and in the longer term.

According to Independence model, independence is one of the most important principles of professional ethics. The essential idea behind this model is that investors should think and act professionally and not be subservient to direction or control by other people or factors. An investor has the duty to preserve independence and to defend his virtues and morals from any external pressure of restrictions. The concept of independence is both central to the idea of professional ethics. From one perspective, it should express an aspiration shared by all investors. The relationship between independence and ethical investment is that an investor cannot be fully loyal to the other parties if there are interfering commitments to others. The obligation of ethical judgment allows an investor intellectual independence in assessing the investment opportunity and in making a decision. An investor has to have independence of mind and independence of appearance. The use of word independence can sometimes bring controversies. Many observers may suppose that the person exercising ethical judgment to be free from other relationships. This may prove impossible because every member of the society has relationships with others. Therefore, it is important to address all the situations and factors that threaten independence.

2.3. The Dialogue Model

Dialogue model devotes itself to exploring indirect interaction between two parties. According to Rothman, there are four types of dialogue relations namely; adversarial dialogue where parties meet the facilitator but the conversation continues in the same adversarial mode; human relations dialogue where parties meet and break down their negative stereotypes; activist dialogue where a foundation of action is provided; and finally, the problem solving dialogue where parties explore each other feelings but the main focus is on human needs. The idea of dialogue as an ethical or moral relationship has been the backbone of a number of streams in contemporary Western philosophy (Habermas, 1990: 267). The writings of thinkers such as Plato and Socrates had dialogues which were not merely a relationship of exchanges but rather ethical modes of engagements. For Habermas (1990) dialogue is the only means for achieving legitimacy of moral rules and for realizing the categorical imperative. Habermas (1990) the characteristics necessary for a dialogue to remain unconstrained and undistorted. He stated that the agents to the dialogue must be ready to enter into a dialogue and to strive towards an agreement. Linklater (1997) states that the relationship between the agents should neither be a competition nor the test of strengths between the two or three agents. There is need to reflect upon the starting points and positions of each agent. Habermas model therefore requires a capacity for self-criticism and a willingness to acknowledge the limitations of knowledge. Habermas dialogue envisions examines how practices and actions affect each other. Beginning from the starting points of each agent the statement of each agent are examined. Gadamer (1975) argument is that a dialogue is a process of question and answer. Dialogue becomes the means for engagement and evaluation of all the claims on both sides in order to establish the truth.

Dialogue then becomes the means of bridging claims from two or more agents. In addition, dialogue becomes a moral responsibility in an engagement.

Advocates for dialogue model are exploring the indirect interactions between ethics and investment. Dialogue model is the one which provides a clear advance over the other two models (independence and conflict). However, the dialogue model seems inadequate because the points of contact between ethics and investment involve more than one presumption. A dialogue has to exist between ethics (knowledge) and investment (practice).

The problem of striking a dialogue between ethics and investment is primarily concerned with misunderstanding; it is more important to build a system that is able to dialogue, even with partial understanding, than to build one that cannot conduct a dialogue even when though it may understand well the user's goals, plans, beliefs and background knowledge. The task of dialogue module is to use a dialogue strategy to avoid breaking off communication as far as possible. Using the model, the situation may control all dialogue phases to avoid critical zones or, as a last resort, to be aware of their proximity.

2.4 Critique of the three models

Each of the above models has weaknesses.

Conflict model

The stream of outer and inner information is loosely connected thus displaying the instability and contradictory nature that ensue in a conflict. Logically, conflict model does not seem to hold water. The conflict model is demonstrated by the disagreement that exists between investments that seem to be in contradiction with human ethical values. The parties to the conflict are morally aware on one side and they are tempted to act unethically on the other. Conflict model emphasizes the role of coercion and power in producing social order and this is

drawn from Karl Marx's works. Karl Marx perceived the society as something that is fragmented into distinct groups that compete for the available resources. His observation is that power is held by those who have the greatest economic, political and social resources. A consensus that exists within a group makes agents who are united to stand in opposition to other groups. Kant's intention was to produce a system of moral philosophy, a process that took him 18 years to deliver even the first installment of the system. Many doctrines formulated on the basis of Kant's view such as the nature of moral motivation, relations between feeling and reason in human action and many other fail to harmonize very well with Kant's *Metaphysics of morals* or his later works. Conflict model faces many challenges. The parties to the current conflict are investment on one side and ethics on the other. The investors in the current topic will be in conflict with certain moral values if they have to maintain their status in business environment. While investors are aware of ethical values they are supposed to exhibit, they are likely to practice them sparingly. This model appears to describe a conflict between limited numbers of groups of opponents.

Although the model remains popular, it is no longer largely supported by scholars and historians. Many scholars have moved away from the conflict model because it is only based on two historical episodes (Galileo and Darwin). Therefore, its main weakness is that it cannot be integrated in issues which are complex in nature. Gary (2002), proposed a more complex relation model other than the conflict model. Conflicts about the worth and consequences of ethical values are not confined to philosophy and religion. Common intuitions about various social practices also give mixed answers about its value. Some practices clearly favor ethical values.

The practice of exchanging ethical arguments presupposes that consciously and deliberately thinking through ethical issues can not only change our ethical beliefs, but also hopefully improve them. There is also a growing interest and reliance on specialized ethical experts. Business, medicinal, and government offices hire ethical experts to sit on committees to review or draft procedures or policy. The presumption seems to be that those capable of careful ethical thought are more likely to have the right answers, or at least better answers. There are social practices that seem to cut against ethical thoughtfulness, however. Many cooperative ventures require that individuals forego personal ethical deliberation.

Independence.

The independence model resolves the conflict by withdrawing the metaphysical reach of the contenders. The journey of the human spirit has been an errant search for independence and at the same time have an expansive sense of the self as a member of a greater society. The challenges that are posed by independence model make individuals to veer from independence to dependence. Independence model and its variants leave out the possibility of a constructive dialogue between the mutual enrichment of ethics and investment. Therefore, there is need to use independence model as the starting point but the scholars and researchers should go further into exploring the relationship between ethics and investment.

The independence model restricts the claims of both agents (ethics and investment). There are various consequences and implications that accompany this model. At this point, the model emphasizes on the present situation as determining the decision process, leaving open the role of the past experience. At this point, the independence model seems to relegate the other two models to look unreasonable. The two agents (ethics and investment) always seem to enter into a

dialogue and this fact may make independence model to appear irrelevant. There are various problems that accompany this model. Independence model seems to bring separation of two agents. According to Reiter and Williams (2004), separation is a wrong metaphor for independence of mind and conduct. It also brings about generic threats within homogenous groups that are created in conflict model. These threats may include familiarity, self-interest, self-serving bias and overconfidence. Finally, it brings competitiveness between the two agents.

Dialogue

This would seem to be the best of the three, acknowledging the fundamental differences between ethics and investment, yet recognizing sufficient overlap in both method and subject matter to account for the fact of conflict while opening up the possibility of dialogue. Investors in the pursuit of their profession exhibit morally upright qualities. However, it is argued that ethics and investment influence and inform one another in positive ways. By characterizing dialogue as a process of inquiry, it has already been emphasized that dialogue has an epistemic content.

The similarities may indicate no more than the fact that ethical moral values and right investments are both pursued by human beings. Dialogue model seems to be the best option; however, it has its own weakness which undermines it.

Investment and ethics are two words that have often been linked in recent years. Unfortunately, unethical investments are nothing new and have been in existence since earlier times. Unethical investments continue to be major problems during the 21st century. The next 100 years will inevitably witness continued conflict between ethics and investment. There are as many definitions of ethics as there are articles and books about the topic; however, there is no single, common definition. Stimson (2005) stated, "Ethics has to do with the right and wrong of

human conduct” (p. 69). Johnson (2001) defined ethics as “the systematic study of the principles of right or wrong behavior” (p. 7). No matter whose definition is chosen as a baseline, most definitions ultimately focused on actions or behaviors. A leader could consider or think about behavior that might be unethical; however, it is not the thought but the resulting behavior or action that is ethical or unethical.

2.5 Integration

The independence model seeks to overcome the weaknesses of the conflict model by viewing ethics and investment as completely independent and autonomous enterprises. Ethics has its own distinctive domain with its own characteristics and which can only be justified on its own merit. The same case applies to investment. The motivation to the separation of ethics and investment into watertight compartments is the desire to be faithful to the true nature of each agent. There are four premises of constructing ethical meaning.

Premise 1: People are informally closed system

This premise argues that people are closed systems who are only in direct contact with their own processes. The main challenge which it poses is that of information being independent of people. It further postulates that what people know is generated in response to internal and external triggers. People are closed systems who know what is outside through how their internal processes respond and make meaning.

Premise 2: People are active meaning makers

This premise argues that people are active meaning makers who draw distinctions as they construct ways of understanding. This premise somehow emerges from the first premise.

Glaserfeld (1995) stated that people are construct representations of other people, who not only

are treated as external and independent entities, but also as having the same powers of active meaning-making and intentionality that they attribute to themselves.

Premise 3: People are social beings

This premise posits that each person construes the construction of others and in so doing he/she coordinates with others in what feels like shared understandings.

Premise 4: People construe epistemologically and ontologically

This premise posits that this premise is that people alternate between two modes of construing. In a conflict situation, an investor may result to conducting himself in an unethical behavior. Such situations are common and they occur more often in investments. While the obligation of an investor to make provision for acting unethically for the good of his organization may not be questioned, his actions may create severe human problems such as displacement of employees. Ethicists may find it difficult to offer solutions to these conflicting situations. However, integration of the three models (conflict, independence and dialogue may help to ease the situation. Various decision-making rules regarding how these conflicting interests can be moderated have been proposed (Barry, 1986: 78). These rules are;

- i. Choosing the more important obligations between two or more conflicting obligations
- ii. Choosing an action of higher ideal when two or more ideals conflict or when ideals conflict with obligations.
- iii. Choosing the action that results to a greater good or the one that lessens harm when the effects are mixed.

These guidelines are important because when they are used along with ethical principles, they offer an acceptable solution to the problems of ethical dilemmas arising out of stakeholders conflicts and competition.

Chapter 3

Whitehead on Ethics and Investment

3.1 Whitehead and Process Philosophy

Alfred North Whitehead was born in 1861 began his scientific career as a mathematician who was oriented towards physics. He lectured mathematics in the University of Cambridge (until 1900 - 1911), London (1911 – 1924) and finally Harvard as a professor of philosophy (Monserrat, 2008). Whitehead's basis of constructing metaphysics of process is in understanding that that modern science describes the world as a process. Whitehead's intention is to shape this metaphysics which the modern world needs.

The philosophy of process originated from the contributions of English philosopher, Alfred Whitehead who lived between 1861 and 1947. However, most of the contributions to this philosophy were born out of a group of his disciples with Charles Hartshorne being the most relevant. The process philosophy is considered to be the most fundamental protagonist in the current dialogue between ethics and investment. The most important trait of the process philosophy is that it allows its special historic significance to be studied and understood. Another aspect of the process philosophy that makes it stand out among the other philosophies is its creativity and liberalism. Its attitude does not wholly depend on the need to maintain true tradition of a certain paradigm. It is hypersensitive to the modern world and complete freedom from the past.

3.1.1 The significance of Process Philosophy

Whitehead first made a name for himself as a top-flight mathematician; however, he spent many hours with his students reading the work of philosophers such as Henry Sidgwick. Virtue ethics was widely disregarded in the 19th century. However, Whitehead took virtue ethics

seriously. Beyond that, Whitehead's critique of Utilitarianism is quite devastating. Whitehead is a process philosopher. For him, civilization is dependent on civilized beings. Without the latter, the former does not arise. A civilized character is a morally good character and vice versa. Not only does Whitehead's philosophy have ethical implications, but the system is also intended to be seen as inherently ethical. This means that Whitehead is greatly concerned with human conduct and character development and this provides the motivation for his more popularly debated work

3.2 Process Philosophy

3.2.1 Process and Reality

Whitehead does not give an explicit definition of process—rather, he focuses on the task of establishing processes, as opposed to substances and properties, as metaphysically fundamental. This means that while he goes to great lengths to describe the constituents of his process metaphysics and their interactions, he leaves process itself without an explicit definition.

Whitehead's main goal in *Process and Reality* is to introduce what he calls the philosophy of organism as an overarching metaphysical doctrine. One of the most important aspects of this doctrine, and certainly the most relevant to the current discussion, is that it rejects the usual 'subject-predicate' or 'substance-quality' ontology in favor of viewing processes as the fundamental constituents of reality. In Whitehead's words:

“[the philosophy of organism] differs by abandonment of the subject-predicate forms of thought, so far as concerns the presupposition that this form is a direct embodiment of the most ultimate characterization of fact. The result is that the 'substance-quality' concept is avoided; and that morphological description is replaced by description of dynamic process.”

(*Process and Reality*, 1954)

3.2.2 Actual entities

According to Whitehead, actual entities are the atoms of reality. Actual entities are also called actual occasions and they are the final things that the world is formed of. One cannot go behind actual entities in search of something more real. Actual entities disagree among themselves and God is also an actual entity. Whitehead's final facts are that actual entities are all alike and they are also drops of experience, they are complex and interdependent. There are various important characteristics of actual entities. These characteristics are:

- i. They are neither purely subjects nor purely objects; they have both subjective and objective characteristics.
- ii. They are short-lived, flashing in and out of existence in space-time. The apparent existence of enduring objects is due to many collections of actual entities, coming one after the other in quick succession, like frames in a movie.
- iii. Each actual entity is a nexus of relationships with all the other actual entities.
- iv. An actual entity is the process of its own self-creation
- v. This self-creation involves accommodating and integrating within itself all the previous actual entities as potentialities. This process of self-creation involves a sequence of phases, which are delineated and analyzed in detail in Whitehead's magnum opus, process and reality. For example, listening to an orchestra playing a symphony involves, at each moment, accommodating the sounds produced by the orchestra. This accommodation depends, in turn, on many collections on past actual entities, such as previous knowledge and training in music, association with the symphony, etc. It is worth to note that at each instance there is one experience.

- vi. The end product of the process is one new actual entity, one throb of experience. The fundamental building blocks of the universe are, then, elementary experiences. We live not in a universe of objects, but in a universe of experience.

The concept of an actual entity is the central concept in Whitehead's system. Whitehead conceives the world as composed of a vast number of microcosmic entities. Whitehead presents an organic philosophy – each of his atoms, termed 'actual entities' or 'actual occasions'. These entities grow, mature and perish. The whole of process and reality is concerned with describing the characteristics of, and interrelationships between actual entities. Actual entities or actual occasions are the final real things of which the world is made up. The presumption that there is only one generous of actual entities constitutes an idea of cosmological theory to which the philosophy of organism endeavors to conform. The description of the generic character of an actual entity should include God, as well as the lowliest actual occasion, though there is a specific difference between the nature of God and that of any occasion.

Whitehead calls these fundamental processes "actual entities," and he speaks of them in much the same way a quantum physicist might speak of quanta (or "packets") of energy. All actual entities are connected by a web of "prehensions". Whitehead uses the term "prehensions" to cover virtually all kinds of effects that actual entities might have upon one another: the force of gravity of one actual entity, A, acting on another, B, is one kind of prehension that B has of A; even something as simple as one entity bumping against another would be a prehension. However, it is important to note that prehensions only ever work in one direction—thus, in the case of a force of gravity between two entities, A and B, there would actually be two prehensions: A's prehension of B and B's prehension of A. In general, any way in which one actual entity affects another is a prehension of the one by the other; it is a way in which the first

makes its presence felt to the second. This felt presence forms part of the past of the entity having the prehension—an entity can only prehend its past, as its contemporaries and future have not yet had time to have an effect upon it.

Similarly, if one entity is prehend by other entities, those other entities are in the first entity's future—two entities are only contemporary if neither has any prehension of the other. There can even be indirect prehensions, where one actual entity “passes on” its prehension of another entity to a third. For example, if A, B, and C are actual entities, and B has prehensions of A and C has prehensions of B, it is likely that at least one of B's prehensions of A (i.e. one of the effects that A has on B) will be passed on in some way in which B affects C. Put another way, the way that A affects B will influence the way B affects C, and thus A will have an indirect influence on C. In this case, C has an indirect prehension of A. With this structure in place, it is easy to see how even the most remote actual entities are connected to all other actual entities by a web of prehensions, both direct and indirect: to be connected to one actual entity is to be at least indirectly connected to them all.

3.3 Ethics

3.3.1 Ethics as social-historical movement

The use of term ‘ethics’ in the business and corporate sector has elicited continuous controversy, and of nervousness and doubt, since the rise of what was initially called ‘ethical investment’. There is a huge failure to grapple with the basic concepts of philosophical ethics. Anderson (1996) points out that the term ‘ethical’ as far as investment institutions are concerned, “is largely a self-awarded title” referring to an investment sector that has grown to become associated with the term. Most organizations view themselves or their investment plans, life assurance or other investments as ethical. They mainly use the term in their advertising. The fact

that 'ethical' is self-awarded is not to mean that it is arbitrary. On the contrary, investments that are considered to be ethical are chosen according to increasingly standardized criteria.

Whitehead does not define life in terms of enduring entity, or as the property of enduring entity (an entity that could, say, judge and be judged). He defines life as a bid for freedom from the shackle of inherited ancestry to which an entity binds its occasions (Whitehead, 1978). For Whitehead, life 'lurks in the interstices' (Whitehead, 1978), it is a novelty of definiteness (Whitehead, 1978, p. 104), an alteration in value. Whether any individual has an overall reason to pursue an ethical investment will be contingent on their circumstance and psychology. In fact, some people will have positive reasons to avoid ethical behaviors in their investments. With respect to the theoretical significance of ethical investment there are precious few ways that ethical acts might be significant, and even in these cases ethical thoughtfulness does not play a unique theoretical role with respect to morality.

3.3.2 The Existential interpretation

Many philosophers—Socrates, Plato, Aristotle, Kant, Mill, and others—have taken ethical values to be one of the great and distinctive achievements of human kind. Of course they disagree to some extent about what ethical values require. And they certainly disagree about what ethical views a fully moral person would hold. But if the general question is whether ethical action is a good thing, then many philosophers in the western tradition will clearly answer 'yes'. The consensus is not unanimous, though. Nietzsche sometimes attacks moral reflection as only so much confusion and self-righteousness. Perhaps he also thought such confusion could be overcome. But even if the deep ethical confusions he believes we are subject to now are not necessarily permanent, he clearly doubted people of his generation could reach admirable ethical behavior. That would require a new kind of human being and he

did not know exactly what such a person would be like. It is questionable whether he would think things had much improved in this respect since his time.

Freud made popular the idea that much of our lives are animated primarily by baser instincts. For Freud, conscious thought primarily serves to barely control what really motivates us—sex, the want of power, and so on. Even though Freud was mistaken about the mechanics of our deep psychology, his views helped to dislodge confidence in the idea that our conscious mind is the primary force animating and guiding our thought and actions, and that idea continues to animate modern psychology. He left us with the suspicion our conscious thought may conceal or distract us from our genuine motives. The list of detractors could go on. Mandeville gives an argument for an unreflective life in his *Fable of the Bees*. He says our calls to virtue are a socially useful flattery, and that we are in fact better off buying into this deception. Montaigne's *Apology for Raymond Sebond* contains at least moments of severe doubt about the usefulness and benefit of human reflection, unaided by divine assistance. He writes: "As for his essential being, he [human kind] has no true privilege or pre-eminence: what he thinks or fancies has no savour, no body to it. Granted that, of all the animals, Man alone has freedom to think and such unruly ways of doing so that he can imagine things which are and things which are not, imagine his wishes, or the false and the true! but he has to pay a high price for this advantage—and he has little cause to boast about it, since it is the chief source of the woes which beset him: sin, sickness, irresolution, confusion and despair." Much of Sartre's thought is also focused on the idea that our actions only reflect so much "bad faith"—a kind of self-deception. In these ways Mandeville, Montaigne, and Sartre are indicating that the life of honest and even diligent reflection has serious drawbacks.

3.3.3 Ethics as Epistemology

Researchers have always strived to establish whether there is a possibility of internal relation between ethics and epistemology. Ethics and epistemology are two important domains in philosophy. Ethics is considered to be the factor that provides the external model of developing epistemology. Ethical commitments can therefore function as productive components of the epistemic process. When an individual views himself as an epistemically responsible agent, his presupposition is that epistemic commitments involved choices and ethics has influenced the contents of his epistemic commitments.

Epistemology and ethics are inextricably linked. Epistemology is the study of knowledge. It is the science of knowledge, the branch of philosophy that asks about human knowledge. Epistemology attempts to answer questions such as 'how do we know what we know?' Ethics, like epistemology has its own questions which it attempts to answer in its own way. In both, it is important, before proceeding to enquire into specific ethical problems, to have a clear idea of the questions which it is the task of ethics or epistemology to answer. In this perspective, there are two specific ethical questions which moral philosophers have always attempted to answer but have almost always confused both with other questions. These questions are, "what kind of things ought to exist for their own sakes or are intrinsically good and; what kind of actions ought we to perform or is a right. It is universally agreed that ethics deals with goodness (or badness) of things and rightness (or wrongness) of human actions, and that a major task of ethics is to enquire into statements asserting what kind of things ought to exist for their own sakes, and also in asserting what kind of actions ought to be done. G.E. Moore defined ethics as "the general enquiry into what is good" (Sarkar, 1981). 'Good' is the notion upon which all ethics depends.

One cannot hope to understand what he means when he says that this is good or that is good, until he understands quite clearly what is meant by calling them good. In 'epistemology and ethics', Noah Lemos proposes that epistemology is mainly concerned with "whether and how we can have knowledge or justified belief" about moral issues.

3.3.4. Process Interpretation

A process is an actual or possible occurrence that consists of an integrated series of connected developments unfolding in programmatic coordination; an orchestrated series of occurrences that are systematically linked to one another either causally or functionally (Rescher, 2011). Alfred Whitehead placed process as a central category in his philosophical arguments because he viewed time and change as important issues. It proves sensible to view process philosophy as a doctrine committed to certain basic propositions. These propositions are:

1. Time and change are key to understanding the process.
2. Process is a principal category of ontological description.
3. Processes are more fundamental than things for the purposes of theory.
4. Contingency, emergence, novelty, and creativity are among the fundamental categories of understanding.

One way of downgrading processes is the question not their reality but rather their significance. On this perspective, it is conceded that nature is indeed full of varied activities and processes. The only epistemic access to the absolute properties of things is through inferential triangulation from their dispositional properties or better from the processes through which they manifest themselves. Without processes, individuals cannot have access to dispositions, and without dispositional properties, substances lie outside of their cognitive reach. Rescher (2011) argues that no workable substance ontology can operate without heavy reliance on processes. A

substance is individuated by its properties, and there are just two types here, namely the dispositional and the absolute. For the purpose of this topic, the dispositional properties are crucial, at least from an epistemic point of view, for all that we can ever observe about a substance is what it does and the sort of impacts it produces in interaction with others. Processes are inherently universal and repeatable. This means that to be a process is to be a process of a certain sort.

Ethics is not an isolated term; it has a process. Process model means a set of concepts, practices, assumptions, and values that constitutes a way of conceiving reality for the common good of the society that shares them. Ethical values are shared by many people in the society. These values are developed or acquired from birth and they are the ones that determine the way people are going to conduct themselves. Ethics process helps individuals to evaluate and choose among alternatives in a manner that is consistent with ethical values. Through the process, an individual perceives and eliminates the unethical options in order to select the best ethical alternatives. The process therefore requires an individual's desire to do the right thing regardless of the cost.

3.4 Investment

3.4.1 Business Method

Investment can be referred to as the activity where an individual or a group of individuals share a common genesis in their sacrifice of current value to achieve future benefits. In order to make investment possible, things must be produced but not for immediate consumption but for production of other goods. According to De Soto (2000), investment is a metaphysical concept capturing the asset's potential to deploy new production or additional consumption. The value of investment is generally fixed and it is realized in monetary terms. All investment decisions affect

the social future of an entity and the decision an individual makes today regarding allocation determines the future outcomes. All investments in financial markets are pursued under some set or other of investment criteria. Underlying every investment philosophy is a view about human behavior.

3.4.2. The metaphysics of investment

What is worthy of investment that is, at present, undervalued? What has the potential to emerge as a powerful source of value? How can I advance my reputation and influence as a judicious, responsible, and careful investor? The question of the value of values comes to take priority over immediate self-interest. Whether an investment can sustain itself in a healthy state is a question for the economists. The engine of an investment is the morally reinforced drive for private gain. Investors make their decisions on the basis of their own economic goals and the knowledge available to them.

Critics maintain that the investment environment is highly unstable and self-destructive. Left unto itself, the competitive market is destroyed by monopolistic developments and without the unseen guiding hand, the system loses its moral legitimacy.

Ruiz (2004) explores the issues related to the metaphysics of investment. According to Ruiz, Marx was the one who laid the foundation for understanding the human condition. The metaphysics of investment gives direction to employee's relation to the owners of the means of production. A good interpretation of the metaphysics of investment is narrated by the film 'John Q (2002)'. It narrates how this metaphysics operates in the contemporary milieu (Ruiz, 2004). The actor John Q (Denzel Washington) is a worker in a factory but his healthcare benefits cannot cater for his son's \$250k heart transplant operation. However, in the metaphysics of investment,

individuals organize their lives with regard to such events. The metaphysics of investment are such that there is no order in society outside the order of investment.

3.4.3. Process Interpretation

Investment is time or resources spent by an individual or a group hoping that he will reap benefits after a specified time or within a time frame. This process is required to bridge the gap between recent theoretical insights and widespread practices. Investment issues are so critical that they require judgment and knowledge of the specifics involving complex and dynamic activities. Whitehead finds the integrative principle in the idea of process. Process, in Whitehead's system, is the ontologically primordial principle from which time, space, and matter are abstracted (Craig, 1998, p. 1). Perhaps most significantly, investment as actually perceived and practiced is included, along with such concerns as ethics and morality.

Events, or occasions, are processes with determinate durations and extensions. No event occurs in isolation but as part of wider situations along with other events. On the other side, events are composed of "smaller" events related to each other in a variety of ways. Investment may be conceived as a single event which is a process of processes of processes at multiple levels. Every event, participates with other processes in larger processes. Every event, in turn contains sub-processes.

3.5 Ethics and Investment: A Process Integration Model

Whitehead proposed a temporal aesthetic theory of interaction. Whitehead's process philosophy allows for the movement from traditional reception to the theory that emphasizes mutual acts. Whitehead considers that in his process there are no things but rather things are in the making. The process philosophy's view is that there only exist things that are in the making. Whitehead's process philosophy has been used by widely by many theorists such as Andrew

Barry, Steven Shaviro and Mike Michael among others (Stengers, 1997: 131). For instance, Michael uses Whitehead's philosophy to cast new light on the issues about day to day experience of contemporary life (Michael, n.d.).

Whitehead states that, "if we are to look for substances anywhere, I should find it in the events which are in some sense the ultimate substance of nature" (Ibid, 19.). This thought can be transplanted to ethical investment and it can be seen that neither ethics nor the investment that constitute this encounter but rather, interaction is the core and an experience that is realized through process. Importantly, this involves things like moral aspects' transmission into actual acts of investment. Here, it is clear that it is the process of the moral practices that generate the existence of ethical investment.

The usage of ethics in investment brings a lot of benefits and advantages. Walmart has demonstrated that it is possible to integrate ethics into investments and still reap benefits. Walmart has continuously been assuring its shareholders that they can invest with confidence in their company because they are always dealt with fairly (Walmart, 2002:1). Wal-Mart is established on three basic beliefs; respect for the individual, service to customers and striving for excellence. In his book "50 Steps to Business Success", Peter Cleveland proposes ethics as the pillar to continuous improvement (Cleveland, 2002: 242). Cleveland adds that ethics develops conscience; conscience encourages appropriate behavior; appropriate behavior brings stakeholder respect; stakeholder respect supports profitable growth (Cleveland, 2002: 242). Companies without ethics do not have ways to determine what right, wrong or fair when dealing with employees, customers, shareholders or creditors. Cleveland cites various business

enterprises that have thrived and realized growth for practicing ethics. For example Capolano Golf Accessories Limited has enjoyed a steady growth for a period of 30 years (Cleveland, 2002: 245).

3.5.1 Ethics and Investment as a single actual entity: The ethics-investment project

These aspects concern how the investing activity is conducted and are commonly referred to as finance ethics. However, Boatright (1999) claims that finance solely relies on observable facts and has nothing to do with moral values. Whitehead argues that analysis of actual entities finally depends on analysis of prehensions. The concept of a prehension is one of the Whitehead's most important metaphysical tools. It is certainly one of his most fundamental, and fundamentally misunderstood. Much of the misunderstanding can be traced to the concept's complexity. Whitehead uses the word 'prehension' to capture the dynamic tripartite relationship between a given subject and the object the subject experiences.

According to Whitehead, the actual entity is dynamic. Prehension refers to the actual entity to other places and other times. An actual entity, whether it is a man or animal is open to sensation of the existence outside world. Prehension is one of the most essential processes of the universe. The integration of two factors is produced by prehension. According to Whitehead, prehension is comprised of three things: the actual entity which is doing the prehension; another actual entity that is being prehended and; the subjective sensation that arises from prehensive assimilation of the data.

Chapter 4 will seek to answer the following questions:

1. Does a conflict exist in the relation between ethic and investment?
2. Do the two variables (ethic and investment) exist independently?

3. Can the process-philosophy strike a dialogue between the two variables (ethics and investment)?
4. Are ethics and investment different aspects of the same actual entity?

Chapter 4

Defense of the Process-integration model of the relation between ethics and investment

Integration means combining needs and tasks of opposite kind so that benefits can be obtained. This gives a presentation of how the conflict, independence and dialog models of the relation between ethics and investment fail in relation to the process-integration model that has been developed in this paper. The process-integration model is key to problem-solving in these model while giving direction for fruitful development into the future. In future, we should strive to bring to an agreement two components of the same actual entity.

It may prove difficult to critique the conflict, independence and dialog models in the present topic because there already seems to be a conflict between the two components (ethics and investment). On the other hand, an agreement exists in some parts of the two components; and finally, a dialog also seems to exist between the two. Nevertheless, we cannot entirely assume that one of these facts as an exhaustive model. A model that could be deemed successful has to include the possibilities of conflict, independence, and dialog. In light of this, the most ideal solution to this dilemma is the use of process-integration model.

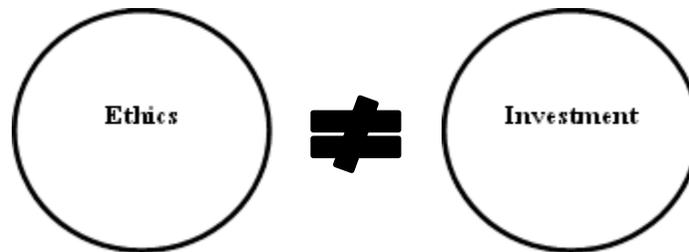
The three models (conflict, independence, and dialog) treat ethics and investment as independent of each other and that the relation between them is only accidental.

The relations of two components of the same entity overlap at particular points of the junction of events. It is possible for two or three components of the same entity to have a junction of commonality/agreement when they are separate from each other. For example, If X and Y are two events, and X' is part of X and Y' is part of Y , then in many respects the relations between the parts X' and Y' will be simpler than the relations between X and Y . This is the principle which presides over all attempts at exact observation. Whitehead seemed to define this

point in terms of an infinite set of regions which contain each other. What do these regions represent – the regions associated with actual entities? Whitehead's method shows that abstractive sets contain members as small as desired. I argue that neither investment nor ethics would exist without the other. Therefore, the two components do not come into relations of conflict, independence or dialogue; rather, they come out of those relations.

4.1. Does a conflict exist in the relation between ethic and investment?

4.1.1. The Conflict Model



As it was explained above, there exists a conflict between ethics and investment which arises from extreme positions on one side or the other. It seems as if investing in ethical practices and being fair to all actors will cost individuals dearly. It is common for individuals to experience situations in which their professional responsibility conflict with their deepest values. They are caught in a conflict between right and right. The greatest problem is that no matter which decision they make they always feel to come up short.

It is widely and negatively assumed that there lacks clear linkage between investment ethics and financial success. A realization that some investors are flourishing by being unethical investors may drive them to follow suit. They also know that there are many ethical investors who have acted well and ethically but they have ended up as failures. Therefore, investors are caught up in the conflict of interests.

In this field, there often arises a conflict of interest because an investment is supposed to deliver financial performance both for the owners and clients. The inherent conflict is worsened

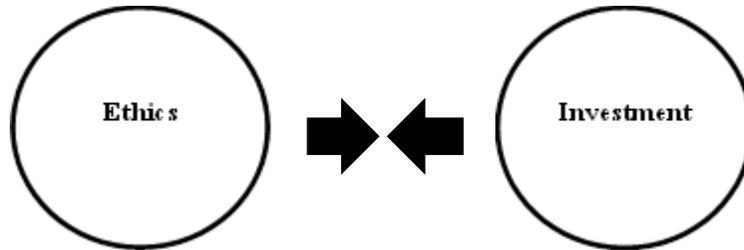
by the fact that investments are competing against each other to outperform the market when there is a lot of evidence that doing so consistently is an anomaly, if not an impossibility.

We can solve the problems brought about by a conflict between ethics and investment through the use of process philosophy. Investment as it is currently practiced, with its continued focus on competition, is not doing much to support the goals of morality. In fact, investment is hindering the attempts to attain that goal. Today investment and ethics find themselves in serious conflict. In investment, more than elsewhere, we are faced with moral and ethical dilemmas daily. We are faced with moral choices not only between right and wrong, but also between right and right. An ethics poster in Boeing said it all: "Between right and wrong there is a troublesome grey area." According to Joseph Badaracco, "We have all experienced situations in which our professional responsibilities unexpectedly come into conflict with our deepest values. We are caught in a conflict between right and right. And no matter which option we choose, we feel like we have come up short."

Investment rules establish basic duties akin to the floor for acceptable behavior, whereas ethical codes represent aspirational standards for best practice. For investors, fulfilling both investment requirements and ethical principles may pose challenges that warrant careful consideration. When investment and ethics are in conflict, the process philosophy can be used to verify what investment requires and determine the nature of ethical obligations. The proposed process-integration model determines whether there is a real conflict between investment and ethics and if the conflict can be avoided; investors should either pursue investments in a manner that minimizes harm to their ethical values or adhere to their ethical values in a manner that minimizes the violation of investment.

4.2. Do the two variables (ethic and investment) exist independently?

4.2.1. Independence Model

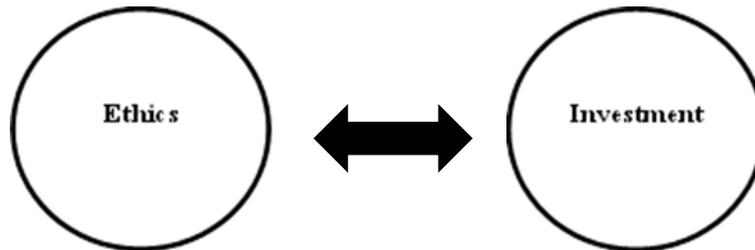


Because of the relative independence of each of its constitutive arguments, the process-integration is not like a chain, that is, 'no longer than its weakest link' but like a cable, each strand of which strengthens the others. Hence, the background consideration for evaluating the probability of each constituent being lifted up by the other one. This point is often ignored, as critics will typically examine each constituent independently of the others. Investment and ethics never contradict each other. One aspect of the process philosophy that makes it stand out among the other philosophies is its creativity and liberalism. Its attitude does not wholly depend on the need to maintain true tradition of a certain paradigm. It is hypersensitive to the modern world and complete freedom from the past.

The use of word independence can sometimes bring controversies. Many observers may suppose that the person exercising ethical judgment to be free from other relationships. This may prove impossible because every member of the society has relationships with others. Therefore, it is important to address all the situations and factors that threaten independence. Again, the process-integration model becomes the ideal solution to this problem.

4.3. Can the process-philosophy strike a dialogue between the two variables (ethics and investment)?

4.3.1. Dialogue Model



Ethical challenges in investment ventures take several forms and as a result there arises different kinds of ethical dilemmas. Some of these challenges include a failure in personal character, conflict of personal moral values and organizational goals, organizational goals versus social values and hazardous but popular products. Challenges may also be brought by new technologies, cultural and social beliefs and diverse religious beliefs. The issues facing investment ventures are many and until there are means to integrate these issues, a conflict is bound to exist. The primary task of the investor is to be aware of all ethical dimensions and learn how to reason ethically as well as economically. Investors should also learn how to incorporate ethical considerations into the investments' operations.

Unethical behaviors on the part of investors reflect the manner of their upbringing, early family and childhood experience, the type of schools they attended, the friends they have had and values of their immediate society. Whitehead's basis of constructing metaphysics of process is in understanding that that modern science describes the world as a process.

Johnson (2001) presented evidence that "...many unethical investment decisions aren't the product of greed or callousness but stem instead from widespread weaknesses in how people process information and make decisions" (p. 30). He examined decision-making models that

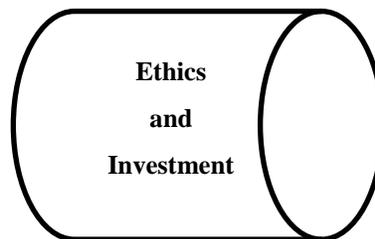
resulted in ethical decisions and added, "The particular format you use is not as important as taking a systematic approach to moral reasoning" (p. 144). The importance of a defined decision-making process was also supported by Stimson (2005). Both Johnson (2001) and Stimson suggested that leaders who learn and consistently follow an ethically proven decision-making process would make choices (and behave based on those choices) in an ethical manner. Structured decision making and ethical models could provide a framework for investors to make choices. Springer (2005) wrote: "...given the concern of the public regarding transparency and accountability and their concern about ethical dilemmas, there is a greater need to develop relationships based on collaboration and partnerships as well as the organization-wide understanding that there is no single level of responsibility that is right for all choices. (p. 9)

Johnson (2001) pointed out that in addition to following a well-defined decision-making process, investors should be aware of the different philosophical approaches to ethical behavior. Johnson (2001) identified utilitarianism, Kant's categorical imperative, communitarianism, altruism, and ethical pluralism as key ethical philosophies. When applied to decision making, investors who employed a utilitarian approach made decisions based on what they expected the outcome or consequences of their decision to be. Investors who make decisions based on the philosophy of Kant's categorical imperative, in contrast, made what they believed to be the best decision regardless of the anticipated consequences. Communitarian investors make their ethical decisions based on the needs of or benefits to the community as a whole. Johnson (2001) explained, "Communitarians address the problems posed by competing interests by urging the actors to put the needs of the broader community above the needs of any one individual, group, or organization" (p. 108).

Investors who advocate an altruistic approach to their actions and decisions are focused solely on people and not on the results or other potential impacts of their decisions. People, and the affect the decision has on people, are the core of this decision-making philosophy. Because it is often impossible to consistently employ one single decision-making approach, Johnson (2001) suggested that a blend of approaches, depending on the details of the situation, was often the most reasonable approach. He labeled this approach ethical pluralism. Using an ethical pluralism approach would allow the investor to make decisions on a situation-specific basis while considering all factors including individuals, the community, and the results of the decision. Ethics training has been one method of helping investors understand these ethical decision-making processes and ethical philosophies.

4.4. Are ethics and investment different aspects of the same actual entity?

4.4.1. Process Integration: Different Aspects of the Same Actual Entity



Whitehead's 'first metaphysics' is easily integrated into modern science: an organization is presented as a complex structure of actual events. This metaphysics is essentially theistic. Whitehead argues that analysis of actual entities finally depends on analysis of prehensions. The concept of a prehension is one of the Whitehead's most important metaphysical tools. It is certainly one of his most fundamental, and fundamentally misunderstood. Much of the misunderstanding can be traced to the concept's complexity. Whitehead uses the word 'prehension' to capture the dynamic tripartite relationship between a given subject and the object

the subject experiences. According to Whitehead, the actual entity is dynamic. Prehension refers to the actual entity to other places and other times. An actual entity, whether it is a man or animal is open to sensation of the existence outside world. Prehension is one of the most essential processes of the universe. The integration of two factors is produced by prehension. According to Whitehead, prehension is comprised of three things: the actual entity which is doing the prehension; another actual entity that is being prehended and; the subjective sensation that arises from prehensive assimilation of the data.

In addition, human dialogue exhibits a very complex network of relations which at the same time make the interaction possible and constrain it. At least the following levels of an organization are involved in any human activity, where each level provides necessary but not sufficient conditions for the next main level and thus, also necessary but not sufficient resources and constraints of communication.

i. Physical

The actors in a dialogue are physical entities and their communicative contributions are physical processes or entities. The integration of two factors is produced by prehension. According to Whitehead, prehension is comprised of three things: the actual entity which is doing the prehension; another actual entity that is being prehended and; the subjective sensation that arises from prehensive assimilation of the data.

ii. Biological

The actors are biological organisms whose communicative contribution from this perspective can be seen as biological activation and directed behavior. Whitehead does not define life in terms of enduring entity, or as the property of enduring entity (an entity that could, say, judge and be judged). He defines life as a bid for freedom from the shackle of inherited

ancestry to which an entity binds its occasions (Whitehead, 1978). Whitehead argues that the variety of organisms that exhibit modes of behavior directed towards self-preservation suffice as evidence of feeling and causal awareness with the external world. Whitehead observes that 'a jellyfish advances and withdraws, and in so doing exhibits some perception of causal relationship with the world beyond itself. Whitehead's point here is that the whole of existence must have a very primitive awareness of causal efficacy that lies at the base of reality.

iii. Psychological

The actors are perceiving, understanding and emotional beings whose communicative contributions are perceptually comprehensible and emotionally charged phenomena. In addition, they are motivated, rational agents whose communicative contributions are motivated acts.

iv. Social

The actors are members of a culture of one or more institutions and their communicative contributions can be characterized as cultural or social institutional acts; Furthermore, they are members of linguistic communities therefore they exhibit linguistic acts. Thirdly, they engage in social activities and their communicative contributions are contributions to that activity. There are four vehicles of information that play a role in human dialogue; behaviors that have been unintentionally produced, intentionally produced artifacts, and intentional actions (Taylor & Nouwhuis, 2011).

Chapter 5

Conclusions

In Chapter one, I have explored the concept of knowledge and discussed the important role it plays in epistemology history. The aim was to answer the question of whether knowledge is possible and if it is, how much of that knowledge is out there. I have also made and defended the claim that investment and ethics are integral parts of the same human project and that the noticeable differences between them indicates no more than that they perform different functions within that project. I have argued that ethics and investment have flourished side by side in the same societies for hundreds of years indicates, at the very least, that they are both part and parcel of the same human history. Yet, though both ethics and investment can be, and are, studied as social phenomena, I am not aware of any serious studies treating the two as important parts of the same process.

Each claims to be, and perhaps is, something more than a set of socially conditioned behaviors. Accordingly, I have taken the obvious (if unremarked) fact that they are parts of the same society only as a clue to a deeper, more profound relationship. Ethics alone and investment alone are inadequate because ethics and investment both make claims to independence from social forces. Though these constituents conflict at certain points, I argue that they are two entities of the same project. For instance, dishonesty in the investment business or any other business-communication will breed inefficiency and a lack of productivity. On the other hand, honesty which is one of the aspects of good ethics increases the productivity of the participating investor. The honesty-principle should not be misunderstood, nor should it be seen to conflict with sharing trade-secrets or information which is confidential to the enterprise. Decisions made by an investors, which are based upon the principle of fair treatment lead to a fair and equitable

application of policies and prices. Regular utilization of ethical behaviors on the side of the investor provides a positive impression to all the other actors that this is an appropriate way for a business to operate and reinforces the importance of this principle.

It is the fact that both ethics and investment are concerned with ultimate reality that leads them to encounter each other and that lends such intensity to the encounters: there is but one reality and there can be no compromise where ultimate are concerned. Because their approach to ultimate reality is very different, the encounter is often conflictual. The fact that their approach is very different lends a kind of independence of investment from ethics, and that relative independence makes dialogue between them possible. But what we have just said treats investment and ethics as wholly distinct, well-defined, and self-contained entities that only secondarily have a relation, as though they were distinct substances with essences. Manifestly, they are not.

Both ethics and investment remain contentious. The definition of ethics does not refer to a single unified institution, but to a loose collection of institutions, often in conflict with each other and whose boundaries are unclear, each deeply implicated in other social institutions. The same thing may be said of investment: there are many branches and within each branch many sub-branches. They compete with each other. Treating investment and ethics as well-defined distinct entities would then seem to be a case of misplaced concreteness, taking the words to represent beings in an uncomplicated way.

Whiteheadian process philosophy asserts that actual entities influence each other by internal and external relations. For instance, ethics is internally related to investment; therefore, ethics participates in and contributes to the investment. The primary vehicle for internal

relatedness is Whitehead's notion of prehension. Prehension is the experiential activity of actual entity by which characteristics of one entity come to be present in another.

The approach of investment is not entirely similar to the approach of ethics. Investment ignores such concerns as value and morality fear that investment may morally impoverish individuals and lead them to act unethically. On the other hand, the advocates of ethics often neglect some realistic matters. At the same time, the fact that their approach is very different lends a kind of independence of investment and ethics, and that relative independence makes dialogue between them possible.

I have asked whether investment and ethics might be understood as elements in the same human project. In the present case, process philosophy is characterized by an attempt to reconcile two diverse institutions (ethics and investment) into a coherent holistic scheme. This reconciliation of ethics and investment is concerned with producing the explicitly metaphysical speculation that an entity, at its most fundamental level, is made up of momentary events. Process philosophy speculates that these momentary events called actual entities are essentially self-determining, experiential, and internally related to each other.

Implications

Any model of investment-ethics relation such as the one proposed in this study should have implications. For example: how can their interactions be made to be more fruitful and beneficial for humanity and the world? How does the model help us better to understand investment and ethics themselves? It is important to separate investment and ethics as two constituents of the same actual entity. Investment's neglect of such things as value and morality allows it to focus fully on structure. Ethics relative neglect of strict matters of facts allows it to focus more fully on such things as value and morality. In that sense we would not want to

collapse investment and ethics into each other, but, at least for the foreseeable future, to keep them distinct. Nor would we want to eliminate conflicts.

It is not only that opposition can be productive, but also that investment and ethics are indeed developing, to a high degree, different aspects of the same ultimate reality. Their continued relative independence is a necessary element of that differential development, and conflict and dialogue are part of the way that each keeps the other within their common project. We would not, then, attempt to force a premature harmony between them. Rather than eliminating existing relationships, then, my model suggests adding a new dimension to them.

Suggestions for further research

I have maintained that the investment-ethics project is an actual entity in the supplementary stage, so that we cannot yet know what its satisfaction will be. It is possible, even likely, that that actual entity is actually a continuation of an "enduring entity", a series of similar actual entities, that has had previous satisfactions, giving rise to new processes of separation and reintegration/satisfaction. Further research into the possibility of relation may well help to clarify the present investment-ethics relation and suggest a direction or trajectory from the past into the future. That is, such research may help to articulate the investment-ethics project that I have hypothesized.

I have painted both investment and ethics with a broad brush. They are in fact extremely varied. Investment is constituted by numerous parts, often in conflict with each other. There are similarly many branches of ethics with significantly different standings. Therefore, investment and ethics must each be considered as composed of many actual entities, and a properly thorough understanding of the investment-ethics relation would require analyses of each of the subordinate

actual entities and their individual relations with each other and across the investment-ethics divide. Further research is therefore important.

The managers in the hospitality industry should employ ethical approaches when making decisions. Ethics in the working place refers to the rules of the workplace that an employee has to comply with, along with the rules of society. This is the point at which ethics is integrated with the business entity. The knowledge of morality and the philosophy of morals investigates the doings of humans and examines the entities and characteristics of this field. By preparing the future managers in the hospitality industry, they are prepared to logically and ethically solve dilemmas they might face in the industry. They are equipped with confidence and self-esteem to make the right decisions on the job. One of the reasons for concern about character development and business values is that today's business practices are generally based on a profit-focused economic system that does not expressly embrace ethical principles. While it is possible to be both ethical and successful, it is also possible to have financial success without observing ethical principles.

Personal Reflections

The ethics-investment integration model that is used to create an overview of all relevant interfaces and roles in an investment organization points to suitable integration points of an investment level. I propose the use of Process Integration Model as a carrier of all investment transactions and communications. I propose Whitehead process integration model because it is not dependent on other issues and thus it poses no problems in that respect. Every interface has a set of challenges that need to be addressed. Whitehead Philosophy captures all interfaces and roles that participate in the process. Whitehead integration model defines the flow of events that have to be conducted in dealing ethically.

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