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Jewish Business Ethics. Tradition and Modernity

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Abstract: *This paper provides a review of theoretical perspectives on the role of business ethics, with a particular focus on Jewish business ethics.*

This paper seeks to further the understanding of Jewish business ethics by providing an alternative way to interpret the nexus between tradition and modernity.

The authors intend to contribute to the Jewish business ethics in several ways. First, they want to shed new light on the current understanding of business ethics; second, they want to highlight what factors shape the Jewish tradition and ethics; third, they want to discuss the relevance of tradition and modernity regarding Jewish business ethics.

It can be concluded that the relationship between tradition and modernity is more complex than previously thought and, rather than asking if business ethics have a performance impact, future research endeavors should focus on how tradition can be successfully integrated in modern business.

Keywords: *ethics, business ethics, spirituality, social responsibility, Jewish business ethics.*

Introduction

During the last decades the business press presented many references to

questionable practices in business. Some authors identified a number of problems in today's business and investigated if they were addressed by teachings of the scriptures of the major Abrahamic religions. Some of the problems analyzed are bribery, fraud and cheating, discrimination, and employee compensation (1).

Spirituality has a significant impact on management practices. This impact is not automatic: it is a process that can take place, requiring effort and vigilance. In the reverse direction, management practices have an impact on the manager's vision of life, humanity and spirituality. Management is not only a technical ability: it includes motivating people, building teams and being accountable to stakeholders. This implies considering corporations as part of society (2).

A global set of ethical values facilitates the global business and allows followers of all faiths to remain true to their faith. Teaching business ethics in the context of those faiths may help individuals better align their ethics in business with the ethics in their private life (1).

Spirituality has a real impact on management in two ways: the managers' personal quality and the possibility of introducing spiritually enhanced values and practices in corporate cultures. Businesspeople should bring together paradigms so that tensions become dialogue and polarities become a dynamic feature of unity (3).

Spirituality does not create new, specific values but can strengthen the presence of values in practices. Spirituality enables a deeper view when differentiating among values and practices, coping better with the importance of the values in play and the behaviors we can adopt (2).

Referring to traditions can be a significant source of enrichment, but they should be explored as an exercise in innovation. The accent should be kept on the present, not the past.

Philosophers generally agree that meaningful ethical statements are universal in scope. Immanuel Kant, believed that moral actions must conform to universal principles. Pava asks himself what sense is there to

speaking about a business ethics particular to Judaism if Kant and other philosophers are correct. Jewish business ethics can be a contradiction in terms like a Jewish algebra and a Jewish physics. The author denies the above assertion and explores the specific characteristics of a Jewish business ethics highlighting that ethics is not like algebra or physics. Understanding and acting on the ethical responsibilities as Jews is a dissimilar task than creating intellectual and philosophical theories and models. Jewish ethics differs from purely philosophical approaches in two respects. In terms of both its substance and method, Jewish business ethics is unique (3).

Jewish business ethics differs also from secular approaches in three very specific ways. Jewish ethics:

1. Recognizes God as the ultimate source of value.
2. Acknowledges the centrality of the community.
3. Holds out the promise that men and women (living in community) can transform themselves.

Jewish ethical commandments are directed first to the community and only after to individual members of the community (3).

Business ethics

Business ethics covers the whole spectrum of interactions between

firms, individuals, industries, society and the state. Business ethics is about conducting business, about individuals and the institutions with which they deal and about the expectations and requirements of society (4).

The social responsibility of business does not consider business an entity in itself, independent of the social system. Business decisions must not only further the interests of the corporations that employ the decision makers; they must also improve the quality of life for the whole of society. The concept of social responsibility has prompted a lengthy, and sometimes acrimonious, debate (5).

International business raises many ethical issues. Multinational corporations (MNCs) operate sometimes in less regulated environments, where corruption flourishes. An important challenge is respecting the cultural differences in the countries in which MNCs operate (4).

The most impactful argument in favor of business responsibility is that society supplies the mandate for business's existence and that business must therefore react and respond to changes in society. Another important argument in favor of business responsibility is that it improves the environment in which business has to operate and consequently creates a

better community in which to do business (5).

Competition in business can make ethics to appear as a handicap. Many times, businesspeople argue in polarised terms. They believe that business has only two choices: to behave unethically or fail. They consider that the survival of a firm should not be jeopardised in order to fulfil an ethical obligation when one's competitors are not ethical (4).

Social responsibility improves the public image of business. Sometimes businesspeople in many industries perceive that if business avoids these issues, the government will increase restrictive regulations that will constrain the firm's freedom of action. Another justification social responsibility of businesses is that power entails responsibility. Businesses employ a huge power, with the big corporation obviously having more than the small firm (5).

One of the difficulties international businesses is the variety of social and legal standards around the globe. What might be acceptable or legal in the home country of a business might be offensive or bring penalties in a host country. When it comes to foreign cultures, we tend to emphasise more the differences than the similarities. Ethical practices are among such differences in the host countries. The words 'ethics' and

'morals' originally referred to the standards of a culture but there is a limit to the relevance of social and cultural difference. A particular weight on certain values in different countries does not mean a different ethical universe (4).

Despite the association of individuals with large organized groups, individual initiative, individual values and individual strength of will should not be affected (5).

The most ethical problems in international business are listed below (in order of frequency):

- gifts and favours (for example: large sums of money, lavish gifts)
- cultural differences (for example: misunderstandings about the significance of gifts and tokens of esteem)
- traditional small-scale bribery (for example, small sums of money to speed up a routine bureaucratic procedure)
- pricing practices (for example: differential pricing)
- questionable commissions (for example: large sums paid to middlemen)
- tax evasion
- political involvement
- large-scale bribery (for example: sums paid to evade laws or influence policy)

- illegal or immoral activities in a host country (for example: pollution of host country, unsafe working conditions)
- inappropriate use of products (for example: use of technology in a host country that is banned in the home country) (4).

Jewish business ethics

The Jewish perspective on business ethics deals with the two major sources of economic immorality: unbounded desire and the fear of economic uncertainty. Judaism educates the unbounded desire for wealth. People seek to protect themselves through insurance, investment and savings because of the fear of uncertainty regarding market trends, political changes, personal health, etc. The same fear can also lead to seeking protection through theft, fraud, white collar crime and exploitation. These immoral forms of achieving economic security are countered by Judaism's concept of the economics of enough (9).

Six of the most important guiding principles of classical Jewish business ethics are: (1) the legitimacy of business activity and profit; (2) the divine origin and ordination of wealth; (3) the preeminent position in decision making given to the protection and preservation of human life; (4) the protection of consumers from commercial harm; (5) the

avoidance of fraud and misrepresentation in sales transactions; and (6) the moral requirement to go beyond the letter of the law (10).

Jewish teachings have dealt for thousands of years with the distribution of wealth, utilization of natural resources, organization and administration, pricing policy, fair weights and measures, interest rates, employee relations and fair labor standards, product quality, fraud and misrepresentation, and environmental standards (11).

Judaism does not allow the unregulated accumulation of material goods though the economic activity and enjoyment of material goods are considered legitimate. Both are very strictly limited by Judaism, both on an individual and group basis (9).

Business activity and the pursuit of economic well-being can never be ethically neutral. Basic Jewish teachings about economic business activities may be summarized as follows:

- God is owner of all creation and the source of all wealth.
- Since wealth emanates from God, humans are stewards who are responsible for its preservation and protection from harm is a Jewish imperative.

- Economic enterprise is an essential, but not the defining, aspect of human endeavor.
- Business activity and profit are legitimate.
- Halakhah encompasses both legal directives and moral imperatives.
- Judaism seeks to balance justice and mercy.
- Limiting greed and minimizing insecurity are prerequisites to an ethical society.
- All human life is sacred and its preservation paramount over all other (including economic) considerations.
- Fraud and misrepresentation must be avoided in human interactions.
- Legal prescriptions constitute the minimum, not the totality of ethical obligation.
- The needs of the community are paramount over those of individual members.
- The pursuit of justice must be at the core of all human endeavors (11).

No society or economy can persist long without rules which limit theft and fraud. Honesty in economics is considered an absolute rule. It is not only beneficial, but obligatory. Theft goes far beyond the damage done to the injured party, or to the relative economic status of the parties concerned. Theft is proscribed because of the spiritual damage done to the perpetrator: there are no

victimless crimes. Theft is complexly defined. One is not allowed to "steal" another's opinion by creating a false impression regarding goods or services. Parties in the market may be made aware of prices, quality and availability of goods and services. Misrepresentation is forbidden and is cause for a legal cancellation of the transaction, even though there is no intent to defraud (9).

Religious ethics always takes into consideration the implications for the community and the needs of the community. Judaism recognizes different levels of responsibility to those in need. One has a primary obligation to meet the legitimate financial needs of the members of one's own family. Only after satisfying family needs, does one have an obligation to meet the needs of one's own city. Finally, after satisfying the needs of one's own city, only then does one have an obligation to meet the needs of other towns. Businesses engaged in philanthropic activities should meet the needs of those closest to the business enterprise first. Meeting the needs of employees and residents of the communities in which a business operate is very important from a Jewish perspective (3).

The powerless members of society need protection in the economic activities. They might not have a full knowledge of the law, they might not

have the funds or the knowledge necessary to obtain their rights, and they might be afraid of pushing for such rights, even where these are known (9).

The society, both collectively and as individuals, has rights regarding private property. Judaism not only accepts the idea of private property rights, but teaches that any system rejecting it is contrary to human nature. At the same time, Judaism cannot accept the concept that people are the sole masters of their property. Paying for charitable and social purposes is an obligation enforceable by rabbinic courts and a fiscal obligation which society cannot evade. The Hebrew word of "charity" comes from the same root as that of "justice." What is given to the poor is not an act of mercy or righteousness, nor is it an entitlement, but an act of justice, devolving on the possessor of wealth. Taxes and economic policy to assist the unemployed, bankrupt or even the displaced business man are obligatory for the community. Entrepreneurs and corporations are required as acts of charity to assist in the provision of interest-free loans for the establishment of new enterprises by the unemployed or the bankrupt debtor (9).

At the level of the individual, Jewish ethics is about transformation. Yesterday has no moral claim on

today. The possibility of transformation is inherently hopeful, optimistic, and ambitious (3).

Economic life does not take place in an abstract space of economic agents making rational decisions in the market but rather in a concrete space of interaction between individuals and the society where economic behavior is shaped by the cultural, ethical, moral, and religious values of that society. The Jewish character has been shaped and cultivated over two thousand years of Diaspora in the Roman, the Moslem, and the Christian world. As long as Jewish economic man lives by the ethical and moral principles of Judaism, there is, therefore, no reason why his economic freedom ought to be restricted (8).

Conclusion

This paper seeks to further the understanding of Jewish business ethics by providing an alternative way to interpret the nexus between tradition and modernity. While many scholars analyse questionable practices in business, this paper shows that Jewish business ethics can offer valuable solutions.

The authors intend to contribute to the Jewish business ethics in several ways. First, they want to shed new light on the current understanding of business ethics; second, they want to

highlight what factors shape the Jewish tradition and ethics; third, they want to discuss the relevance of tradition and modernity regarding Jewish business ethics.

However, spirituality does not create new, specific values but can strengthen the presence of values in practices.

Business ethics covers the whole spectrum of interactions between firms, individuals, industries, society and the state. Jewish ethical commandments are directed first to the community and only after to individual members of the community.

The social responsibility of business does not consider business an entity in itself, independent of the social system. The most impactful argument in favor of business responsibility is that society supplies the mandate for business's existence and that business must therefore react and respond to changes in society.

Honesty in economics is considered an absolute rule. It is not only beneficial, but obligatory. Jewish business texts have traditionally focused primarily, but not exclusively, on the individual's ethical responsibilities.

This review also reveals that during the last decades the business press presented many references to questionable practices in business.

Some of the problems analysed are bribery, fraud and cheating, discrimination, and employee compensation.

Do the findings of this paper point to a need for business ethics scholars and practitioners to strive for a deeper understanding in the field? The answer is a clear yes.

However, the key factors for a successful ethical business and the reasons why ethical businesses often fail remain poorly understood.

Jewish business ethics not only provides rules of behavior, but the texts reveal a vision encouraging people to incorporate the highest spiritual ideals into the business world. The Jewish tradition emphasizes the centrality of a business ethics demanding honesty and integrity in business. The Jewish perspective on business ethics deals with the two major sources of economic immorality: unbounded desire and the fear of economic uncertainty. Business activity and the pursuit of economic well-being can never be ethically neutral.

Taken together, the unsolved questions and under researched areas lead to two conclusions: a need to learn from other literatures, and a need to diversify the research design and methodology.

It can be concluded that the relationship between tradition and

modernity is more complex than previously thought and, rather than asking if business ethics have a performance impact, future research endeavors should focus on how tradition can be successfully integrated in modern business.

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