

BUILDING Law-Abiding BUSINESSES

Professor's Research Highlights
Global Impact of Law and Ethics Department

BY STEVE HOLT

ASuffolk professor in the Department of Business Law and Ethics has created a metric to do what no one has done previously: quantify the rule-of-law in a given country and analyze its impact on business.

David Silverstein's Rule-of-Law Metric enables researchers to track and compare the relationship between a nation's rule-of-law (based on the Heritage Foundation's "Index of Economic Freedom") and the free practice of business. Silverstein was able to graphically illustrate, for instance, a correlation between the precipitous decline in rule-of-law over the last decade in Venezuela and Zimbabwe and a resulting economic and business deterioration. The study, co-authored by graduate fellow Dan Hohler, was published in the winter 2010 issue of the *American Business Law Journal*.

Silverstein asserts that businesses must "live by tomorrow's law," an-

ticipating changes in business legislation—a principle he says has been virtually ignored in business management training.

"Business managers are not typically taught to try to factor legal change into their planning," Silverstein said. "That's always been a mystery to me because we teach our business students that the essence of budget management is anticipating the future. We do that in all kinds of areas—we teach them to anticipate changes in wage rates, interest rates, raw material prices."

If more companies had anticipated the 1970 formation of the US Environmental Protection Agency, for example, many corporations



might have avoided financial and legal penalties later on. Not only did the EPA establish penalties to discourage environmental degradation, but it could also retroactively penalize companies for questionable practices.

Silverstein also concluded that legal uncertainty and growing government regulations inhibit the willingness of businesses to take risks. This may be especially true in the United States, whose Rule-of-Law Metric Silverstein and Hohler are currently researching. Although conclusive data are not yet available, Silverstein suspects they will indicate a deterioration of American rule-of-law, and thus a negative effect on its business climate.

He cited the ongoing debate over the so-called “net neutrality” as a prime example. With the Securities and Exchanges Commission leaning toward forcing broadband companies to license their infrastructure to competitors, Silverstein argues that this is “the kind of government intervention and regulation and uncertainty that simply discourages business investment.”

DEPARTMENT: MAKING ETHICS “SECOND NATURE”

Silverstein’s article exemplifies the global reach of programming and faculty research within the Department of Business Law and Ethics. Initially established as the Department of Business Law, the department added “ethics” to its name in 2004. In an era where names like Enron, Madoff, and Blackwater have brought corporate law and ethics to the forefront of national attention, the department’s mission has never been more important.

A critical component of doing business is to “remind people of the American ethics of honesty and dependability and trust,” said Department Chair Anthony Eonas. He also stressed that it is important to “protect yourself from others who don’t have the same ethical conduct.”

Incisive research, of course, is a main area of influence. In addition to Silverstein, Associate Professor Mark S. Blodgett’s papers on the emerging global business trends and ethics programs are slated to appear in a future issue of the *Journal of Business Ethics*. Associate Professor Miriam Weismann’s article about regulating unlawful corporate behavior appears in the January 2011 issue of *Journal of World Business*.

The department’s most significant outreach to the business community comes through its Center for Global Business Ethics and Law, which “offers educational programs for the business and financial community, the public, and members of academia in the Boston area,” said Center Director Weismann.

“These programs address the major corporate governance issues that impact business in the interconnected global and domestic marketplaces,” she said.

The Center’s annual spring symposium features international thought leaders speaking on contemporary cases in business ethics. In 2010, Bernard Madoff whistleblower Harry Markopolos addressed the role of business ethics in rebuilding financial integrity.

The 2011 symposium featured *New York Times* financial columnist Ross Sorkin. Author of the 2009 bestseller *Too Big to Fail*, Sorkin identified and assessed the regulatory changes being put into place to achieve financial reform and explored whether the

private sector self-regulation can be implemented successfully. An expert panel included federal regulator and prestigious members from the private sector.

A business ethics advisory group is also in the works, Eonas said. “Along with our existing real estate law advisory group, one tied to ethics should greatly contribute to our efforts in reaching the boardroom,” he said.

While undergraduates may not major in Global Business Ethics and Law, every undergraduate is required to take Principles of Business Law, and a number of related classes are

available as electives. Students may also participate in Global Travel Seminars to locations, such as Prague, Athens, Morocco, and China, to assess real-life ethics cases in international firms.

In a global climate, Eonas said the goal is for students to learn how to comply with the laws of the United States and understand how standards vary from country to country. As graduates enter a business climate where profit too often trumps propriety, what hopes do Eonas and his faculty have of accomplishing these goals?

“We can only continue training the students who come through our programs to recognize different ethical dilemmas and be able to make it second nature to decide what’s ethical and what isn’t,” he said. “We want to get our students out there to influence the companies they go to work for.” **SB**