

Martha Stewart: business ethics assignment

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In June of 2003, Martha Stewart was indicted on several criminal and civil counts from the U. S. Securities and Exchange Commission (SEC) . Without consideration of the verdict, the question remains; Did Martha Stewart, as CEO, act responsibly? Even though she was found guilty on all four counts against her, she could still be considered to have acted ethically. To determine the responsibility and ethics of her actions, the specifics of the case will be applied to a process to determine both the utility and the consequences of her actions.

What was the affect of her actions (utility), what were the rights and duties involved (deontology), and ultimately, a decision as to were here actions ethical? Who did Martha Stewart's actions hurt? Who did they help? Central to theses questions of utility are the specifics of her actions and the circumstances surrounding them. As previously stated, Martha Stewart was found guilty on several criminal charges. How did she get there? What took place? Enron. Tyco. WorldCom. These companies created an environment of public mistrust of big corporations.

Lives were destroyed; life savings depleted, and at the end, seemingly light punishments, if any were given to responsible parties. There was no tolerance for continued corporate impropriety. Martha Stewart sold almost 4000 (exactly 3, 928) shares of her personally owned stock of ImClone in December 2001. The perception of wrong-doing came about as it related to Food and Drug Administration (FDA) disapproval of an ImClone drug. A friend of Stewart, and ImClone executive, indicated to her that the FDA would not approve the drug. Martha Stewart subsequently sold her shares of the depreciating stock, avoiding a sizeable loss.

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Stewart maintained that there was a pre-existing agreement with her portfolio manager to sell the stock when its value fell to \$60 dollars a share, and that the FDA decision and her actions were coincidental. So who benefited from her sell of stock? Obviously, she was able to save money (or rather minimize her loss, as the stock value was already falling). More importantly, who did her actions hurt? Who was the victim? Of course there were many, many people who lost varying amounts of money on ImClone stock, but that would have happened had Stewart not sold her shares.

It also did not happen because she sold her shares. From any perspective, it seems as though there is no victim. There is no victim ??? no one who was hurt by the actions of someone buying or selling on inside information.

Maybe it seems obvious to you that an insider can't profit without someone else being hurt, but that simply isn't the case. In a utilitarian manner, there is no reason to view Stewart's actions as unethical. Under utilitarianism, a balance between harm and help is done to determine the ethics of an action.

Referring to the above, Martha Stewart is looking very ethical in her actions. No one seem to have been hurt, and at least one person benefited, if only financially. The other aspect of the utility test however, is a question of time. Not only must an action be more beneficial than harmful to greatest number of people at the point of the action, but over the long term. An example would be pollution. A chemical company could easily dispose of chemical waste in a local body of water, in an uninhabited area. The immediate result is beneficial to all.

The company saves on the enormous expense of controlling, transporting and/or disposing of its waste and there isn't anyone in the area to complain about the waste. As time passes, the circumstances change. The waterway, which once had a diluting and neutralizing affect, is now heavily contaminated. The surrounding plant and wildlife which drink the water pass on its harmful effects to greater areas, and eventually someone gets sick or dies from something that could have occurred many years ago. This does not happen in the Stewart scenario. No matter how far out you look, no one is ever harmed by her actions.

Did Martha Stewart have a duty to act differently than she did? Did her actions violate anyone's rights? Let's remember that we are talking about Martha Stewart's personal stock in a company that she has no control or influence. What duty did she have other than to herself; to protect the value of her personal stock? Many have written that insider trading is a "victimless crime". Tibor Machan, writes further on the subject: "The bottom line is that insider trading is not wrong, actually, not if it doesn't involve failure to perform one's fiduciary duty or stealing information.

If one learns of something from a friend or overhears a conversation or obtains the knowledge via a psychic, there is nothing wrong with making a profitable move that others hadn't had the chance to make." So she upheld her duty. She protected her own interest. Did she violate anyone else's rights? Again, the fact that it was her personal stock in a company that she was not involved with directly is huge. Let's say for a moment that she received a tip that stock in her company was failing. Things would be much

different. Wouldn't she have a duty to inform her shareholders that hard times were coming?

Wouldn't that be the right of you financial base, to have full disclosure of the issues that will affect their investment? Of course, but that is not the situation. Because no one else was involved, it is impossible that anyone else's right was denied. More over, Martha Stewart should have a right to manage her money and investments in such a way that will provide best outcome. If she or anyone else is denied that right, what is the point? "Finance ...is not a game! Its aim is to secure prosperity, economic success. And that requires savvy, acumen, not bending over backwards to please one's competitors".

The specifics of the Martha Stewart case when applied to the test of ethics finds Martha Stewart did not act unethically. Not acting unethically is not the same as acting ethically however. All the analysis above has been in a context of no criminality to her actions. The simple fact remains that what she did was illegal. I think the real question that should come from such a study like this is if the law is ethical. Many people feel as though Stewart did nothing wrong. Maybe, maybe not. That's is to be fought and decided in the court of public opinion.

For my money, at least from what we have been told, Martha Stewart, not unexpectedly for a superb entrepreneur, made some prudent financial moves and the feds, along with many resentful Americans, seem to hate her for it. She didn't make the right moves with the feds, of course, who came after her for that and for nothing else, really. As Juror No. 8 had put it, "

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Maybe this is a victory for the little guys who lose money thanks to these kinds of transactions. Maybe it's a message to the big wigs. " So, it was about envy, resentment, not any violation of anyone's rights.