

USNA Ethics Essay Award Dinner
15 September 2009

Good evening. Art, thank you for your introduction. It is an honor to be with such a distinguished group this evening. This is an evening of connections for me.

First of all, as a member of the class of 1978, it was my privilege to have Art Athens as our brigade commander and lacrosse teammate during our time as midshipmen. If anyone I've known whose life exemplifies the values we expect of leaders, it's Art. As proof you won't find in any program - Art is the one midshipman of our class who received a standing ovation from his classmates as he crossed the stage to receive his diploma - certainly one of the highest honors not recorded in an official bio.

I also feel a connection to the sponsors of this evening - our Plebe Class - the Class of 1981, who we all know was the last class to have a real Plebe Year. It's good to see you here and I thank you for your sponsorship of this event.

There is no place we would rather be than here with you. We are truly a Navy family - my wife is the daughter of a destroyer skipper and sister of an Annapolis grad, and both of my children have grown up in this wonderful life. Today is my son, Andrew's 18th birthday—and [story]

But what is special about tonight is the link between our past, and your future. All of us are standing in the shadows of the giants who went before us—Admirals Stockdale and Lawrence to name just two. They would tell you this business of ethics is an ongoing journey shared by all

of us- a journey of stories, of reflection, of conversation, of study, and ultimately, of action.

In looking at the program you are undertaking in ethics, I am certain that you will be officers well-prepared to lead our Navy into the future. I have great faith in you and this wonderful institution. This study is necessary—it is vital—and a cornerstone of our service.

In my current job as Chief of Naval Personnel, I must unfortunately adjudicate many of the officer discipline cases that take place in the Navy—some involving ethical transgressions and misconduct, even in some cases, criminal behavior. Each week, my staff lawyer patiently comes to my office with a stack of cases to review that makes me just shake my head in disbelief—and so I have become a modest student of irrational behavior. So, I will take a few minutes and not focus on moral reasoning for the junior officer in combat—but talk a little about some forces that work against the well-prepared ethical reasoning of your class.

To my surprise, there is a field of study called behavioral economics that indicates some of these behaviors are neither random nor senseless. I would recommend to you a book called “Predictably Irrational” by Dr. Dan Ariely of MIT that I will discuss tonight. In drawing on his work for my talk tonight, I will focus on two areas: social contract and professional integrity. I think this is a good way to confront the reality of how people behave in certain situations.

The social contract is more powerful than the monetary contract. Dr. Ariely asked a group of individuals to do a simple task on the computer (drag icons into box for a fixed time)

- First Group - do it for free
- Second Group - do it for \$5.00
- Third Group - do it for 50 cents

Then, instead of money, he provided a “gift” of a Snickers Bar. Guess what...this group performed as well as the “free” group.

Finally, he changed the description of the incentive to a “50 cents Snickers Bar”.....and the rate of performance fell to the bottom.

Importantly, he tested a group with a monetary incentive, and then tried to go back to a social norm. Guess what...he showed that you cannot get back to the social contract norm once you have crossed it.

So, the social contract is much more powerful in instilling good behavior, money only works nearly as well if the receiver perceives it as “reasonable,” but then not as strong, and once you cross into monetary from social, you can’t get back. Do you think that might affect your leadership style and how you relate to people with regards to retention in the Navy? And one last tip - don’t ever mention how much something costs on the menu when you go out on a date!

Every year, employee theft and fraud in the workplace, white collar crime committed by good and generally honest employees, is estimated to cost the U.S. economy approximately 600 billion dollars (not counting the Madoff scandal). This amount is probably conservative when you think about false income taxes, fraudulent insurance claims, and false travel claims.

Professor Ariely wanted to know why - why this amount dwarfs that from what may be called “blue collar crime,” such as bank robberies and

the like. So, he set up an experiment at Harvard Business School. He found several groups of graduate students and gave them a simple 50 question test across a number of disciplines – for example, “Who wrote Moby Dick,” “Who was the Greek God of Beauty?” etc. They had a fixed time (time pressure) and were told they would get 10 cents per correct answer (a monetary incentive, but not too big an incentive).

He then broke them into four groups:

- Group 1: turned in their answer sheets, so they had no chance to cheat. **(32.6)**
- Group 2: self-check (transferred answers to another sheet with the answers, turned in both sheets; Could cheat when they transcribed their paper, but could get caught). **(36.2)**
- Group 3: self-check and then shred the original (no chance to get caught). **(35.9)**
- Group 4: Self check and shred plus money jar (no chance to get caught and could have license to take what they wanted). **(36.1)**

He compared the rates of cheating across the four groups and was very surprised to learn...

- When given the opportunity, many honest people will cheat. In fact, the majority cheated, but just a little bit.
- And, when given complete license, they still cheated just a little but had an internal mechanism to stop. In fact, with over 2,000 students, only four got a perfect score.

○ They didn't seem to be influenced by the risk of getting caught. Now before you say this is just Harvard, similar experiments at MIT, Princeton, UCLA, and Yale yielded nearly identical results.

So if we care about this, we must face the reality that for many, their ethical monitors are active only when they contemplate big ethical transgressions, and they can comfortably have many small transgressions over a lifetime without seeming to care. Does that make you nervous?

This corresponds to many of the cases that I review. They start out as a series of small transgressions by an officer, which at some point, cross a threshold of no return, or cascade into bigger ones. I wonder if Bernie Madoff or ENRON began all those years ago with just a "skimming" a small amount off the top, thinking he could make it up with just one good investment, and then got in over his head when he couldn't make up the losses.

So, Professor Ariely ran another experiment to see if he could counteract this effect. He created a 20 question math test and gave individuals a short time (five minutes) to take it. Before starting the test, he told them that the individuals with the most correct answers would be entered into a lottery to win 10 dollars – again, not a lot of money, but there was a time pressure and a monetary reward that incentivized cheating. Similar to the previous experiment, he broke them into three groups – a control group with no chance to cheat and two groups that either had the opportunity to cheat by copying their answer sheets (could be caught) or copying their answer sheets and shredding the originals.

Then, he did one other thing. The control group was again given no chance to cheat. For the group that turned in the original and the copied answer sheets - he asked them to write down 10 books they had read on the paper before they took the test. Now for the test - for the group that had complete license to cheat (shredded the test), he asked them to write down as many of the Ten Commandments as they could remember before they took the test. Lo and behold, the results showed that the group asked to write the Ten Commandments scored exactly the same as the control group that didn't have a chance to cheat. The group that wrote the list of books scored 33 percent higher and clearly looked at the answer sheet.

Think about it – for the group that was asked to write down the Ten Commandments, just the simple reminder of an ethical code set their internal mechanism to block their inclination to cheat, even though they had complete license to do so. And, it doesn't have to be the Ten Commandments - Ariely repeated the experiment and just asked them to write, “I am under an honor code for this test,” and he achieved the same results!

Next, he wanted to see how individuals reacted to a “white collar” crime versus a “blue collar crime” (e.g., knowing you were taking money from someone). This time, he snuck around to the common area refrigerators in the MIT dorms - similar, I imagine, to the refrigerators in your company wardrooms, if they still have them. Feel free to run this experiment and test it here. Without anyone looking, he placed in each one a six pack of Cokes. Then, he began to measure the half-life of those

Cokes. Now how long do you think they lasted? Well, they lasted about 72 hours before all of them were gone.

Then, he did something else. He went around to the same refrigerators and placed in each one a paper plate, each holding six one-dollar bills. What do you think happened to the Cokes now? Surprisingly, they all stayed in the refrigerator, untouched, for over 72 hours before he removed them.

So what enables us to rationalize an ethical violation when it's a non-monetary object - like a coke, or maybe a government pen, or a long distance phone call from a government line - and what restrains us when it is cold cash of a lesser value?

Ariely knew he was onto something - something that I think you might consider. Ariely believed that the further detached we are from the ethical reality of the event, the easier it is to violate an ethical code. In other words, when the act affects a non-monetary item and is removed from the reality of "cash," rationalization and ethical short cuts become easier. But how to prove it?

So, he repeated the first experiment again with one change. Remember, there were four groups taking a simple 50 question test with each question worth ten cents.

- Group 1: turned in their answer sheets – no chance to cheat **(32.6)**.
- Group 2: self-check (transfer answers to another sheet with the answers; Could cheat when they transcribed their paper, but could get caught) **(36.2)**.

- Group 3: self-check and then shred the original (no chance to get caught) **(35.9)**.
- Group 4: self-check and shred (no chance to get caught and then could have a license to take what they wanted).

But now, Ariely paid each of the first three groups in cash when they turned in their papers - and the rates were nearly identical to the previous test. But for the fourth group, he explained to them that they would receive a “token” that was worth the same amount of money per question. After the testers gave them the token, they could go to another desk to claim their money. The researchers weren’t sure what was going to happen, so they were shocked when the correct answer rate “and cheating rate” jumped to the highest level they had seen on any of the tests. It was as if the “detachment” from actually taking cash in exchange for handing in a test (facing another human being and taking money from them for “cheating”) had a chilling effect.

What does this all mean for us? I find it hard to open a news web site and not read stories of financial fraud, or medical fraud, or some other breakdown in professional ethics. In fact, in international surveys, the United States is rising in the ranks of countries with corruption. At the bottom (least corrupt) are Finland, New Zealand, and Denmark. At the top are Somalia and Myanmar. Should we be worried? I can tell you, after spending time in parts of the world where financial transactions are risky at best, and with corrupt governments and businesses, it is not a place we should aspire to be heading as a nation.

Actually, we have, by custom and tradition, put in place safeguards to bind us together and remind us of our ethical responsibilities. In reality, these are the factors that replenish our faith in our Navy and each other, and why this evening is so important.

All of us take an oath of office at every promotion, reenlistment and publicly reaffirm our allegiance to the Constitution....and Ariely's work shows the oath is a powerful influence on our professional lives. We live under an honor code we publicly affirm - that reminds us each day of the professional ethic and does not differentiate between "minor" violations and major ones - our ethical radar is therefore always functioning. We study of moral reasoning - places like the Stockdale Center are essential not only for the Academy, but also for the nation.

Most importantly, in our profession, all levels of leadership are tied together such that there is a clear understanding of action and consequences. It is this immediate tie of action and consequence which I believe is the strongest tie in ethics to overcome our nature. Our ethos and our social contract with our Sailors - health care, concern for their quality of life, taking care of families, education, are more powerful than purely monetary incentives. If the social connection is ever lost, I perceive the power of ethical reasoning will also fail.

This personal responsibility for action and consequence, for me, has been the strongest motivator of ethical conduct. In my service life, I knew that other lives depended on my actions and professional integrity, and that I depended upon them. To me, that is the strongest bond we hold in the

service. And it is one you will rarely find outside of our profession - regardless of designator.

I will conclude by saying we are very fortunate to have young people such as you in our Navy, who understand the importance of our oath, of living according to an honor code and learning and talking about ethics. And, you should never forget that these little things we do, that you may shake your head at, have a very powerful effect on the overall ethic of the Navy and the nation.

Congratulations again to all of the awardees and thank you for the privilege of speaking here tonight.