LECTURE ON THE PRESENTATION OF THE BOOK "ACADEMIC PROOF THAT ETHICS PAYS"

My name is Jacques Cory, I am a businessman, who encountered so many cases proving that ethics does not pay that I decided to write a PhD dissertation on the topic of business ethics or rather wrongdoing to minority shareholders. Actually, when I started to conduct my academic research in 1997, 20 years ago, I discovered that nobody has ever researched this topic at an academic level and I was the first one to do so. I found the rules that govern the wrongdoings and presented my dissertation to the University of Paris in French in 2000, but it was rejected as they thought that my rules are not substantiated enough. So, I published the dissertation in two books in English and they were published by Kluwer, and later by Springer, in 2001, a few months before the corporate scandals of Enron, WorldCom, etc. Those scandals obeyed exactly the rules that I have discovered and at last I had a proof, a smoking gun evidence. I prepared a revised version of my dissertation and CNAM at Paris gave me at last my PhD with distinction in 2004, "as a present for my 60th birthday", and I started to teach right after.

I taught for ten years, mostly at the University of Haifa and the Naval Academy, but also at INSEAD, the University of Tel Aviv, the Technion and other universities. My courses were based on group dynamics, focused on dozens of case studies based on my experience as a businessman, and of role playing on the ethical dilemmas of protagonists in plays and films, such as All My Sons, An Enemy of the People, Erin Brockovich, Wall Street, The Great Gatsby, Jean de Florette, The Visit of the Old Lady, The Insider, The Merchant of Venice… The students at the end of the course came to me and said: "Thank you for the excellent course, at last we know what is an ethical dilemma, but we learned that in almost all the cases in your case studies and in your plays, ethics does not prevail and the crooks and corrupt take it all. You teach us that all the Wall Street's crooks were not sentenced, although they brought about the Great Recession and the only one who paid for his crimes was Bernie Madoff!" But, I answered, there are plenty of cases that ethical businessmen became very rich, in the US – Warren Buffett, in Israel Stef Wertheimer, and there are also Buffett, Wertheimer, the Tylenol case, plenty of cases, but I had to admit that to the best of my knowledge ethics doesn’t pay!

So, I was quite stuck, when "as a present for my seventieth birthday" I lost my hearing, and I could no more teach, participate in conferences, in meetings, in Boards. The Chinese say that every crisis is also an opportunity, and I found that I had all of a sudden plenty of time to think and the peace of mind to write. After publishing 12 books in 12 years since 2001, I published 12 eBooks and dozens of essays and articles in the last three years. They were on all the topics that interested me – geography, literature, drama, autobiographies, politics, the Israeli-Palestinian Conflict, languages, culture and philosophy, children books, and of course academic books on capitalism, social justice, ethical codes and case studies, business ethics…

In my book "Ethics Pays", I proved that the most ethical countries in the world, according to Transparency International (TI) Corruption Perceptions Index, are also the best countries according to the most salient parameters of performance, tangible and intangible, in data and values as well. However, I was often asked how I can assess such an unequivocal conclusion according to fifty different parameters with results which are not always identical. Many unethical businessmen and politicians are trying to refute once and again that ethics does pay, as we have to live according to the laws of the jungle, to Machiavellian precepts, the survival of the fittest (the crookest?), that sustainability is a myth, that the company has only one purpose to maximize profits, that the most profitable companies are also the most corrupt, etc.

I have therefore decided to devise an index that I have called Cory's Index, which integrates 50 of the most salient and unequivocal parameters and gives a common determination to the performance of countries. I calculate the average ranking of every country in all those parameters, the most salient and unequivocal, devised by the most objective organizations, in the same period, with a large number of countries in every table. As the countries with the best ranks and scores are also the most ethical and have a very strong statistical correlation it proves my thesis that Ethics Pays. Cory's Index comprises 50 parameters – tangible and intangible, data, values, quantitative and qualitative, with a balanced distribution between its components. No other index comprises such a varied and large list of parameters and it gives in the most salient way the status of the country from all its angles, based on data gathered by the best sources – UN, CIA, World Economic Forum, World Bank, and well-known institutes.

The 50 parameters include quantitative parameters, such as GDP Per-Capita, GDP Growth Rate, Industrial Production Growth Rate, Gross National Saving, Budget Surplus or Deficit, Net Government Debt, Inflation Rate, Current Account Balance, The Size of the Shadow Economy, Global Competitiveness, International Innovation, Ease of Doing Business, Financial Development, Soundness of Banks, Credit Rating, Globalization, Networked Readiness, Poverty, GDP Per Hour Worked, Economic Freedom, Unemployment Rate, etc. But they include also qualitative & social parameters, such as Education, Health, Democracy, Human Development Index, Income Inequality/Distribution of Family Income/Gini Index, Distribution of Wealth/Wealth Per-Capita, Quality of Life and Wellbeing, Culture and Media Composite Parameter, Gender Inequality, Social Progress, Global Peace, Fragile States Index, Human Freedom, Press Freedom, Environmental Performance, Ranking of Happiness, etc.

In TI's Index, each year countries are scored on how corrupt their public sectors are perceived to be. It is a combination of surveys and assessments of corruption, collected by a variety of reputable institutions. The CPI is the most widely used indicator of corruption worldwide. Corruption comprises illegal activities, which are deliberately hidden and only come to light through scandals, investigations or prosecutions. There is no meaningful way to assess absolute levels of corruption in countries or territories on the basis of hard empirical data. Capturing perceptions of corruption of those in a position to offer assessments of public sector corruption is the most reliable method of comparing relative corruption levels in countries.

I compare Cory's Index to Transparency International's Corruption Perception Index in 2014. I have found in my analysis of TI' indices over the years that there are very few changes in the ranking of ethical countries (about 40, scored 60+). But as I wanted that the periods surveyed would concur as much as possible to TI's Index, I have included in Cory's Index the most recent data, mainly from the last decade, and in most of the cases for the period of 2012-2014. After choosing the parameters and analyzing them I reached the conclusion that for the first time there is an academic proof at the macro level of countries that Ethical Countries obtain the top performance in the composite index of all the parameters with a very strong correlation. I figured that if I'll find that there is a clear correlation between the two indices I'll prove my thesis, but I never figured that all the first 13 countries in TI's Index, the Top 13 ethical countries are exactly the same as the first 13 countries in Cory's Index: Denmark, New Zealand, Finland, Sweden, Norway, Switzerland, Singapore, Netherlands, Luxembourg, Canada, Australia and Germany; with only one exception in each Index – Iceland & Austria.

There are many ways to analyze those differences in order to find if there is a correlation between the two indices. I analyzed it by finding the Spearman's rank correlation coefficient. In statistics, Spearman's rank correlation coefficient or Spearman's rho **ρ**, is a nonparametric measure of rank correlation (statistical dependence between the ranking of two variables). It assesses how well the relationship between two variables can be described using a [monotonic](https://en.wikipedia.org/wiki/Monotonic) function. In [mathematics](https://en.wikipedia.org/wiki/Mathematics), a monotonic function (or monotone function) is a [function](https://en.wikipedia.org/wiki/Function_%28mathematics%29) between [ordered sets](https://en.wikipedia.org/wiki/List_of_order_structures_in_mathematics) that preserves or reverses the given [order](https://en.wikipedia.org/wiki/Order_relation). This concept first arose in [calculus](https://en.wikipedia.org/wiki/Calculus), and was later generalized to the more abstract setting of [order theory](https://en.wikipedia.org/wiki/Order_theory). The Spearman correlation between two variables will be high when observations have a similar rank, relative position label of the observations within the variable: 1st, 2nd, 3rd, etc., or identical for a correlation of 1. If the ranks in the two tables are identical the correlation is 1 and the closer the rho is to 1 the higher is the correlation, which is set according to the distance from 0.

The formula of the Spearman's rank correlation coefficient is:



*  is the difference between the two ranks of each observation.
* *n* is the number of observations

In our case we calculated the sum of the squared differences between the ranks of each one of the 38 ethical countries in Transparency International's Index and in Cory's Index, between the ethical performance/low corruption and the qualitative/quantitative performance of those countries (20 out of the 38 have a minimal difference between 0 to 4 and 5: 5-6). The rho is therefore: 1 – 0.243 = 0.757, which is a very good correlation, very close to 1. Rho values from 0.75 to 1 point to very good to excellent correlation between the variables, with very strong relationship, and we have received here a Rho that is higher than 0.75. The very high correlation is due to the fact that the difference between the ethical and prosperity rankings of almost all the ethical major economies as well as the smaller ethical countries is quite low, proving statistically for the first time that Ethics Pays at the level of countries when we compare the ethical and prosperity performance of the ethical countries, which measures qualitative and quantitative prosperity in 50 parameters of GDP, happiness, social progress, democracy, innovation, human development, peace, indebtedness, equality, employment, ecology, etc. In a nutshell – the ethical countries have the best prosperity and quality of life!

Other scholars may devise similar or different parameters in order to validate or refute my thesis that "Ethics Pays". The subject is so important, in view of the deterioration of ethics, that I'll be honored and welcome prominent professors, authors, politicians, businessmen, economists, prominent people, universities, newspapers and organizations to cooperate with me or devise surveys, researches, parameters and indices of their own. There are hundreds of relevant parameters and I had to sort out which ones are the best, most salient and relevant parameters, with the best sources, the largest international coverage, the most recent data, with the right balance, not too many parameters and not too few. As I had to integrate them in one Index those parameters had to be ranked with a country comparison, and as there are 50 parameters in Cory's Index, the weight of each parameter is 2% of the total. It would be very interesting to validate or not the assumption that Ethics Pays at a country level. I presume that this assumption will be validated in every configuration, I myself have proposed 22 more parameters (72 in total). There might be changes in correlations, some countries might be added or subtracted, but I presume that the Rule that Ethics Pays for countries will prevail in any configuration, as I have managed to prove for the first time in an academic research.