

## American Business Ethics in the 1920s : Perspectives on Codes of Ethics

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Business ethics became a burning issue among business leaders and academicians in the United States in the 1920s. The era saw a plethora of publications focusing on codes of ethics formulated and enacted by business, industrial, and trade organizations. This paper considers the rise of interest in business ethics and the activities it provoked from the perspective of the history of economic thought.

First, I discuss codes of ethics established by the trade associations for a number of industries and examine the public response to them at the time. I then discuss how and why the ‘social responsibility of business’ emerged as an important issue in the early 20th century, treating Owen Young, a business leader, and Wallace B. Donham, a dean of the Harvard Business School. Finally, I examine the ideas of Edgar L. Heermance, John Maurice Clark, who were authors of important works on business ethics. Heermance, for example, recognized that codes

of ethics in business reflected the interests of the commercial organization, but, he argued, they were significant in establishing the standards of human conduct that 20th-century economic life required. Similarly, Clark regarded the codes as an “informal control” that was important in maintaining stability in business activities. He also criticized the codes for being too narrowly focused on obligation; he argued for the inclusion of “some pre-existing sense of duties.”

Those most heavily involved in business ethics in the 1920s recognized that the codes of ethics were based primarily on the interests of trade and industry. Yet they also understood that the codes offered a way to respond to challenges posed by the major themes in economic thought at the time: to make businessmen aware of their responsibility to the public and to act as agents of social control of business.

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