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## Honesty really is the best corporate policy, writes EST founder

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By Editorial Staff      Thu, Mar 27, 2014

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*Werner Erhard, the former salesman who reinvented himself as a self-help guru, who was vilified on '60 Minutes' but later vindicated, wants to restore integrity to the world of finance.*

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In a prolix but passionate 65-page manifesto, Werner Erhard—the person who decades ago founded the self-help method known as EST—and Michael C. Jensen of the Harvard Business School, ask why financial corruption persists and suggest a New Age-ish solution for it.

The paper, “Putting Integrity into Finance: A Purely Positive Approach,” has just been published by the respected National Bureau of Economic Research. It finds a lack of integrity in the financial world and proposes “adding integrity as a positive phenomenon to the paradigm of financial economics.”

Erhard, now 78, and Jensen define integrity, in practice, as something as simple as keeping your word and telling the truth. Lack of integrity, as well as a failure to recognize lies or a tendency to rationalize them, accounts for what they call the “seemingly never ending scandals in the world of finance with their damaging effects on value and human welfare.”

They argue that people act without integrity (in other words, lie) because it appears to be in their self-interest even though that behavior will eventually hurt them, their companies, and/or the public. They list several violations of integrity that they consider common practice in the financial world:

- Manipulating earnings reports
- Inflating analyst recommendations
- Making acquisitions with inflated stock
- Acting counterproductively to maximize bonuses
- Market-timing (after-hours trading)
- Using accounting to distort company health
- Claiming that you’re honest when you’re not

Ultimately, the paper suggests that acting without integrity eventually makes a person miserable. But “when you keep or honor your word to yourself and others,” the authors write:

- You are at peace with yourself, and therefore you act from a place where you are at peace with others and the world, even those who disagree with you or might otherwise have threatened you.
- You live without fear for who you are as a person.
- You have no fear of losing the admiration of others.
- You do not have to be right; you act with humility.
- Everything or anything that someone else might say is OK for consideration. There is no need to defend or explain yourself, or rationalize yourself; you are able to learn.
- This state is often mistaken as mere self-confidence rather than the true courage that comes from

being whole and complete, that is, being a man or woman of integrity.

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