

of temptation. Also, what is more, time is working against us as we try to curb this problem. I said in Chapter 4 that when social norms collide with market norms, the social norms go away and the market norms stay. Even if the analogy is not exact, honesty offers a related lesson: once professional ethics (the social norms) have declined, getting them back won't be easy.

THIS DOESN'T MEAN that we shouldn't try. Why is honesty so important? For one thing, let's not forget that the United States holds a position of economic power in the world today partly because it is (or at least is perceived to be) one of the world's most honest nations, in terms of its standards of corporate governance.

In 2002, the United States ranked twentieth in the world in terms of integrity, according to one survey (Denmark, Finland, and New Zealand were first; Haiti, Iraq, Myanmar, and Somalia were last, at number 163). On this basis, I would suspect that people doing business with the United States generally feel they can get a fair deal. But the fact of the matter is that the United States ranked fourteenth in 2000, before the wave of corporate scandals made the business pages in American newspapers look like a police blotter.²² We are going down the slippery slope, in other words, not up it, and this can have tremendous long-term costs.

Adam Smith reminded us that honesty really is the best policy, especially in business. To get a glimpse at the other side of that realization—at the downside, in a society without trust—you can take a look at several countries. In China, the word of one person in one region rarely carries to another region. Latin America is full of family-run cartels that hand out loans to relatives (and then fail to cut off credit when the