

# ETHICS IN REAL ESTATE

*Research Issues in Real Estate, Volume 5*

Edited by Stephen E. Roulac

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**As Reviewed by  
Bowen H. "Buzz" McCoy, CRE**

## RELATED READING RECOMMENDED BY THE REVIEWER

- PETER DRUCKER - anything by him
- JOHN GARDNER - two books, *On Excellence* and *Self-Renewal*
- ROBERT GREENLEAF - pamphlets on servant leadership
- CHARLES S. MCCOY - *Management Values*
- PETERS & WATERMAN'S *In Search of Excellence*

## ABOUT OUR REVIEWER

**Bowen H. "Buzz" McCoy, CRE**, is past president of *The Counselors of Real Estate*. In addition to professional activities, he teaches business ethics at graduate business schools. He also teaches adult education classes in Christian theology and ethics in local churches and at the Graduate Theological Union at Berkeley, California.

*ethics in Real Estate*, "Research Issues in Real Estate," Volume 5, consists of 15 papers concerning ethics in real estate, organized into topical headings as follows: policy issues, industry practice, environmental issues, ethical issues in the context of transactions, and tenants and ethics. All but two of the papers are written by academics, and thus the general thrust of the volume is a rational, social science approach to ethics.

Several contributors deal with a perceived stigma which attaches to real estate as not always being honest or honorable. One paper states that many believe real estate professionals will cheat and lie, especially when there is an economic downturn. Several papers state that ethics requires a moral community to nourish and support it, and real estate is not always that kind of community. In real estate, the law of *caveat emptor* prevails, and the client must take care of herself. In such an environment, ethics is described by one paper as a longing for goodness, a desire to serve others, and a desire for integrity. Professionalism begins to emerge from such a normative community when one approaches a client in an atmosphere of trust, rather than "buyer beware." Such professionalism has

difficulty emerging if the community does not support it. In this context, one paper points out that the United States ranks but 16<sup>th</sup> in a list of 52 of the less corrupt political economies in the world.

Rational decision-making seems to condone a little bit of cheating. One contributor even analyses the cost benefit of corruption, seeking to describe an equilibrium where corruption is optimized in terms of benefits to transactions and costs to society. If we base our ethical thinking on group norms, it seems to me that ethics becomes uprooted, cast adrift. We can easily see in our society in recent years how group norms change over time, making

sweeps from conservatism to liberality. This is so in terms of standards of business dress, smoking habits, expressions of sexuality, gender and race issues; and it carries over into such areas as anti-trust, price-fixing, and even the payment of social security taxes for part-time help.

How do we find something we can hold onto in the area of ethical thinking? Dante attempted to provide an answer to this 700 years ago. Dante encouraged the readers



of the "Divine Comedy" to look for: 1). The surface story line, where we each spend most of our lives; 2). The allegorical level, where we use our favorite stories and heroes to make meanings out of our experience; 3). The moral level, the mores of society, the limits of behavior which society conventionally allows from time to time; and 4). The ethical level, the deep, the spiritual, the religious, where we make our intuitive meanings. Thus, a system of law or morality, which is not rooted in the deep ethical level, is without a foundation. The issue then becomes, in a multi-cultural, pluralistic, value-free global economy, whose religion do we use?

If one is Christian, a good place to start is the Great Commandment to love God with all your heart and soul and mind and spirit; and the great corollary, to love your neighbor as yourself. This occurs five times in the New Testament. Interestingly, it also occurs twice in the Hebrew Bible and at least once in the Koran. So, it is one of the great explicit societal organizing principals of three of the world's great religions. I would posit that it is implicit in each of the other great religions as well.

Peter Drucker, our durable and relevant 90 year-old sage of business management, describing the leader of the future, states that a leader must believe in himself, have a genuine love of people, and feel a transcendent passion for the mission of the enterprise. To me, this resonates perfectly with the Great Commandment and its corollary, but expressed in purley secular terms. Drucker goes on to state that a leader for the future must have the emotional strength to manage anxiety and change. Each of the world's great religions likewise focuses on centeredness, a sense of

inner calm and peace, a sense of knowing who and whose you are, and a diminution of the personal ego.

In his opening paper, Stephen Roulac demonstrates that he understands this deeper level of ethics. It is interesting that he chooses Buddhism to support his faith-based ethics, focusing on three of the practices from the eightfold path to enlightenment: right speech (disclosure and honesty); right action (competence, fiduciary responsibility, and trust); and right livelihood (honoring the land). I have no problem with his having chosen that particular religion. In a globalized economy, with real estate becoming increasingly linked to worldwide money and capital markets, we must develop a faith-based system of ethics which encompasses all the great religions. I am intrigued, however, that he does not find the Judeo Christian ethic, which is currently the underpinning of the global marketplace, to have some value as well.

A few of the other contributors tip their hat to religion and spirituality, but they are not certain how to make it apply to a business situation. It is ironic that all the social sciences, including organizational ethics, are a direct derivative of theology. In fact, both Adam Smith and Peter Drucker were trained as theologians. Yet, since the Enlightenment, an academic loses credibility when he moves off his rational knowledge base into faith-based ethics.

We may ask whether there even is such a thing as real estate ethics. If there is, it is a derivative of business ethics, which itself comes out of organizational ethics, itself a subset of societal ethics. By focusing on real estate, as the book does, one can examine current practices ranging from brownfields to bro-

kerage transactions. It is interesting to grapple with the key issue of how to be successful financially and still ethical in a business which does not always follow ethical principles.

I personally prefer a broader approach to organizational ethics. I would recommend to the interested reader almost anything written by Peter Drucker. An interesting book is *Management of Values* by Charles S. McCoy (no relation). McCoy has a theory of covenantal ethics, which obviously has Hebrew origins and permeates the federal, covenantal societies of today. A good leader is sensitive to the implicit and explicit covenants contained in the culture of an organization, and he attempts to lead by resonating with them, not by manipulating them. Robert Greenleaf's pamphlets on servant leadership remain relevant, as do John Gardner's two treasures: *On Excellence* and *Self Renewal*. Finally, I have always felt that Peters and Waterman's *In Search of Excellence*, is a deeply ethical book as it concerns leadership through the building of values.

I would conclude that the chief difference between a profession and a job is that a profession has an ethical underpinning. A profession denotes an unbiased service or value creation for the other and not only personal aggrandizement. This notion is contained in the 15 papers in the book, but it takes a bit of work to dig it out. REI