"Read this book . . . for [Callahan's] eye-opening portrait of the way we live now, his sobering analysis of how we got here and his prescient warning of where we may be headed if we don't get back our bearings."—LOS ANGELES TIMES

THE CHEATING CULTURE

UPDATED WITH A NEW AFTERWORD

WHY MORE AMERICANS ARE DOING WRONG TO GET AHEAD

DAVID CALLAHAN

CHAPTER ONE

"Everybody Does It"

I PLAYED A LOT OF MONOPOLY GROWING UP. LIKE MOST PLAYERS of the game, I loved drawing a yellow Community Chest card and discovering a "bank error" in my favor—"Collect $200!" It never occurred to me not to take the cash. After all, banks have plenty of money and if one makes an error in your favor, why argue?

I haven't played Monopoly in twenty years, but I'd still take the $200 today. And what if a real bank made an error in my favor? That would be a tougher dilemma.

Such things do happen.

Just to the east of where the Twin Towers once stood is a twenty-six-story office building that houses the Municipal Credit Union of New York City. The credit union has 300,000 members—federal, state, and city government employees—and over $1 billion in assets. Although a number of buildings near Ground Zero sustained serious damage when the towers came down, the MCU's glass-and-steel building on Cortlandt Street survived unscathed. However, the credit union did suffer a major computer failure that severed its link to the New York Cash Exchange (NYCE), the largest network of automatic teller machines in the Northeast.

The network managers at NYCE quickly detected the severed link. The problem meant that while credit union members could withdraw money at cash machines, NYCE couldn't immediately track these transactions or prevent members from overdrawing their accounts. NYCE leaders managed to get through to the credit union staff, even though the organization was in chaos. They posed the following choice: With just a few strokes on a computer keyboard, NYCE could cut off all cash withdrawals until the severed link was restored—which could take several weeks—or NYCE could let the cash keep flowing and sort out the withdrawal records later. Theoretically, anyone with a credit union ATM card could take out as much money as they wanted. The credit union would have to assume that risk. What did it want to do?

The Municipal Credit Union of New York is one of the oldest credit unions in America, founded more than eight decades ago. It is guided by an ethos of self-help and pooled aspirations. Many of its members are firemen and policemen and, in the wake of the attacks, it was widely assumed that some of these people had perished just across the street from the MCU's office. There was no way the credit union would prevent its members and their families from accessing their money at a time of crisis. Thomas Siciliano, the general counsel of the credit union, said later: "We felt it would have hurt them badly and added to the chaos of the city." The MCU trusted them to use their ATM cards responsibly.

Credit union members realized early on that their ATM use wasn't monitored and that there was no limit to how much cash they could take out. As word spread, withdrawals skyrocketed. As many as 4,000 members overdrew their accounts, some by as much as $10,000. One member used his card more than 150 times between late September and mid-October.

In November, the computer link with NYCE was finally restored. As the credit union got back to normal, it pieced together the full record of cash withdrawals after September 11. Those who had overdrawn their accounts had left a substantial electronic trail, and the MCU set about tracking them down. Siciliano led this work. He initially suspected that most of the members' overdrawing had occurred by accident, or maybe was prompted by emergency needs. The MCU assumed the best of its members, even those with average bank balances of less than $100 who had withdrawn thousands of dollars in just a few weeks. "We try to understand people," Siciliano says. "We're not just about the bottom line."

The MCU sent letters to those with overdrawn accounts listing the money that was missing and asking for repayment. While some money was repaid, many letters got no response. More letters were sent—notarized letters with threats. After months of appeals, $15 million was still missing. At that point, the MCU called in the authorities. A criminal investigation, led by Manhattan District Attorney Robert Morgenthau and the New York City Police Department, extended into the following summer. It resulted in scores of arrests.

A FEW BLOCKS AWAY from the credit union's offices, another investigation was reaching its climax in the spring of 2002, this one at Merrill Lynch's newly repaired global headquarters on Vesey Street. After September 11, Merrill Lynch had scattered 9,000 employees around back-office facilities in New Jersey and midtown. Months passed before it was able to move back downtown. When Merrill did return, morale at the company was low. Huge layoffs had depleted its ranks and profits were down in the new bear market. Worse, Merrill found itself cornered in a criminal probe led by New York State Attorney General Eliot Spitzer.

Before his assault on Wall Street made him famous, Spitzer was an obscure state official. Those who did know him were reminded of a character straight out of early-twentieth-century

America. Wealthy by birth, with a father who bankrolled his political career, Spitzer is a muckraking crusader for the public interest.

Merrill Lynch had come to Spitzer's attention in a circuitous fashion. In early 2001, a Queens pediatrician named Debases Kanjilal hired a lawyer to pursue a civil suit against Merrill. Kanjilal was among the legions of investors who got burned when the NASDAQ cratered in 2000. Specifically, he had lost $500,000 on a single Internet stock, InfoSpace. Kanjilal's instinct had been to sell InfoSpace when it was trading at $60 a share. But his broker at Merrill Lynch had urged him to hold on to the stock, advice that reflected Merrill's public research reports that recommended InfoSpace as a "buy" stock. Standing behind those research reports, and affirming their recommendations in his TV appearances, was Merrill's star analyst and "Internet stock guru," Henry Blodget.

It is hard today to appreciate the influence once wielded by Blodget. Just over thirty years old in 2000, Blodget was a Yale grad who had never aspired to stardom on Wall Street. He had tried instead to make it as a writer, and when that didn't work out, his father rescued him from unemployment by helping him land a position at Prudential Securities. Blodget's career was unremarkable until he shot to fame in 1998 with his prediction that Amazon's stock would reach the unthinkable price of $400 a share. When the stock did, in fact, hit that level a month later, Blodget was hailed as an oracle. Shortly thereafter he moved to Merrill Lynch with a $3 million contract. There, he reigned as the single most visible adviser to investors hoping to score big in the Internet gold rush. Blond and affable, with telegenic good looks, Blodget was everywhere with his stock predictions as well as broader prognostications about the new economy.

What Blodget didn't mention to CNBC junkies or Merrill Lynch's own clients was that his role at Merrill went far beyond analyzing stocks. Like other star analysts of the time, he also became deeply involved in Merrill's investment banking business, helping to bring Internet companies—and fat underwriting fees—to Merrill. One of the companies Merrill's investment banking division represented was Go2Net, a company that InfoSpace was in the process of purchasing in 2000. Merrill had a financial interest in InfoSpace's stock price staying high so that the deal would go through.

Debases Kanjilal held on to his InfoSpace stock even as it declined steadily. Finally he sold at $11 a share and took a staggering loss. At the time Kanjilal sold, Merrill and Blodget were continuing to recommend InfoSpace to investors. Kanjilal's losses were part of an estimated $4 trillion that investors lost when NASDAQ crashed. Big-name analysts hyped many sinking tech stocks with the same enthusiasm they'd shown in pumping them up. For example, as of May 2001, Morgan Stanley's top Internet analyst, Mary Meeker, was still bestowing her once-coveted "outperform" rating on Priceline, then down from $162 to $4, and on Yahoo!, down from $237 to $19.50.

Kanjilal's lawsuit against Merrill Lynch attracted the attention of Eliot Spitzer's office not long after it was filed. Initiating a criminal investigation, Spitzer uncovered a shocking pattern of public deceit and conflict of interest at Merrill Lynch. He found e-mails by Henry Blodget privately ridiculing the same stocks that he and Merrill were publicly pushing. "A piece of junk," Blodget had called InfoSpace, even as he recommended it. He privately called other stocks a "pos," or piece of shit. Spitzer also found a memo in which Blodget detailed the compensation he deserved for bringing in investment banking business—a memo that flatly contradicted Merrill's claims that analysts were not rewarded for playing such a role. As a result of the investigation, Spitzer charged that Merrill Lynch's "supposedly independent and objective investment advice was tainted and biased by the desire to aid Merrill Lynch's investment banking business." In Spitzer's view, the behavior by Merrill and Blodget constituted securities fraud, a serious felony.[1]

Spitzer's evidence against Merrill Lynch resulted in the company agreeing to pay a $100 million settlement. This case turned out to be just the first step in a larger investigation of other top Wall Street firms that had engaged in a range of abuses by insiders, which culminated in a historic $1.4 billion settlement in 2003.

And what happened to Blodget? Not much. Saying he wanted a "lifestyle change," Blodget had accepted a November 2001 buyout offer from Merrill worth an estimated $5 million. He spent his days working on a book for Random House and meeting regularly with lawyers. In 2003, Blodget settled with Spitzer's office, agreeing to pay a $4 million penalty—yet admitting no wrongdoing. The settlement was easy enough to afford. Blodget had pulled in nearly $20 million during his brief star turn at Merrill.

HENRY BLODGET and the ATM looters have nothing in common and much in common. Blodget was among the ranks of the big winners in the new economy—the very top earners who saw unprecedented income gains during the boom of the 1990s. His education and background had helped him to secure his place in the Winning Class: successful parents, private schools, Yale University, connections on Wall Street.

The ATM looters, by contrast, were among the far larger ranks of Americans who had either stayed put economically or realized only modest gains during the boom years. They occupied the lower rungs of what Robert Reich has called the Anxious Class, and the 1990s were not easy for them. Although median wages for workers near the bottom crept up in the latter part of the decade, these gains did not make up for wage losses since the late 1970s and, in any case, were wiped out by large increases in the cost of living across the New York area. Records from the DA's office indicated that most of the ATM looters lived paycheck to paycheck with little money in the bank for emergencies. Some had average balances below $100 for months on end.

Economically and culturally, Henry Blodget and the ATM looters might as well have lived on separate planets. What they have in common is that both did wrong—yet both squarely identified themselves as upstanding citizens. Many members of the Municipal Credit Union work for the very authorities that enforce law and order in New York City. They would never have contemplated robbing a bank. But, hey, if a cash machine starts spitting out free money, what are you going to do? Meanwhile, Blodget did not begin his career on Wall Street imagining that one day he'd end up in the crosshairs of the state attorney general, and in many ways Blodget was simply the fall guy at Merrill Lynch. A close reading of the e-mails uncovered by Spitzer shows that Blodget often caved to company pressures to hype stocks and was uncomfortable with his role. At Merrill, like many other financial services companies, the investment bankers were notorious for leaning heavily on the analysts to say the right things about the stocks of important clients.

Blodget made millions playing by the rules of a deeply corrupt game. Plenty of other analysts did the same thing and many thought nothing of it. "The system was sordid," says one analyst who worked at Prudential during this period. "But because everyone knew it was sordid, it no longer seemed sordid anymore." As the analysts saw it, the big institutional investors on Wall Street were not naïve, and they weren't stupid enough to believe even half of what research analysts tied to investment banks said about the companies their banks represented. "Everyone knew how the game was played," says the former Prudential analyst. Analysts hyped stocks because they had to, and serious investors simply ignored them.

The problem was that a star analyst like Blodget wasn't talking to insiders; he was on television, speaking to the public, and his recommendations were also heeded by Merrill Lynch brokers nationwide as they counseled clients on where to invest. "We are losing people money and I don't like it," one of Blodget's colleagues complained to him in an e-mail. "John and Mary Smith are losing their retirement."[2]

Blodget made an attractive poster boy for Wall Street corruption, just as he had been the perfect pitchman for the high tech bull market. Yet ultimately there was nothing uniquely immoral about Henry Blodget. He found himself in a cheating culture and he went along.

It's easy to bash Blodget for getting rich in a corrupt system or the ATM looters for ripping off their own credit union. But these days many of us aren't behaving much better. In one area of American life after another—sports, business, law, education, science, medicine—more people seem to be cutting corners. Consider the following:

- A psychiatrist in Westchester County, Dr. Dana Luck, suddenly finds herself busy evaluating local teenagers for signs of even the slightest learning disability. She knows what is causing the spike in her business: a College Board ruling that students with disabilities who receive extra time on the SATs will no longer be identified to admissions officers as disabled. The wealthy parents coming to Dr. Luck want only one thing: an official diagnosis of disability that will allow their kids more time on the SATs. Dr. Luck finds nothing wrong with most of her young patients. But parents who keep "diagnosis shopping" can find a more compliant disability expert and, for the right price, get what they want. Meanwhile many poorer kids with learning disabilities go without the diagnoses they deserve because they can't afford the cost. Although it is well known that academic cheating by students has reached an all-time high, it's also true that parents and tutors and other adults are increasingly helping students do whatever it takes to get an edge in their high-stakes education careers. Money lubricates much of this corner cutting.

- A researcher at Harvard Medical School, David Franklin, takes a job as a "medical liaison" for a large pharmaceutical company. His job is to reach out to doctors and explain to them the many reasons why they should prescribe the company's new drug, Neurontin. Federal law says that drugmakers can only promote a drug for FDA-approved purposes. But Franklin is pressured by his superiors to promote Neurontin for a wide range of "off-label" uses, many of which are wholly untested and possibly dangerous for patients. He lies to doctors nearly every day, telling them anything that will get them excited about Neurontin. According to court records, his company also offers doctors large cash payments to push Neurontin's off-label uses to other doctors and to sign journal articles they didn't write touting the virtues of the drug, which haven't been verified by clinical trials. Do the doctors object? Hardly. Thousands of doctors pocket kickbacks to become Neurontin pushers. The Neurontin scandal is only one of many prescription drug scandals that have recently rocked the medical world.
- A reporter is writing an article on Ronald Zarrella, the CEO of Bausch & Lomb. Checking Zarrella's background, the reporter discovers that NYU's School of Business Administration has no record of the M.B.A. that Zarrella says he earned there. Confronted with this information, Zarrella confirms that, in fact, he did not get an M.B.A. from NYU

as he had long contended. This revelation is just the latest in a spate of résumé-faking cases, including ones involving high-profile people like George O'Leary, the former Notre Dame football coach; Kenneth Lonchar, the former chief financial officer of Veritas software; and Sandra Baldwin, the former president of the U.S. Olympic Committee. Executive recruitment and employment agencies say the problem of misrepresentation by job seekers at every level has soared over the past decade and that up to half of résumés include lies.

- I'm out with a group of friends at dinner. The check comes to $141 and we split it evenly. Then one of my friends, a freelance writer, reaches for the receipt. "Anyone mind if I keep the receipt?" She's not asking whether there are any ethical objections to her writing off our expenditures for her taxes; she's wondering whether anyone else had hoped to do the same thing. Nobody objects on the latter grounds, and certainly not on the former. I'm not surprised. The IRS reports that tax evasion has gotten worse in recent years, costing the U.S. Treasury a minimum of $250 billion a year, and maybe twice that. Wealthy Americans are the biggest offenders, but sophisticated tax evasion is becoming a more populist activity. For example, as many as two million Americans now have illegal offshore bank accounts that they use to evade taxes, a problem that increased dramatically in the 1990s. Good weather, it turns out, is only part of the Caribbean's appeal.

- A leading high school basketball player named LeBron James, the next Michael Jordan some say, shows up one day at his school in Akron driving a new $50,000 Hummer H2 sports utility vehicle crammed with three TVs. The Ohio High School Athletic Association immediately launches an investigation, suspecting that the Hummer is a gift from a sports agent or university recruiter. James denies everything. My mom gave it to me, he says. Few believe that James's middle-class mother can afford a top-of-the-line Hummer, but no one can prove a violation of state rules. It's a typical episode in the money-saturated world of collegiate and professional sports, where recruiting violations, drug use, and other kinds of cheating—like Sammy Sosa's corked bat—are pervasive.

- A new technology is developed that allows ordinary Americans to engage in the large-scale theft of copyrighted materials. Use of the technology spreads rapidly, especially on college campuses, and results in hundreds of millions of dollars in lost sales revenue by companies and individual artists. This epidemic of stealing via Napster and other music file-sharing programs is accompanied by almost zero ethical second-guessing by users. The music industry, after all, is reviled for its greed and commercialism. Music piracy is nothing compared to the widespread theft of cable and satellite services. Americans are now stealing nearly $6 billion a year worth of paid television. Hooking up the neighbors so they can watch the *Sopranos*, too—*sans* a tribute to HBO—is considered the community-minded thing to do. Americans may be bowling alone, as Robert Putnam says, but increasingly we are stealing together.

- A former *New York Times* reporter decides to write a book about his stint at the newspaper. He's a young man who only spent a few years at the *Times* and he didn't win any Pulitzer Prizes. Still, the book proposal generates buzz and results in a mid-six-figure advance. The reporter, who previously could barely afford to pay his rent, is slated to become quite wealthy before the age of thirty. All in all, not a bad payoff for Jayson Blair, who fabricated quotes and other information in numerous stories. Blair's financial rewards easily outdo those of Stephen Glass, the disgraced *New Republic* writer who won a large advance from Simon and Schuster to write a novel about his dishonest career and was invited on *60 Minutes* to promote it. We're all used to the idea of tax evasion or cheating on Wall Street. But cheating by writers? Yes, indeed. An unprecedented number of cases of plagiarism and fraud have rocked the worlds of book publishing and journalism in recent years, including those involving historians Stephen Ambrose, Michael Bellesiles, and Doris Kearns Goodwin, and journalists Patricia Smith, Mike Barnicle, Michael Finkel, and others.

- A management consultant is out golfing with two CEOs who are negotiating a deal worth millions. He is shocked when the CEOs decide to bet an aspect of the deal worth $150,000 on the outcome of the golf game (company money, mind you). He is even more shocked when he sees one of the CEOs kick his opponent's ball into the woods to help him gain a winning advantage. In fact, none of this should come as a surprise. A 2002 survey of high-ranking corporate executives revealed that 82 percent admitted to cheating on the golf course. Why? Because playing golf is now a big part of networking and doing business in corporate America, and it doesn't look good to be a terrible player.

These stories are not isolated instances. They are part of a pattern of widespread cheating throughout U.S. society. By its nature cheating is intended to go undetected, and trends in unethical behavior are hard to document. Still, available evidence strongly suggests that Americans are not only cheating more in many areas but are also feeling less guilty about it. When "everybody does it," or imagines that everybody does it, a cheating culture has emerged.

Yet why all the cheating, and why now?

One might think that there'd be no shortage of possible explanations floating around for this crisis. America has been a nation of moralizers since the days of Benjamin Franklin, who advised in his 13 Virtues to "Imitate Jesus and Socrates"—a pretty high bar. But rarely has that cultural leaning been more pronounced than in recent decades. We have been living in the age of the Moral Majority and the Christian Coalition, the age of family values and zero tolerance. Religious figures and intellectuals and newspaper columnists have talked endlessly in recent years about moral issues large and small: teen pregnancy, school uniforms, violent video games, graffiti, pedophilia, welfare dependency, crime, drug use, and so forth. God, who previously didn't play much of a role in American politics, has come to be as omnipresent in election campaigns as corporate donors seeking favors.

Yet America's watchdogs of virtue have been largely silent about the new epidemic of cheating. To be sure, rampant cheating by students has begun to receive attention in the past several years. And the recent corporate scandals induced a media feeding frenzy. There have also been big stories about cheating by athletes, or tax evasion, or plagiarism by journalists. Still, there's been very little effort to connect all these dots and see them for what they represent: a profound moral crisis that reflects deep economic and social problems in American society.

Concerns about cheating do not jibe easily with the way that Americans have talked about values and personal responsibility since the early 1980s. That conversation has been orchestrated by conservatives and the religious right, while liberals—often uncomfortable talking about values—have largely kept their mouths shut. America's moral ills were defined in the '80s and '90s in terms that reflected traditional conservative worries, with a focus on things like crime, drugs, premarital sex, and divorce. Other concerns—little problems like greed, envy, materialism, and inequality—have been excluded from the values debate.

But lately conservatives haven't had much to complain about. Many aspects of Americans' personal behavior have changed in recent years. Crime is down. Teenage pregnancy is down. Drunk driving is down. Abortion is down. The use of tobacco and illicit drugs is down. Opinion surveys suggest that Americans are growing more concerned about personal responsibility, as conservatives have narrowly defined that term.

Nevertheless, cheating is up. Cheating is everywhere. By cheating I mean breaking the rules to get ahead academically, professionally, or financially. Some of this cheating involves violating the law; some does not. Either way, most of it is by people who, on the whole, view themselves as upstanding members of society. Again and again, Americans who wouldn't so much as shoplift a pack of chewing gum are committing felonies at tax time, betraying the trust of their patients, misleading investors, ripping off their insurance company, or lying to their clients.

Something strange is going on here. Americans seem to be using two moral compasses. One directs our behavior when it comes to things like sex, family, drugs, and traditional forms of crime. A second provides us ethical guidance in the realm of career, money, and success.

The obvious question is: Where did we pick up that second compass?

HISTORY OFFERS SOME initial clues to this puzzle. Cheating is not a new problem in the United States or anywhere else. It has existed in nearly every human society.

In Ancient Greece, the Olympic games were rife with cheating. Athletes lied about their amateur status, competitions were rigged, judges were bribed. Those caught were forced to pay fines to a special fund used to erect statues of Zeus. Greece ended up with a lot of statues of Zeus. In ancient China, there was frequent cheating to get admission to the civil service. Test takers sewed pockets into their garments for smuggling crib notes and resorted to other creative deceptions. The persistence of cheating on civil service tests was especially impressive given the penalty imposed on those caught: death.

The United States, for all of its moral preoccupations, distinguished itself early on as a natural home to the cheating impulse. Suspicion of authority was part of the fabric and fable of American life from the Republic's earliest days. A search for personal liberty is what brought many to the New World after all, and frontier culture and Jeffersonian suspicions of centralized power nurtured this mind-set. Later, America embraced the rawest form of industrial capitalism in the world. Amid rough-and-tumble business competition and lax regulation, a certain level of lawlessness became part of economic life. An "anything goes" mentality thrived in a country where everyone supposedly had a shot at success—and where judgments of personal worth centered heavily on net worth. As the great sociologist Robert Merton once said, putting his finger on an ugly paradox: "A cardinal American virtue, 'ambition,' promotes a cardinal American vice, 'deviant behavior.'"[3]

During the Gilded Age in the late 1800s, America's new industrialists waged vicious battles as they built, and fought over, the engines of economic growth: railroads, steel mills, oil refineries, coal mines, and banks. These titans of industry cheated each other, they cheated and destroyed their smaller competitors, and they cheated consumers. The tycoon Cornelius Vanderbilt summed up the ethos of the day in a warning delivered to a business adversary who had swindled him: "You have undertaken to cheat me. I will not sue you, for law takes too long. I will ruin you."[4]

The political and cultural milieu of the Gilded Age was permissive of the abuses by the new capitalist overclass. Staggering inequalities of wealth separated America's industrial elite from average Americans. Money dominated a corrupt political system, while laissez-faire notions of individualism were widely embraced. Many respectable civic leaders and intellectuals openly espoused the notion that some classes of people should dominate others.

The 1920s was another notorious period of cheating. The boom of this decade was accompanied by many of the same conditions that defined the Gilded Age. Economic inequality widened dramatically, reaching its highest point in recorded U.S. history in 1929, when the top 1 percent of families controlled nearly half of all household wealth. The federal government turned quiescent, presided over by caretaker Republican presidents who were more interested in golfing than in regulating business. Sinclair Lewis's complacent suburban protagonist, Babbitt, stands as a memorable symbol of the time, but not nearly as memorable as F. Scott Fitzgerald's decadent characters—characters morally suited to an era in which the most powerful people in society were focused on money and cheated to get ahead.

The cheating of the 1920s did not equal the rogue excess of the late 1800s, but in many ways it was more widespread as the ranks of the affluent expanded in America and new venues for cheating emerged. A massive land boom in Florida triggered myriad swindles, as entrepreneurs and investors traded worthless tracts of swampland and jockeyed for a quick profit. The income tax, which Woodrow Wilson had justified partly by the war, was the focus of mounting resentment, and tax evasion became common in the 1920s, especially among the rich. Modern accounting, a relatively young field, was harnessed to facilitate corporate frauds and shelter personal fortunes from tax collectors. Professional baseball was rocked by scandal when it was discovered that the 1919 World Series had been fixed. Prohibition was widely flouted by ordinary citizens and spawned a huge underground economy.

The stock market crash of 1929 brought the curtain down on the go-go '20s, ushering in a more earnest climate. That mood endured amid a string of national emergencies: World War II, the Cold War, the Civil Rights movement, and the turmoil of the '60s. Also, inequality fell during this period. Industry was forced to share power with strong labor unions and activist government regulators. Working-class Americans saw their wages rise steadily from the '40s through the early '70s, and "equity norms" helped to place caps on what CEOs could earn. Cheating scandals involving executives, athletes, lawyers, accountants, students, and so on can be found throughout these years. But from today's vantage point, the moral tone of American life then seems sober and almost innocent.

That tone began to change in the 1970s. The individualism of the '60s turned toxic as it was stripped of its initial liberating purposes and as positive '60s values like social responsibility—which had counterbalanced the new individualism—lost traction in popular culture. Young people became more cynical and materialistic. The nation drifted without a strong sense of national purpose—stuck, it seemed, in an intractable malaise. Meanwhile, the economic upheavals of the decade—inflation, currency instability, oil shocks, rising foreign competition—mobilized the business community to get leaner and meaner, and to begin a far-reaching assault on government regulation and labor unions. By the end of the '70s the stage was set for a new era of extreme capitalism.

IN 1981, AFTER he was sworn in as President, Ronald Reagan pronounced: "Government is not the solution, government is the problem." Elsewhere, Reagan articulated another adage that summed up both his philosophy and the dawning ethos of the time: "What I want to see above all is that this remains a country where someone can always get rich."

Ronald Reagan's election stands as a historic turning point that helped crystallize and accelerate emerging trends in American society. Government activism was out. Making money was in. And over the next twenty years, the ideas and values associated with the free market would reign in U.S. society with more influence than at any time since the Gilded Age. "By the end of 2000," wrote one observer, "the market as the dominant cultural force had so infiltrated society that it is increasingly difficult to remember any other reality."[5]

This seismic change has altered the terms of American life. First, thanks to America's laissez-faire revolution, a focus on money and the bottom line has swept into areas that previously were insulated from market pressures. Partly this has been a good thing. Consumers have more choices and get better service these days, and we have an economy that nurtures innovation and entrepreneurialism. Yet there's been a cost. More people in more occupations are chasing money—or being chased by bean counters.

Second, income gaps among Americans have soared over the past quarter century. When profits and performance are the only measure of success, old-fashioned ideas about fairness go out the window. Lean-and-mean business strategies have conspired with trends like globalization and technological change to ensure huge income gains by well-educated professionals—while many less-skilled workers have been running in place or losing ground. Fewer people also control more of the nation's wealth. In fact, the top 1 percent of households have more wealth than the entire bottom 90 percent combined. Economic inequality has led to striking changes in our society.

- In America's new winner-take-all society there is infinitely more to gain, and to lose, when it comes to getting into the right college, getting the right job, becoming a "hot" reporter, showing good earnings on Wall Street, having a high batting average, or otherwise becoming a star achiever.
- Higher inequality has led to more divisions between Americans and weakened the social fabric—undermining the notion that we're all "in it together" and bound by the same rules.
- Inequality is also reshaping our politics as wealthier Americans get more adept at turning money into influence—twisting rules to their benefit and escaping punishment when they break the rules.
- The dramatic upward movement of wealth to top earners has resulted in less wealth for everyone else. Anxiety about money is rife, even among solidly middle-class Americans.

A third consequence of the market's ascendancy is that government's ability to enforce norms of fair play, serving as a "referee" of competition, has been hobbled. Government watchdogs in many areas were disarmed in the '80s and '90s in the name of privatization and deregulation. Extreme laissez-faire thinking has held, foolishly, that the business world can police itself—that the "hidden hand" of market competition will enforce moral behavior and fair outcomes.

Finally the character of Americans has changed. Those values associated with the market hold sway in their most caricatured form: individualism and self-reliance have morphed into selfishness and self-absorption; competitiveness has become social Darwinism;

desire for the good life has turned into materialism; aspiration has become envy. There is a growing gap between the life that many Americans want and the life they can afford—a problem that bedevils even those who would seem to have everything. Other values in our culture have been sidelined: belief in community, social responsibility, compassion for the less able or less fortunate. The decline of civic life, famously described by Robert Putnam, has both fueled these changes and been fueled by them. Everywhere the collective spirit needed for a vibrant civil society is struggling to survive in an era where shared goals are out of fashion.

WHY HAVE THESE transformations led to more cheating? There are four key reasons:

New Pressures. In today's competitive economy, where success and job security can't be taken for granted, it's increasingly tempting to leave your ethics at home every morning. Students are cheating more now that getting a good education is a matter of economic life and death. Lawyers are overbilling as they've been pushed to bring in more money for the firm and as it's gotten harder to make partner. Doctors are accepting bribes from drugmakers, as HMOs have squeezed their incomes. The list goes on. You can even see this problem among cabdrivers in some cities. As cabdrivers have gone from salaried workers with steady incomes to "free agents" who rent their taxis and have to hustle to make a living, they've been feeling new pressures to pick up and drop off as many fares as possible every day. And big surprise: They're speeding and running more red lights.

Bigger Rewards for Winning. As the prizes for the winners have increased, people have become more willing to do whatever it takes to be a winner. A CEO will inflate earnings reports to please Wall Street—and increase the value of his stock options by $50 million. An A student will cheat to get the A+ that she believes, correctly, could make the difference between Harvard and a lifetime of big opportunities—or NYU and fewer opportunities. A steady .295 hitter will take steroids to build the muscles needed to be a slugger—and make $12 million a year instead of a mere $3 million. A journalist will fabricate sources in his quest to write as many hit pieces as possible—so that the day arrives sooner rather than later when he can command six-figure book deals and get lucrative lecture gigs. A partner at a top accounting firm will keep quiet and go along as a client cooks the books—in order to protect a mid-six-figure bonus pegged on bringing in and retaining clients, not angering them.

Twenty-five years ago, many of the huge rewards being dangled in front of professionals didn't exist in a society with less wealth and a stronger sense of fairness. But in the '80s and '90s we came to live in a society where lots of people were striking it rich left and right—and cutting corners made it easier to do so.

Temptation. Temptations to cheat have increased as safeguards against wrongdoing have grown weaker over two decades of deregulation and attacks on government. Many of the recent instances of greed and investor betrayal on Wall Street, for example, could have been prevented by reforms intended to keep accountants honest—or to ensure the independence of stock analysts, or to stop corporate boards from being packed with cronies, or to keep companies from handing out so many stock options. Reformers tried to enact such measures for years, only to be blocked by powerful special interests and antigovernment zealots. At the same time, federal agencies like the SEC, the IRS, and the Justice Department have been starved of the resources needed to stop white-collar crime. Why not inflate earnings reports if the chances of being prosecuted are next to nil? Why not commit a fraud that nets you $70 million—when a year or two in a Club Fed prison camp is the worst possible punishment? Why not hide your income in an illegal offshore bank account when you know that the IRS is too overwhelmed to bother with you because it actually lost enforcement capacity during the '80 and '90s—even as the number of tax returns increased?

Professional watchdog groups have also been asleep on the job. Why worry about being disbarred for bilking your clients when state bar associations lack the resources or wherewithal to fully investigate much of the misconduct by lawyers reported to them? Why worry about being censured by your state's medical society for taking kickbacks to prescribe certain drugs when those groups are more interested in protecting the interests of doctors than of the general public? Why worry about being thrown out of baseball for using steroids when neither of the major leagues has mandatory drug testing?

Growing temptations to cheat have been all the more seductive given the trumpeted morality of the free market. If competition is good—if even greed is good—then maybe questionable cutthroat behavior is also good. In principle, few Americans embrace the idea that "might makes right." In practice, this idea now flourishes across our society, and much of the new cheating is among those with the highest incomes and social status. The Winning Class's clout inevitably has produced hubris and a sense that the rules governing what Leona Helmsley called "the little people" do not apply to them.

This hubris is only partly founded on the kind of delusions made possible by a culture that imputes moral superiority to those who achieve material success. It is also founded on reality. The Winning Class *can* get away with cheating, if not always then certainly often. And when they do get punished, they often find that it's a cinch to later repair their public image. Rehabilitation in the wake of what scholar David Simon memorably labeled "elite deviance" has become easier in recent decades as bottom-line commercialism has steered the media away from critical inquiry toward a new focus on infotainment, much of it celebrating the accomplishments of the rich and famous.[6]

In short, the Winning Class has every reason to imagine that they live in a moral community of their own making governed by different rules. They do.

Trickle-down Corruption. What happens when you're an ordinary middle-class person struggling to make ends meet even as you face relentless pressures to emulate the good life you see every day on TV and in magazines? What happens when you think the system is stacked against people like you and you stop believing that the rules are fair? You just might make up your own moral code. Maybe you'll cheat more often on your taxes, anxious to get a leg up financially and also sure that the tax codes wrongly favor the rich. Maybe you'll misuse your expense account at work to afford a few little luxuries that are out of reach on your salary—and you'll justify this on the grounds that the people running your company are taking home huge paychecks while you're making chump change. Maybe you'll lie to the auto insurance company about a claim or about having a teenage driver in the house, convinced that the insurer has jacked up your rates in order to increase their profits—then again, maybe you have nothing against insurance companies but the payments on that flashy new SUV you just had to have are killing you and you're desperate for any kind of relief.

In theory, there is limitless opportunity in America for anyone willing to work hard, and it seemed during the boom of the '90s that everyone could get rich. The reality is that a lot of families actually lost ground during the past two decades. Middle-class Americans are both insecure and cynical these days—a dangerous combination—and many feel besieged by material expectations that are impossible to attain. It shouldn't come as a surprise that more people are leveling the playing field however they see fit.

THE PAGES THAT FOLLOW offer a journey through many different professions and unfold a host of scandals large and small. They do not cover every angle of what is, unfortunately, a very big problem in the United States. There is much more to be said about cheating than what I say in this book. For example, the role of technological change in increasing cheating could be explored further, while comparisons between the United States and other countries could help illuminate which kinds of conditions in a society are most to blame for cheating. While cheating in the United States appears to be associated with the rising influence of free-market forces, cheating is also pervasive in many countries that extensively regulate the market and where individualism and materialism are less pervasive.

In the end, this book is more a work of social criticism than social science. There is little to no good data that compares most types of cheating today with past points in time, and, in any case, cheaters usually won't talk openly about their actions and motives. What I've done is test my hunch of what is going on by using the information that is available. My hope is that others will drill deeper into some of the issues I've raised to unearth new evidence and insights. I hope that this will be the beginning of a conversation, not the last word.

And a real conversation about cheating is exactly what we need right now. Widespread cheating is undermining some of the most important ideals of American society. The principle of equal opportunity is subverted when those who play by the rules are beaten out by cheaters, as happens every day in academics, sports, business, and other arenas. The belief that hard work is the key to success is mocked when people see, constantly, that success comes

faster to those who cut corners. The ideal of equal justice under the law is violated when corporate crooks steal tens of millions of dollars and get slapped on the wrist, while small-time criminals serve long mandatory sentences.

And the victims of cheating aren't just amorphous national ideals but also real people: The elderly pensioner who must get by on less every month because WorldCom cooked its books and leading pension funds lost billions. The musician who doesn't get a second record deal because his first album was infinitely more popular with music swappers than with music shoppers. The patient with a special health problem whose doctor gets a cash payment for suggesting a clinical drug trial she is unfit to take part in. The low-income mother who stays up at night keeping rats away from her children because her landlord falsely certified to city inspectors that he had fixed the holes in her apartment. The average American taxpayer who pays some $3,000 a year more than he should because of other people's tax evasion.

Since the days of Tocqueville, foreign visitors have often marveled at the easy trust among Americans who dealt with each other on an equal footing. While America never has been the fabled classless society of myth, it's managed a close approximation of this myth at different moments. We're not in such a bright moment right now. Instead, we're starting to feel like a corrupt banana republic—one of those places where a rapacious oligarchy sets the moral tone by ripping off the entire country and those below follow suit with corruption of every conceivable kind.

Yes, America needs a serious debate about cheating, but be forewarned: the cheating culture will not be dismantled easily. In many places the root causes of cheating have receded into the background and self-perpetuating dynamics have taken hold, generating their own imperatives for dishonesty. When cheating becomes so pervasive that the perception is that "everybody does it," a new ethical calculus emerges. People place themselves at a disadvantage if they play by official rules rather than the *real* rules. What competitive high school student is willing to tolerate a lower class ranking than other students who are cheating? What law-firm associate hoping to make partner wants to honestly bill the hours she worked if she knows all the other associates are padding their hours and appearing more productive? What pharmaceutical sales director pushing a new prescription drug will forgo showering doctors with expensive gifts when he knows that such bribes are being doled out by competitors pushing rival drugs? What car salesman wants to admit to customers that the next shipment of the hot new model won't be in for eight weeks when all the other salesmen are saying three weeks and making more sales?

Many of us won't give in to pressures to cheat even when we perceive that everybody else does it. We'll study harder to outdo the cheating students, or train more fanatically to beat the athletes who use drugs, or simply make a point of living our lives in more ethical arenas. But all this means playing by our own rules rather than the prevailing rules, which makes life harder in the process. It means being a hero. It's easier to just go along with the cheating culture. And often, when you're deep inside a system where cheating has been normalized, you can't even see that there are choices between being honest and playing by corrupt rules.

In those areas where cheating is not yet widespread, an altogether different calculus prevails. Cheating can be very tempting. It becomes a secret weapon that really can get you ahead. Most people feel uncomfortable gaining an unfair advantage, but many will put aside their qualms if they are under enough financial pressure or if the carrot dangling before them is large enough. People are also more likely to set aside such qualms if society is giving them permission on a larger cultural level.

Yet there is no reason that this erosion of American morality and the tarnishing of core Americans ideals must go on indefinitely. We are, after all, a nation of self-improvers. I suggest a number of steps to reduce cheating in the final chapter. These include creating more broadly shared economic opportunity in U.S. society so that everyone has a chance to get ahead, strengthening democracy so that we all have a more equal say in how the rules are made and so that rules get fairly enforced, and bolstering the vitality of community life to reduce the divisions among Americans that have grown up in recent years.

The final chapter also calls for a sustained assault on entrenched cheating in different institutions and for a new commitment to teaching future generations of Americans to be more ethical. The proposals here include stronger codes of ethics in businesses, universities, and other parts of our society.

No cultural moment in America lasts forever. The one we have been in for the past quarter century—call it the Market Era—may seem permanent, but it is not. History hasn't ended in the United States or anyplace else.

The trick at moments like these is to make history move faster and change arrive sooner.