

THEOLOGICAL TRENDS

Business Ethics and the Pastoral Task

BUSINESS HAS HAD A DUBIOUS ETHICAL record recently. It has rivalled only miscarriages of justice in media attention. As a reminder of some of the British scandals I mention four. At the trial following the Guinness takeover of Distillers four of its directors were said in court to be 'carried away with greed and ambition'. There was the negligence involved in the English Channel ferry *Herald of Free Enterprise* disaster. There have been the details involved in the shut down of the Bank of Credit and Commerce International; and most recently the Maxwell Pension Fund fraud.

At the same time there has been a huge growth in the study and teaching of business ethics, particularly in the USA, from which most of the literature comes. It involves basic questions of morality in business and wealth creation, including the moral implications of a capitalist system which is now the triumphant survivor of the collapse of Soviet and command style economies. Business schools increase in number. The Harvard Business School, perhaps the leader, received in 1987 an endowment of twenty million dollars for the teaching of business ethics from a former chairperson of the Securities and Exchange Commission. *The Journal of Business Ethics*, a monthly from Amsterdam focusing mainly on the North American scene, has now a British counterpart, *Business Ethics: a European Review*, launched by Blackwells in January 1992 under the editorship of Professor Jack Mahoney SJ who holds the chair of Moral and Social Theology at King's College, London, and who has established there a Business Research Centre of which he is the Director.

In the USA by 1988 of the two thousand biggest corporations ninety-two per cent had established ethical codes of practice. In the UK about thirty-three per cent have. What kinds of ethical questions are being raised? They cover a disparate and wide range. I mention a few. One is the ethics of corporate finance. In modern capitalism the separation of ownership from management and control of a company is endemic. The private shareholders, who in the last resort are the owners, no longer take much, if any, serious entrepreneurial responsibility. They are more like punters betting on the success of a horse in a race. It is a type of private property unthought of when what became the traditional Christian defence of private property was advanced by St Thomas Aquinas.¹ The recent Government privatizations have shown that the property-owning democracy which it is intended to create is not seriously expecting to take any risks, but to make an easy gain from a bargain sell-off. In the USA more efforts have been made by small shareholders' campaigns to influence the business policy of corporations than in this country, but the odds are heavily stacked against them, and the effort involved means that it can only be an occasional effort. The potentially effective shareholders are pension and

life insurance funds, but they tend to take a distanced stance from the running of the enterprise. Should they become more involved and less like punters? Those who administer church funds, like the Church Commissioners of the Church of England, need to consider this. It is where the growing ethical investment movement can stimulate reflection and influence action.

As it is, management concerns in research and development which involve longer-term considerations are often frustrated by short-term market considerations. Moreover, if shares are held by a distanced and detached fund the only means of disciplining a management which has become ineffective is by a takeover, and that is a blunt instrument.² Continuous fine tuning is preferable.

Many issues arise in connection with accountancy and auditing. Should there be a rotation of auditors? Should auditing be separated from consultancy? Vardy, writing as a Christian, gives many examples of the moral dilemmas which can arise in this area. In one example he says he once adjusted the business forecast figures of a firm to prevent a bank closing it down; thirty-three jobs were saved.³

Two issues which are widely discussed need only to be mentioned in passing here. One is the enormous increases in salary which top executives have secured or been given in the recent past; the other is the terms and conditions of loans to Third World countries, and the problems of renegotiating repayment. But a third, which is coming to the fore, warrants a brief comment: 'whistleblowing'. This can be internal within a company or external in relation to the public. Loyalty to the company with respect to confidentiality can conflict with personal and professional integrity and civic responsibility. Since whistleblowers are always assumed to be guilty unless specifically exonerated, they are likely to be victimized.

Then there is sexual or racial discrimination in employment, especially at upper managerial levels. It may be formal, or, because of the cultural air we breathe, informal. White males are in a predominant position of power. It is difficult to correct, for explicit corrective preferences can bear harshly on those who have no responsibility for the injustice in question. But questions of distributive and compensatory justice are never easy.

In quoting a selection of issues one can easily move into areas of industrial ethics, like those arising over the status and power of trade unions, or in connection with industrial espionage. However, I am trying to keep some distinction between them. Problems of ethics in industry have had their own organs of discussion for some time whilst business ethics is a relatively new field. The examples given suggest that conflicts of interest and loyalties arise, as we would expect, in a business context as much as in others.

They can be dealt with on different levels. However, there is one level which must be set aside here. That is an ethical criticism of the fundamental basis of capitalism. Some traditional Christian socialist criticisms have been of this nature. Competition has been held to be unchristian. Profit has been thought of as a dubious criterion. Hence the market itself, in which both play a key role, is suspect. These criticisms have lost their force among many who held them,

especially as it has become clear that the Marxist theories have no alternative effective way of running an economic system hidden beneath the distorted Communist power structures. Both economically and politically Marxism is discredited. Much has been written on this, and I have contributed to it; and I am not going to repeat it here.⁴ Obviously if the basis of capitalism is unethical, unless business ethics admits this, it is tinkering with an inherently unsatisfactory structure. My own view is that there is a fundamental difficulty in the pure theory of the free market; it treats labour, which is a personal factor of production, in the same way as it treats land and capital which are impersonal factors of production.⁵ Persons should not be treated as things. But this can be corrected by social policies in the political realm if we regard the market as a useful tool for some important human purposes. It is a neat device for settling a range of fundamental economic problems of production and distribution, but there are many areas with which it cannot deal; we must not give it a pseudo-divine status, nor bolster it by an ideology which turns market relationships into a complete philosophy of human relations in public life. This said, there is nothing basically unethical about profits and competition. We can return to the different levels at which business ethics can be discussed.

The first is that of good public relations. Business goes along with non-commercial concerns of its customers. Consumer pressure is not easy to build up, but it can build up and, if the cause is good, is worth the effort of building it up, if it is proportionate to the significance of the cause.⁶ The Body Shop has done well out of its stance against animal experiments in the area in which it trades (though it is not alone in this and has suffered in the current recession). Growing consumer pressure is pushing for catalytic converters in car engines, and has induced the Government to accelerate the use of lead-free petrol by a tax advantage. Carrying this kind of reasoning further many companies realize that a good reputation is part of the value of their product. Perrier withdrew all its bottled water for a time after some of it had been contaminated with benzene. A further step is to realize that it pays to behave well to your employees, or suppliers, or to take an interest in the communities where your works or retail outlets are. Marks and Spencer have a good reputation for their treatment of their employees and for firm but fair dealing with their suppliers.

All of this 'honesty is the best policy' type of ethical reasoning is useful as far as it goes, but something deeper is needed. For one thing the market by no means always rewards virtue. And there is always the 'free rider', the firm which works at a minimal ethical level, and will cut corners on the assumption that its competitors, or most of them, will not. Most companies probably get along reasonably well by conforming to the letter of the law and not practising fraud or overcharging (even if they can get away with it), or paying below minimum wage rates. This raises the question of the role of codes of practice and of law in business ethics. But before discussing this we need to stress a commitment to certain basic moral convictions which need to underlie business ethics, and operate at a deeper level than those we have mentioned. This is the basis on which the new journal *Business Ethics* operates.

Philosophers are continually discussing whether indeed such a basic morality can be established and on what basis. It would take us too far to survey this now.⁷ Most people assume, however, that there is one and that without it human society could hardly persist. We count on most people following it most of the time. Some, indeed, give the minimum adherence to it that they can get by with. Some give not even that (and many of them will find themselves in prison). Those who infringe it generally give lip service to it. Groucho Marx hits this off in his saying 'The secret of life is honesty and fair dealing; if you can fake that you've got it made'. The free rider again! Behind any such ethical basis there is a view of the nature and significance of the human person which it presupposes. In other words there is a faith. Vardy says his is: 'People matter'. What possible bases are there for such a faith?

A secular humanist faith will say that people matter because they are rational beings and this gives them a special place in the chain of being. (Their relation to 'nature' is a separate issue.) Or they will say that people matter because of a fellow feeling for those of the same species. Vardy himself brings in God only in the last chapter to make clear his basis. Christians hold that people matter because, in the well-known phrase, they are made in the image of God. They are also remade through the work of Christ. Humans are sinful, but they have not lost their dignity in the sight of God, nor their responsible freedom in moral matters.

Christians therefore have strong grounds for the conviction that people matter, but they do not have a blueprint for the social and political order, or for business ethics as part of it. They cannot bypass questions of justice as fairness by talk of love of neighbour. But their faith provides a strong challenge to improve the state of affairs they inherit in the light of the radical nature of God's way of ruling the world as disclosed in the life of Jesus. They need a firm theology of civil society. It will be built in Christian experience down the centuries, for the ones presupposed by the various New Testament writings are related to the context of the Christian Church at that time and cannot simply be transposed into the twentieth century. In my view there is much cogency in the Lutheran 'two realms' theology, properly understood.⁸ Like other theologies it is easily corrupted.

A main Christian task, then, in business ethics as in civil society, is to fortify a common morality and to seek allies in promoting it. In a plural society it will mean seeking in what ways other religious faiths and philosophies support it, and working with adherents of them where they do. That is why those who stress *in this context* the distinctiveness of Christianity are not helpful. An example is Brian Griffiths, who was head of Mrs Thatcher's 'Think Tank' in Downing Street. He is well aware of the unsatisfactoriness of the possessive individualistic philosophy which has usually gone with capitalism (as distinct from its institutions), but thinks it is a satisfactory economic system if operated by Christians.⁹ The unreality of this is evident.

Because of the powerful stimulus to greed and corruption to which market forces lead, some strong regulatory instruments are needed in addition to the

force of basic moral commitment. A conference on the resurgence of capitalism at Lancaster University in 1991 had the appropriate sub-title 'Riding the Tiger'. What, then, of the role of codes of practice and of law?

Codes of practice need to be reasonably specific. It is not sufficient to issue rotund statements about observing the spirit and not just the letter of the law, or on aiming to contribute to the well-being of the community. These are merely a public relations puff. How are conflicts of interest to be handled? For instance that of the shareholders, the managers, the employees, the customers and the neighbourhood? What about the taking of bribes where, for instance, they are routine in business, as in Saudi Arabia? (In my experience this is the one issue that really worries Christians.) What about accepting gifts from a customer? What of the whistleblower at odds with his or her firm? In the USA some ten per cent of major corporations have set up an independent ethical ombudsman as a channel for whistleblowers. But I do not know how well they have worked. Some twenty per cent have ethics committees at board level, and some have regular ethical audits on the conduct of the corporation. Such codes of practice can be a help to 'good' people in making good decisions; they may also restrain 'bad' people from assuming that everything is ethically permissible if the firm benefits financially, or that they are acceptable if other people do it. At least it may induce in them second thoughts.

Law is the most rigorous way of enforcing ethical standards. But by comparison it is inflexible and cumbersome. Nevertheless there is a necessary place for laws. Usually they are imposed after great scandal in which many people have suffered. They must be able to be enforced or law is brought into disrepute, and that means carrying general consent. What, for instance, should it do about the tobacco industry, which is compensating for a decline in business in economically developed countries by pushing its products in developing ones? Prohibit it? Tax it heavily? What would be the likelihood of evasion, as in the case of Prohibition in the USA? In general, law involves inspectors and court cases, often complex and legally expensive. The use of law involves a nice political judgement. It certainly cannot be ruled out, and there has in fact been a big increase in financial regulating in the last decade, and there is more to come. Backing is needed in the use of law at every level from self-interest upwards. Chlorofluorocarbons are a case in point. The damage they cause to the ozone layer, once discovered, was quickly appreciated, and governments in the West began the process of limiting by regulation their production. A prominent ally in the USA has been the du Pont corporation, the biggest producer of chlorofluorocarbons, because it thinks it is well ahead in the process of producing a cheap substitute.

In conclusion, how can the Church exercise the pastoral care of those continuously involved in the difficult decisions with which business ethics deals? First by helping them to realize that ambiguities and trade-offs are inherent in ethical decision-making. It is true that clear-cut issues do crop up from time to time: the right decision is clear even if costly to implement. The choice is whether to take it or fail morally. Usually, however, it is a case of balancing

factors and choosing what on the most plausible interpretation of the available evidence seems the best option. There can be no more certainty than the nature of the situation allows. Many Christians have a lurking suspicion that there is a clear 'Christian' answer if only the Church would teach it, or if they themselves were sensitive enough to find it. So they suffer from a continuous spiritual debility. But not only are there the problems of getting at the empirical data of an ethical issue, and also of assessing the data, but also of assessing risks, evaluating their likelihood and the legitimacy of taking them. We are each likely to have worked out on the basis of our experience broad moral considerations to bear in mind (principles is probably too formal a term), but in particular cases these may conflict and point in different directions, so that we have to assess priorities in the case. All this involves an art of discernment. Christian teaching can help us by criticizing false or inadequate ideologies, and Christian worship and prayer can give us a deeper vision and confidence, but neither can usually give us a clear-cut answer to these detailed questions. Church guidance had best remain at a middle level between basic theological affirmations and detailed policies. If it can do so (and complexities may be such that it is not always possible) it can suggest the general direction in which to go whilst leaving each of us as a citizen in our jobs to work out the details.¹⁰

Here we would be much helped by reflection with other Christians, and others whose information and perspective can be drawn upon. There is nothing to equal corporate reflection in helping us to become more articulate and discerning in relating the insights of the gospel to the world of business, and to the wider context of social and political policy in a plural society. Such groups can be of many kinds. They can consist of Christians (and possibly others) in the same kind of jobs; or in different ones; from one church tradition or ecumenical; from one congregation or from several. Clergy would be one element but not dominant. Of course such groups involve time and effort. Many who spend their days in difficult decision-making want to leave it behind when they leave work and not be troubled further. They may appreciate what are sometimes called the consolations of faith but not its challenge. We need to be helped out of such an attitude.

The need is to avoid two dangers. One is a general moral gospel radicalism, cast in personal terms which people cannot relate to their collective responsibilities in their jobs, which leaves them with a perpetual uneasy conscience, and without the means of mitigating it. The other is a bland gulf between worship and work in which strength is drawn from worship but it does not illuminate work. This is a common difficulty which draws much criticism.

We need a robust faith to live amid the ambiguities of ethical decisions. There will be failures and disappointments and we must learn from them. There will be successes, which must not make us complacent. In this situation the Church can give a strong back-up to the growing attention to business ethics, both by its own members and by the general public.

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NOTES

¹ *Summa theologiae* II, II, question 66.

² Cf Connor, James L. (ed): *Ethical considerations in corporate takeovers* (Washington DC: Georgetown University Press, 1990).

³ *Business morality*, pp 92ff.

⁴ Cf *Religion and the persistence of capitalism* (SCM Press, 1979); *Religion and the ambiguities of capitalism* (SCM Press, 1991).

⁵ John Paul II stresses this in his encyclical *Laborem exercens* (1981) but it is not so clear in his two later social encyclicals *Sollicitudo rei socialis* (1988) and *Centesimus annus* (1991).

⁶ Cf *Morality and the market (1981): Consumer pressure for corporate accountability* (Routledge, 1990).

⁷ Such a discussion has been particularly stimulated in the 1980s by Alasdair MacIntyre in *After virtue* (Duckworth, 1981) and two subsequent books; see the response of Jeffrey Stout in *Ethics after Babel* (Boston: Beacon Press, 1988).

⁸ Cf K. H. Hertz (ed): *Two kingdoms and one world* (Minneapolis, 1974).

⁹ Cf *Morality in the market place* (Hodder and Stoughton, 1981) and *The creation of wealth* (Hodder and Stoughton, 1984).

¹⁰ Cf Appendix 2, 'Middle axioms in Christian and social ethics' in Ronald H. Preston: *Church and society in the late twentieth century* (SCM Press, 1983). The Letter of Pope Paul VI *Octogesima adveniens* (1971, in the series from *Rerum novarum* of 1891), suggests something like this, following some passages in *Gaudium et spes*, the Pastoral Constitution of Vatican II (1965).