

CONSCIENCE and BUSINESS



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In 1990 the Australian Catholic Social Justice Council's Occasional Paper No. 5 by Father Tom Ryan, S.M. *Truth and Integrity in Public Life* helped to focus interest in the Church on business ethics. The Council was pleased to co-sponsor with St Mary's Business Ethics Ministry, North Sydney, a lecture by **Professor John Langan, S.J.** at the Sydney Town Hall on 18th August 1992. In releasing the text of this lecture as **Occasional Paper No. 13** the Council believes that the lecture will promote further interest in business ethics in Australia, in the Church and the wider Community.

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Conscience and Business

There is a story that does not translate perfectly from the United States to Australia but I would like to begin with it anyway.

It has to do with the 'old bills' home. That is where the currency goes after it gets old and tired and some of the bills were sitting around reminiscing. I guess you call them notes. The thousand dollar bill was talking about what an exciting life it had. It had been involved in various big deals, some drug transactions that were rather unsavoury, but for the most part it was really high and important stuff.

The twenty dollar bill had been around a lot and had gone to the grocery store many times and had a sense of being generally useful.

The one dollar bill was a little bashful about starting his reminiscences and he said, "Well, I went to church a lot."

One may think that the Church is a long way from big money and the problems of big business and one may also think that, even more so, it is true, that ethics is a long way from the world of big business.

Conscience and business may seem to many of us to be very far apart, even farther perhaps than Sydney and Wall Street. We think "*Competition and business, yes; calculation and business, of course; confidence and business, surely; but conscience and business, no, surely not.*" We suspect that persons of conscience are about as rare in the business world as trees on the Nullarbor Plain. When we read of the fall of Michael Milken and Ivan Boesky, the various Australian mates and moguls, the Guinness scandal in London, we can readily come to think that the business world is a moral wasteland, a desert across which some may start with good intentions but in which no one survives with integrity intact. We come to think that the truth was revealed by the Wall Streeter who was told that he might be indicted for insider trading and replied, "*What other kind is there?*"

The view that capitalism is inherently evil is an exciting and ambitious but not very plausible proposition. Few today would hold it reflectively and openly. It can sometimes come into political and economic arguments as a hidden premise. Interestingly enough, this cynicism about business and the financial world in particular is wide-spread not merely among those who, for more or less Marxist reasons, regard any capitalist economy as an inherently evil scheme for the exploitation of workers, but also among many who would regard themselves as moral and cultural conservatives and as opponents of Marxism.

What I will inflict on you now is a list of no less than **eleven different reasons**, quite independent of Marxism or any sort of radical critique of capitalism, why we might regard business as a moral wasteland or desert. In using this image, I do not want to imply that business is inherently evil, but rather it is an environment in which moral concerns do not grow naturally, where they are out of place and ineffective, where they are not honoured but are consistently overridden, often despised, and sometimes covertly mocked. I will be exploring this possibility as it is experienced in contemporary North American society (in which I have lived nearly all my life) with the hope that this has some parallelism to and applicability in Australian society.

The **first** of the factors shaping the common view that business is not naturally hospitable to moral considerations is the increasingly technical character of much business. Many forms of business are ever more driven by complex calculations which are viewed as the province of "bean counters" (when the reasoning is relatively sober and familiar) or of "rocket scientists" (when it opens up surprising and unfamiliar possibilities). The development of the computer and the heavily positivistic character of contemporary culture have shaped many decisions in a way that does not open them to broader humanistic reflection or criticism.

Second, even as the mode of business thinking has become more technical and computational, the practice of business decision-making has become more and more bureaucratic. In many corporations, significant decisions have to be reviewed not merely by higher officers in the hierarchy but also by committees representing different parts of the firm and by relevant specialists and consultants (financial, legal, environmental, human resources, public relations, governmental relations). This complexity is both costly and necessary especially in a large organisation whose tasks involve an extensive division of intellectual labour and which operates in a legal environment in which both regulation and litigation are real threats. But the bureaucratisation of the firm, even while some managers labour mightily to overcome the lethargy and the suspicion of creativity that usually accompany it, nearly always produces an internal politics with different groups attempting to advance their own interests and often enough attempting to discredit the reasons and sometimes the motives of their opponents.

I had a vivid illustration of this a couple of years ago when I had occasion to give a presentation on business ethics at Burnham Drexel Lambert, a firm which has now disappeared. I thought I would go up there and meet a bunch of mad traders. It turned out that I went up there and talked to a bunch of compliance officers, many of whom had worked for the security and exchange commissioners; it was a totally different part of the firm with a whole different set of priorities and concerns. Normally there remains a considerable overlapping of interests and a willingness to cooperate on many things; otherwise, the firm would not last. But the internal political struggle can generate a great deal of disaffection and can leave people with considerable scepticism about the moral credibility of decisions reached after a rather messy process. This tendency to scepticism has been intensified by the enormous influence of the "masters of suspicion" (Marx, Freud, Nietzsche) on modern culture. Decisions are then likely to be explained by reference to the chairman's love life, the president's fear of his father, the board's inability to understand arguments that threaten its economic interests, the managing director's anxiety about asserting power. The internal politics of the corporation can of course range from battles over minor perks to strategic decisions, from budget priorities to succession struggles. Internal political battles may often be destructive, but it is in my view a mistake to infer from the fact that a decision has involved conflict or has conformed to political interests the conclusion that it is morally wrong or corrupted.

A **third** factor that can be morally debilitating but is also an important protection of rights and interests in a democratic society is the fact that both in the internal bureaucracy of the corporation and in the constitutional regime of modern democratic states we are working with a system of interlocked powers. The division of powers

within a corporation is usually informal and ad hoc rather than explicit and constitutional as it is in federal political systems such as the United States and Australia. But it can be none the less a real limit even on autocratic directors or CEOs. The interlocking character of power in modern societies and organisations prevents abuses of power, but it can also be a source of immobility. Since it increases the importance of consensus and persuasion and since it obscures and complicates the lines between decisions and implementation and between evaluation of results and changes in direction, it can also diffuse and weaken a sense of moral responsibility among the actors in the system. My input is not directly and univocally tied to my output, and my output is often not well correlated with my reward. In such a situation, it can become easy for people to let things slide, to distance themselves from policies they cannot shape, and to develop strategies for deflecting and redistributing blame. The flip side of the view that bureaucracy and the division of power can produce a certain moral apathy is the real value that bureaucratic procedures and shared responsibility can have in restraining buccaneering behaviour. Here I think the contrast is not between American and Australian patterns of practice, but between industries that are relatively staid and those that are going through periods of innovation and unpredictability, such as, deregulated savings and loans institutions in the United States; personally constructed conglomerates in which charisma counted for more than competence; the development of new patterns of financing in which wildly optimistic predictions came to be accepted as a new orthodoxy. In these situations more attention to standard procedures and more opportunity for different players to raise questions are important protection for both financial prudence and moral integrity. Standard procedures, while they may not be exciting and while they may give conservative results, are a morally important protection to other people's money. The notion that "important" borrowers can raise vast sums of money while not opening their own books to inspection should be seen as invitation to illusion and manipulation.

Fourth, in business no more than in life itself do we find a precise correlation between merit and reward, between virtue and happiness, between goodness and success that many philosophical and theological moralists have taught us to regard as the morally satisfactory outcome of life. This correlation or the lack of it has probably been a matter of more or less pressing concern to us from the first time we observed successful and undetected cheating on the playing field or in the classroom. We have all had to revise our expectations about this matter as we go through life, and most of us conclude that the correlation is only approximate at best and that there will always be many counter examples of both successful scoundrels and faithful failures. As Charlie Brown says, "*If we are so sincere why do we lose so many ball games?*" The laments of the psalmist on this subject will continue to be freshly and deeply felt. But this is not a matter that can be deferred indefinitely to the judgment seat of God. Within any business organisation or community, we have to reckon with the harm to both morals and morale produced by practices and attitudes that reward the unscrupulous and penalise the careful and conscientious. Subordinates are usually quick to note whether the reward system in a firm really follows the lofty professed norms of the senior managers.

Fifth, the problem of hard times brings out a strong sense of the weight of nonmoral necessity in the way

business has to be conducted. The moral task is to distribute pains not gains, and to do this fairly and carefully. Inevitably, this is less than attractive. Downsizing, cost cutting, and reorganising the firm to cope with bad news are all necessary in the down phase of the business cycle and are not immoral. But a period of hard times can put everyone under strain, can make it harder to bear the costs of socially and environmentally responsible decisions, and can dry up the supply of ready money which could be used in various ways to lubricate difficult decisions. People under pressure are more likely to yield to temptations of various sorts and to ignore considerations that do not promote their personal survival. Moral excellence in business is still attainable under these circumstances, but it is harder to achieve. On the other hand, hard times make the spectacular follies and crimes of the fat years much harder to carry off. At the same time when hard times produce disasters, it often happens that many of company's past misdeeds are given free publicity as executives and other actors in the process shift the blame to each other.

Sixth, for most of us there seems to be a lack of fit between the images that we have of business leaders and the kinds of people that we think exemplify moral excellence. St. Francis of Assisi, Albert Schweitzer, Dietrich Bonhoeffer, Mother Teresa and people like them do not strike us as plausible CEOs or managing directors. Honesty, however, requires us to consider the possibility that Thomas More, Ignatius Loyola, various popes and bishops might have done rather well in the role, not to mention John Calvin and various mothers superior and mother foundresses. My own suggestion is that it is a mistake to confine moral excellence to people who follow well-defined roles in ways that largely insulate them from controversy and that we need to recognise the moral achievement of those leaders in various organisations and walks of life who often find that they have to make painful decisions that can inflict appreciable harm on significant values and that can therefore be described in highly negative terms but that may, on balance, be justifiable. We may well need to modify our understanding of certain virtues and our feelings about certain actions and attitudes if we are to allow business leaders to be recognised as potential achievers of moral excellence. As classical scholarship has pointed out, the content of virtue or *arete* was significantly changed from the warrior ideal of Homeric times to the citizen ideal of the classical polis. It was changed yet again in the Christian Middle Ages by Augustine's redefinition of the virtues in terms of *caritas* or love and by Aquinas' very detailed reinterpretation of Aristotle which in effect left the contemplative active life of the Dominicans top of the heap. Catholicism has been reluctant to move beyond this paradigm of moral-spiritual excellence. Your chances of being canonised are much greater if you found a new religious order than if you found a major corporation. The point is not to pay sycophantic tribute to business tycoons but to rather raise the possibility that we may be defining the criteria of moral excellence in too narrow and too traditional a fashion and that we may be failing to recognise the moral-religious potential both in certain roles and in certain personality types that are important in the business world.

Seventh, a basic difficulty in developing moral excellence in a business environment is the rough and tumble character of that environment. This goes well beyond the

frontier informality of American and Australian society. Intense pressure, vigorous competition, constant wariness are inescapable in the major centres of business success. These are necessary aspects of doing well in a business world in which change is constant, new products and strategies are always being tried, the established and proven are often regarded as obsolescent, and working relationships are regularly being inaugurated and dissolved. Moral qualities that require cooperation and stability for their flourishing are at risk in the environment I have just described. We should take a moment however, to recognise that the pattern I have just described is a stereotype, and it shares in the hype that marks a lot of advertising and journalism as well as reflecting a preferred self-image of contemporary business. A lot of business executives, after all, are supervising the making of toilet seats, the canning of mushrooms, the delivery of junk mail, and the production of pencil sharpeners. The work of many business executives is neither glamorous nor innovative; and their temptations are more likely to be those of quiet desperation than of hyperagitated wheeling and dealing.

But it is the fast world of big deals, international contacts, high visibility products, large companies that sets standards and shapes dreams. Many of the ways in which that world (what we might call "Business A") has projected itself have accentuated competition and self-interest, have dismissed older practices and values, and have implied that mature thoughtfulness and a sense of moral responsibility are not particularly useful in a world where transactions have replaced relationships. On a more specific level, we should also reflect on the ways in which encouraging competition between and within units in a company can get out of hand and can end up encouraging intrigue and dishonesty. It can make the pursuit of personal advancement even at the cost of harm to others and to the firm an outcome that is only reasonable to expect.

Over the last decade, it has become fashionable in the United States to speak of various "communities" — the "business community," "the nuclear power community," even "the intelligence community." In one way, this is a rhetorical means of adding a bit of warmth and colour to what might otherwise be perceived as a wasteland. In another way, it creates the risk that a very important part of the language of morality will be debased. For community has received major emphasis in recent moral philosophy, an emphasis which represents a point of convergence between the philosophy of Wittgenstein and Catholic social teaching. The role of community in enabling us to apply moral and other standards in a way that is not purely individual and idiosyncratic, taken together with the pervasive influence that our social environment has on the way we describe and evaluate our options, implies that we need to understand judgments of conscience not as solitary deliverances from a soul suspended on a rocky precipice, but as conclusions reached within a social setting. Accordingly, the character of this social setting becomes a matter of pressing concern both for the moralist and for the business person aiming at moral integrity and excellence. It is vitally important that the sources of understanding and judgment not be corrupted, that there be sources of enlightenment and encouragement in the business world. Otherwise, it will indeed turn into a wasteland in which individuals will find themselves unable to sustain common standards. The man or woman of pure conscience and solitary integrity is indeed a treasure, but also, as the Japanese say, a living treasure, one that needs light and air and soil.

We should not sentimentalise the character of personal relationships within the business world. There are reasons that do and should prevail over personal friendship and loyalty in the business world. Mobility and diversity ensure that even teams of people who worked together extraordinarily well at one point will over time drift apart. Sharp differences of opinion and interest can and do arise. But what should survive is adherence to a common set of values and standards which will sustain a sense of mutual respect even when there are agreements to disagree and which will enable competitors and adversaries to treat each other with fairness and respect. Along with this there should be a readiness to look for points of common benefit — these are necessary both for the making of deals and for the achievement of the common good. The business world will always be a world of both sharp edges and smooth surfaces — sharp edges of competition and disagreement, smooth surfaces of persuasion and cooperation. Neither one is simply good, and both are necessary. Much pain, disillusionment, and cynicism can be avoided if one recognises this point. But it is a point that is not learned academically or taught in a lecture; rather, it comes to us as we broaden our experience of life and of what it is reasonable to expect in the business world and at a given point in our careers.

Eighth, and here we come back to the factors that threaten to make the business world a moral wasteland, we have to recognise that the business world or the business community is considerably removed from the religious sources that play a very important part in the moral formation of most people in American society and, I think, in Australian society as well. This is not to say that the morality of business should be explicitly religious or to imply that people without a religious faith or with some alien or different religious commitment cannot be moral; there are many fine counter examples to such a claim. Rather, it seems to me that on a certain basic level that the morality of business must be of the plain vanilla variety, that it must be understood as principles and values that apply to all participants in business activity and that do not allow religious intolerance or exclusion. At the same time, there is need for a set of considerations and models that will link this somewhat bland world of business morality with the deeper concerns, more powerful images, and more rooted forms of community that can be found in our major religious traditions and that should serve both to prick the conscience of the business person and to give needed light and strength. In different ways, the exuberance that William James found in living the moral life strenuously, the Jewish concern for doing of mitzvot or commands of God, the Islamic yearning for justice in society, the Calvinist sense of vocation, the sense of responsibility to and for community that are powerful both in the Anglican tradition and in Catholic social thought are all resources that can and should be drawn on here. Some irrigation from external sources may well be needed to make this particular desert bloom and to give colour and vitality to what can be a rather austere landscape. I should add that I am more optimistic about the benefits of adding a religious element to our understanding of business life in an amicably pluralist and somewhat secularising society such as the United States or Australia than I am about the results of underlining religious divisions in areas like Northern Ireland, Yugoslavia, the Middle East, India and Malaysia. I should also add that I don't intend the list of relevant religious resources that I have just given to be taken as complete or definitive. My own ignorance prevents me from doing more to explore the connections between the Confucian,

Buddhist, and Shinto traditions and the ethos of contemporary business. But this, I suspect, is an area where Australians would have a very interesting role to play as partners in an international dialogue.

Ninth, in grasping why so many people regard business as a moral wasteland, we should acknowledge the mixed signals which the business press and public opinion in the business community often send about people of questionable integrity and visible success. Far too often, the makers of opinion give large doses of admiring publicity to such characters on their way up and then turn around to feast on the remains after the fall. A more measured, more self-confident judgment in the early stages and a greater readiness to raise sceptical questions in the face of the noon-day sun would, I suggest, do all concerned much more good than a round of retrospective moral clucking and finger-pointing. Both the positive and negative phases of this process convey the impression that moral constraints actually make little real difference in the business world.

Tenth, and here I allude to a factor which is of special importance in the United States, where one wit observed that we have a government "not of men but of lawyers," but which also plays an important part in weakening the power of moral considerations in the business world in other countries working within the English legal tradition. Here I refer to the adversarial character of the legal process. Adversarialism is also important in the way it structures labour relations and in the way it influences the attitudes of many business people to regulators and regulations. Exploring this in a way that goes beyond stereotypes would take more knowledge than I have and more time than you have. But it seems to me that an adversarial climate discourages people on both sides of the relationship from making various moves that would create a more cooperative and less apprehensive climate in the workplace. It may well be that adversarialism has passed its apogee some time ago, at least in the area of labour relations. Competitive pressure from overseas has forced unions in both our countries to be more concerned about preserving jobs than about increasing salaries and benefits. The sense that in many cases management and labour will stand or fall together means that harmful and immoral practices on both sides are more likely to be regarded as foolish, irrational, and counterproductive as well. Games which are win-win are morally less problematic than games which are win-lose, unless there is unjustifiable harm to third parties.

I now come to the **eleventh** and last factor which threatens to make business a moral wasteland. This is in all likelihood the factor that you have been waiting to hear about and that many people regard as the root of all the moral problems in business, and perhaps even in the world at large. The prime candidate for the role of villain in the moral drama, the prime mover in the capitalist cosmos is usually held to be self-interest. I have chosen not to focus on self-interest this evening for several reasons. The complex relations between self-interest and justice, between self-interest and duty have received a great deal of attention by the major Western philosophers from the time of Plato onwards. It would be presumptuous for me to give a broad overview of such a rich theme. More to the point of this talk, however, is my concern that we not adopt a monocausal account of how people are to behave in a capitalist system and that we need to direct much of the reformist energy that we give to fighting the

moral abuses of capitalism not to combatting self-interest as such, but to understanding the variety of factors ranging from bureaucracy to booms that cause it to assume destructive and pathological forms.

Capitalism without self-interest is indeed like *Hamlet* without the prince. But we should be careful about interpreting this prince along the lines of the murderous ambition of Macbeth or the malevolent envy of Iago or the imperious blindness of Lear. Without attempting to sketch out a theory of the place of self-interest in a capitalist economy, let me put before you a few simple observations on this very important topic. First, self-interest serves as a principle for the construction, criticism, and legitimation of institutions and policies in a capitalist economy; it is not necessarily the actual motive of an economic agent or a corporate decision-maker at any given moment. Self-interest is a more stable, more predictable, more reliable principle than the alternatives considered by moral and social theorists of the early modern period: such as aristocratic honour, monastic renunciation, Christian charity.

One can acknowledge this point without lapsing into psychological or ethical egoism, ascribing all actions or all justified actions to the domain of one uniquely powerful motive. Second, self-interest can be found in various forms and on different levels: short-term, long-term; narrowly focused on what Miss Piggy would call "*moi*" or broadly extended to include the team, the firm, the family, the nation; confined to non-moral goods of the sort that can be calculated and traded or expanded to include non-transferable physical and intellectual goods (health, strength, beauty, intelligence) and even moral goods and goods that are partly dependent on morality (virtue, reputation, affection); directed to goods that cannot be shared (being No.1 in the competition, marrying an individual princess) or to goods that can be more widely shared (scientific truth, peace, prosperity). Third, we can offer moral considerations that should persuade people to prefer some forms of self-interest to others. This is a significant part of what we do in raising children. Parental admonitions to study calculus so you can get into a good university program rather than giving more time and money to heavy metal rock concerts are one way of saying: Refine your understanding of what your self-interest is, think long-term, develop yourself before you enjoy yourself. (Historically, capitalism has gone with an ethic of delayed gratification, not one of facile hedonism). We think it necessary, important, and morally justifiable to tell our children things like this. It is also, especially in boom times like the 80s, useful to repeat them to buccaneer capitalists and to financial managers playing with other peoples' money. Fourth, self-interest and self-love are not banished from the Christian understanding of human nature and from the presentation of the Gospel itself. The New Testament does not make the sharp separation between self-interest (bad) and altruism (good) or between the desires of the creatures (bad) and the commands of the creator (good) which many subsequent Christian writers and theorists did. The second great commandment is formulated in a way that presupposes the continued strength and worth of self-love. At the same time, the Gospel calls for a radical renunciation of self and world; and early Christianity proclaims the central redemptive mystery of the cross. So there should be neither a comprehensive condemnation of self-interest as such nor a facile endorsement of it.

Now it may seem to you — not without reason — that all these factors taken together make the business world if

not a moral wasteland, at the very least a troubling place for someone who aspires to be a person of conscience. But you will also have noticed that particularly as I went through some of the later sources of difficulty, I began to make suggestions about how we might provide support for men and women of conscience who want to serve and to excel in the world of business. This is a task that is both important and difficult. It is important for all of us because of the fundamental role of the economic system in moulding our lives and our societies, in shaping our opportunities and our dreams. Gerard Manley Hopkins wrote a poem comparing the Blessed Virgin Mary to the air we breathe; I'm not sure that a Hopkins of the 21st century will be inclined to write a poem comparing democratic capitalism to the air we breathe. But he or she would not be off the mark in the attempt. The task is also difficult because it is not a matter of abolishing or eradicating the sources of moral difficulty. Like the Dutch, we have to live with the possibility of flooding at all times. Some of the sources of difficulty are permanent or are even likely to increase: the bureaucratic character of the firm, the distribution of power to more players, the increasingly technical character of many business activities. There are others that are worth struggling with and trying to limit, even though our realistic sense of what is possible may tell us that they are unlikely to be eliminated, for example, the loss of a sense of cooperation and community, the marginalisation of religious values and aspirations, the distribution of rewards to the selfish and irresponsible. Progress in these matters is a matter of renewing our specific commitments and our sense of what makes a career in business morally worthwhile.

A moment ago I spoke of those people in the business world who want to serve and to excel. These are two vitally important aspects of business life that can and should be motives for carrying on the struggle against the sources of moral difficulties. For they point us to the opportunity that business leadership brings to do good for others. The leaders of a business enterprise are charged with managing a firm that is to provide products, jobs, dividends, and a range of benefits to the various stakeholders in the firm. Admittedly, if they are at all successful, they are well compensated for this service. But a business leader who thinks that the point of the firm is to maximise his income or public prestige or pleasure is already losing sight of what makes for lasting business success. A commitment to serve points us toward an ethic of results but also toward an ethic of relationships. Business leaders have to look toward bringing about real benefits for those to whom they stand in both contractual and informal relationships.

At the same time the complexity of the business world provides many opportunities to develop personal excellence. The achievement of lasting success normally requires the exercise at a superior level of what Aristotle called intellectual and moral virtues. There is in actual and aspiring business leaders an understandable and appropriate desire to do a complex job well and to be recognised and rewarded for doing so. Doing the job well, whether it is an innovative marketing campaign or a complex financial transaction, a delicate personnel change or a challenging rethinking of corporate strategy, requires not merely a regard for one's self-interest but a concern for excellence in the work and in the way the work is done with and for others. We must not be misled on this point by ideologies that rely on a reductivist account of business motivation and business practice. And we should not make the mistake, which I fear that my own exposition may have encouraged, of moving from the

fact that there are many sources of moral difficulty in the business world to the conclusion that the business world simply is a moral wasteland. Rather the point is that preserving the moral character of business as something both inherent in it and vulnerable to temptation is profoundly valuable, that the attainment of moral excellence in business is both necessary and challenging, and that our understanding of what morality requires in business needs to be deepened and strengthened.

Here of course we need to look to conscience, but to a conscience that is not private and idiosyncratic but that is social and rational. Conscience is, in a pre-eminent way, the protection of those who sincerely desire to do the right thing in a complex and shifting situation. But we also need ways to provide protection and guidance for conscience itself; for one of the implications of the listing of sources of moral desertification that I gave earlier is that in the ever-changing business world of the late 20th-century, conscience itself may lose its signposts, may be misled by plausible rationalisations, may be overturned by social pressure or personal greed, may feel itself alienated from the "rat race" or from a happier past seen through a mist of moral nostalgia. So what guidance can we offer conscience? Can we do better than Polonius or Dale Carnegie? How can we help to prevent conscience from going astray?

Here we have to look at **four different strategies**. The **first** is what I call "legal minimalism." It is to insist that business plans and practices must conform to the law and that any departures from what the law prescribes must have a weighty rationale which the firm is willing, if necessary, to discuss in public. This strategy recognises that a democratic society can rightly restrain and regulate business activity and that decisions of a government which possesses legitimate authority have a prima facie claim to our obedience. The law itself represents one way in which society articulates what morality demands of business. Of course, the law may not be all of a piece; it may be inconsistent, highly technical, tied to a particular social or historical context; it may even be blatantly unjust. So a strategy of legal minimalism will need to be supplemented. This strategy will also need to be corrected if it produces a purely external view of how morality is to affect business, if it inculcates a fear of being caught as the sole or dominant motive for good behaviour, or if it leads to the abdication of responsibility for the ethical direction of the firm to one or two legal advisers. Nonetheless, conformity to positive law is a useful first benchmark for assessing the ethical quality of many practices and policies. The inference that a firm or an executive that has behaved illegally has also behaved immorally does not always hold, but it is not often off the mark. Firms that repeatedly fall below the standards set in this strategy will usually find themselves in great difficulties. The **second strategy** is what I call fencebuilding. In this strategy a firm takes responsibility for setting its own ethical standards. It draws up codes of conduct and sets up procedures for their enforcement. It encourages managers and employees to take ethically informed decisions and recognises that some of these decisions may have a negative effect on the bottom line. The model for much of this activity is legal. The language of the codes is often authored and interpreted by lawyers, though most codes also have exhortatory elements that encourage a somewhat freer and more generous style of ethical response. The implication of these codes is that in addition to the red areas of actions clearly forbidden by the law, there are grey areas in which actions are im-

moral or at least ethically suspect. Such actions may inflict considerable damage on the firm's interests and need either to be forbidden or brought in for a closer look.

This second strategy enables businesses to practise a form of ethical autonomy and moves them beyond a purely externalist approach, in which government and the law make recognition of moral demands a matter of obedience to an authority which stands outside business and imposes rules on it. It is an important step forward, one that has been taken by many firms both in the United States and elsewhere. But it still suffers from some serious limitations. Codes can be hypocritical when they are adopted with little understanding or commitment. They can be evasive, when the real moral problems of a business are ignored. They can become purely retrospective, when past abuses are catalogued and vigorously condemned. They can instill an unduly narrow conception of the moral life which treats moral demands only in the mode of prohibitions. Here they reinforce a powerful tendency which is already powerful in our cultures and which is nourished by both the libertarian distrust of law in general and by the religious model presented most memorably in the giving of the Ten Commandments.

A **third strategy** is what I would call a neo-Aristotelian approach, which stresses the moral point and content of business and which affirms the positive contribution of moral virtue in carrying out the tasks of business. Morality in this approach is not an imposition on business, which would somehow be better off if it were free to achieve its objectives in a moral vacuum or wasteland. Rather, business is shot through with moral or morally significant considerations. Contracts, deals done by handshakes, promotions and dismissals, product safety issues, accurate reporting of results, customer relationships, all have morally significant aspects. The product of the business will in many cases be a good or service that is essential for the well-being of others; in many cases the byproducts of the business will be capable of causing considerable harm to others. What this means is that the ethical aspect of business is not something that can be hived off into a separate division. It will affect important and sensitive parts of the firm and will necessarily involve senior management. Implementing this strategy will require corporate leadership that will develop and maintain an understanding of the firm as an ethical reali-

ty, not a pseudo-church but a business operating in a certain way. A concern for this broader dimension can be communicated in many different ways, not all of which need to be labelled "ethical."

The **fourth strategy** is less corporate and more focused on the individual person. It will necessarily assume greater prominence when the third strategy, the corporate approach is weak or diffuse. This strategy calls for the individual to root a commitment to ethical business behaviour deeply in his or her personal values, in the experiences of moral demand, of personal need and vulnerability, of fairness and response to injustice, and of love and faithfulness. This requires a personal conversion to the good, a conversion which may not be explicitly religious but which involves a commitment to do what is right even at the cost of considerable personal sacrifice. I doubt whether this kind of conversion is an appropriate objective of corporate programs and seminars, but I think it is an indispensable requirement if ethical standards within a firm are to be maintained in both fat years and lean, under negative pressure and seductive temptation. If we look within ourselves, we may not know whether we have truly had such a conversion (much as in traditional Catholic theology where one could not be certain that one was in the state of grace). A deep commitment to personal integrity, to deciding and acting as a person of conscience is closely linked to the overall history of a person's life and career, and it can derive significant support and clarity from appropriate religious commitments. It will be manifest in the actions that the person performs, but also in the care with which a person handles ethically significant values. Conscience in such a person will be guided by the general precepts of morality that govern all of us; by the directions given by positive law and declared company policy; by the ethical orientations that shape the social and business context in which the person works; but in a very fine and special way, by the person's own commitment to moral values and to living the moral life in a free and generous way. Such a conversion to the good and a commitment to the moral life is not guaranteed to lead to corporate success or even to canonisation. But it is necessary if the business leader is to be able to stand firm against the lures of self-interest and against powerful currents of opinion both within the firm and in the larger business world, and in conclusion, I believe it is also a profoundly appropriate way of being a disciple of the Lord.

QUESTIONS

I am Robert Stringer and I am wondering if I could ask you to move a little bit further and say how you would relate the new concern for the environment? You mentioned St Francis and his egocentric view. How would you integrate that new sensitivity that is emerging into the whole business ethic?

I think that is something that we have to do on two levels, one theoretical and one practical. There has been a certain tendency within the main philosophical and theological traditions to think about ethics as the way we treat other human beings and the way in which we are related to God. Obviously that will continue to remain central. We also have to think about ourselves as living within a world, an environment, for which we have responsibility and it has to be an essential part of our morality that we deal wisely and responsibly with the environment. We have to find the proper theoretical standing for environmental values and this is going to require a very significant development in both philosophical and theological ethics.

But I think the Christian vision, which is also shared with Judaism and Islam, of creation and the dependence of all of us upon God, is an important corrective to simply thinking that things are simply here for us to use to satisfy various short-term projects. We have to think about a long-term future. That is on the theoretical side.

On the practical side we have to do a lot of discussing about how to allocate the burdens that environmental responsibility poses on all of us. If the burden is to be better and wiser consumers, to develop new kinds of products, bear certain costs for developing more environmentally sensitive manufacturing processes and so on.

That is going to require development of science and technology because we do not have all the information that we need and we have to get more information. It requires a listening to the significant voices, both management and labour, in the various communities that will be affected by specific decisions. One of our major difficulties is, of course, that most of our moral reasoning is universal and some of the most painful environmental decisions have to affect particular localities and very particular interests. We have the old problem of what we call "nimbys" — "not in my backyard." There has to be a new sewerage plant but NOT in my backyard. There has to be a new sewerage plant but NOT anywhere near where I have real estate. That is both a challenge to environmental responsibility and to self-interest. Some people think that self-interest is located almost exclusively in the business community but if you try to bring one of these "nimbys" into a residential community you find that there is vigorous affirmation of self-interest on the front.

This is an area where we have an enormous amount of learning to do but it is obviously going to be taken more seriously as we go along. It is interesting that the recent Encyclicals are paying more attention to the environmental question.

Dearn is my name. Is mediation playing a significant role in the United States in the conflict of business interests as against litigation?

I think not. This gets beyond the area where I am really competent but the ethos is determined by the possibility

of litigation. Lots of decisions are made — "How is this going to play out if we have to go into court and face a no-holds-barred struggle over this?" Certain issues do get brought to mediation or arbitration but not the bulk.

Some of the mediation processes that are taking place, say in Sydney, leading more to a win-win situation, may well be means of bringing more ethical considerations into the disputes.

I think this gives people more flexibility and it particularly gets people away from the "us against them" attitude where any loss for them really counts as a win for us. That encourages all kinds of destructive behaviour and a profound sense of discomfort with people that you have to work with. It may be that we have things to learn from processes in this country.

My name is Roger Spegele. I want to thank you for a very illuminating and incisive talk. One of the things that I am happy that you did not say is that business is a moral wasteland. You were careful to distinguish between some of the reasons people give for thinking that it is a moral wasteland and actually describing it as moral wasteland. One of the things that I see missing in your talk, not because you do not know about it, but because of the limitations of time, is the historical perspective. That is to say, business it seems to me, is no different from other areas of public morality, for example, politics. Politics could also be described in exactly the terms that you described it, as a moral wasteland and so with other areas of modern life.

This suggests there may be a cultural or historical element in this, that is to say, business is a child of the enlightenment. Business, in fact, has attempted to put into place things that the enlightenment has admired, for example, attempts at equity, attempts at equality, rights have been a very important part of business corporations.

It is very important to be clear about that. That business is not any different from other areas of public morality. Your third strategy seems to be very interesting in the light of what you might call the very thinness of the enlightenment idea about morality, about right and wrong, rule-oriented morality. Could you say a little bit more about the Neo-Aristotelian strategy? In particular, could you say something about the notion of the business corporation as an ethical entity, as an on-going ethical activity? I find that to be a way of thickening up, if you will, the notions of morality in the business corporation and I think that is a very important part of some of the ideas that you are suggesting.

That is not so much a question as an invitation to further reflection. It is worth remembering that the problems that confront business are significantly prevalent to problems that confront us in political life, that confront us in Government service, that confront us in some areas of academic and church life. I deal with a diversity of professions in dealing with ethical reflection and I find that the three groups that are most resistant to professional ethics are journalists, lawyers and academics. I suspect that in many cases that they think of themselves as the standard setters rather than as people whose conduct particularly needs scrutiny. There is a fairly widespread cultural consensus, particularly among those groups that I just mentioned, that business is morally dangerous and reprobate in a way their own activities are not.

Business is subjected to more extensive moral criticism and there is more public cynicism about business and there is also an incredible amount about politics. Aristotle thought that politics was the natural continuation of ethics whereas I think for most of us we are inclined to think that it is almost about 180 degrees away from ethics. We use the term political often in a very negative sense.

The question you raised about a corporate strategy in the Neo-Aristotelian mode. The crucial move there is not to think about ethics as a set of constraints, of no, no, no. Thou shalt not pollute the Alaskan shore. Thou shalt not drill on the Continental shelf for oil etc, etc. This leads to a frame of mind in which business thinks about all those wonderful opportunities and if we did not have all these constraints there would be all these terrific things we could do and we would make an enormous amount of money. You produce a profound alienation between ethical standards and what business people think they are trying to do. Rather, one should think about ethics as something internal for business enterprise itself without which it cannot really hold together. In the absence of virtue, the firm is in danger of collapse. Sometimes you get a situation in which there are a lot of bad things going on but there are also a lot of good things going on and it is, in a sense, the Rabbinic saying, the limited number of just people who keep the world going. That may sometimes happen in a corporation. There may well be a foolish and irresponsible person at the head of it and some very excellent people who hold it together. But I think that is an untypical situation.

I think implementing this kind of strategy requires leadership that is willing to identify itself with the promotion of virtue in the way that the corporation does its business. A lot of explicit ethical language will make corporate leaders uncomfortable. There are various ways of promoting virtue that do not require the use of what we call "Sunday School" labels but that address the point. A lot of this is done through corporate seminars, through the way the company newsletter is written, through underlining certain qualities that are valued.

In Aristotle, when he talks about ethics, the central activities are praising and blaming and we do that all the time. Managers, even in very small firms, have to take responsibility for encouraging certain kinds of behaviour and discouraging other kinds.

The other thing that is crucially important is to create enough openness and candour so that people can state the difficulties that they perceive and know that in raising those difficulties that they are not going to be dismissed as naive or obstructive and if they collide with important people within the corporation, that their own basic rights will be protected.

Thank you Fr John. Like everyone else I am getting something special from it. My name is Erroll Abbott. I am a small businessman and I have worked in large corporations as well. I just wanted to say that it might be helpful or opportune to make some comment about comments you have said. You are trying to get a wide response, I suppose?

Oh yes.

One thing you said, that in a lot of cases, transactions have replaced relationships. That struck a chord in me. Sometimes you feel you are very much alone in trying to follow your value system. Particularly when you are a lot younger, it is hard to strive to follow the values you regard as very important. I think we are all aware of technical excellence but to put morality on a level of an excellence in the sense that it is worth striving for, that it is "fashion-able", is very important. I did want to stress that what you said about moral excellence did help a lot and how relationships are very important and there is a virtue or a strength in those things. What I was going to ask you was to counter sometimes the sense of aloneness, are there any small informal groups in Connecticut or places like that where people try to get together and try to sustain one another?

I think there are a number of groups, both Protestant and Catholic, that have formed in places and I think there is need for more of that because what we see in this is the importance of a communal understanding of ethics and ethical standards. We do not want people to try to swim in isolation against what are fairly powerful currents that come both from bad theory and bad practice. There are a lot of thoughtful and very generous people in the business world. They do not do enough talking to each other. I know, I have been involved in some efforts to try to create an association of Catholic business executives in the United States, and it has been uphill, partly because people do not want to have an expressly religious tag on what they are doing.

One matter of particular concern in the way that this has shaped in the United States, is that one does not want to do anything that is going to, suggest that an exclusivist attitude will be developed which leads to anti-Semitism. I think that is not morally acceptable and would bring back very painful memories from the past.

But the people are free to form a lot of these groups and there are newsletters and so on. There is a very interesting group of people working in Chicago but I think we could use a lot more.

Frank Landers from the KSC economic study group. Professor, would you like to comment on the ethics of the creation, by advertising or other means, of synthetic demands of things that people do not really need? In asking this question, it raises a question of over-use of materials and resources and things of that nature; the whole question of the Ecology.

That is a difficult question, partly because advertising is broadcast, that is, it is thrown out to the general public and often enough, people's needs will be, in some respect, person-relative. It depends on the way of life that you have and what your aspirations are and so on. Some things that I "need" and really do need, are not going to be needed by other people. You might say then that there is a class of things that nobody needs and may just be trash or amusing and we do, I think, have to counteract that, not so much by restricting advertising as by educating consumers and by trying, in some cases, to structure particular things so that there are disincentives to consume them. I mean, if they involve a lot of pollution, or for instance, one reasonable approach. The United States is in many ways, a "throw-away" society but now a lot of States have put in mandatory deposits where

people take bottles and if you return the bottles you get five cents. Interestingly enough, some people who are quite poor but anxious to do something for themselves, will give a fair amount of time to assisting in this task. So, we have to show a certain amount of imagination in handling this kind of thing.

I think also, there is a fundamental place for Christian witness in simplicity of life and that in some respects puts us at odds with the style, which the market place commends to us in many ways, which is greater consumption. We have to think about sharing the goods that we have and we have to recognise also if the price of certain goods goes up, that may be a useful sign to us that not only is it painful to pay the higher price, but also that less of these goods may be good for us. We can make progress on some of these things. For instance, in the United States, I think there is a lot of considerable growth, sometimes it becomes almost a fetish, in trying to develop wiser patterns of consuming food. Some of this is connected with the pursuit of longevity and greater physical attractiveness and so on.

Some of it will also be conducive to people's genuine well-being and we have to educate people to be discerning. Some of that discernment is developed in the course of prayer and reflection and examination of our own conscience.

VOTE OF THANKS TO PROFESSOR LANGAN — MR JOHN PHILLIPS.

Your Lordship and friends, I must say that I am genuinely honoured to be asked to stand here and propose the vote of thanks tonight. I, like Bishop Brennan, was rather struck with the delicious irony of having this lecture on the same day as the Budget. I was even more struck by the irony of Fr Langan going along to Burnham Drexel Lambert and lecturing on ethics. I hope it was after Michael Milken had left.

Business ethics, of course, has been a subject of great moment in recent times in most countries of the world. It is necessary that those of us who feel strongly about the issue, take advantage of this period when it is high in the public profile. There is prima facie evidence of a lack of ethics, of a breakdown of standards in many areas. Fr Langan mentioned some examples Guinness and Boesky and Milken and the S and Ls. We should not forget BCCI or Lockheed and Recruit in Japan or similar examples in almost any other country that you can conjure up.

We need to remember also that they are just some of the examples that have grabbed the headlines. They are far exceeded by the number that are less newsworthy than that. We have had a similar situation in Australia. We have had our fair share of headline grabbers probably more than our fair share. We also have had our share of those which have not grabbed the headlines, which have not been important enough to make the headlines or the "Seven-Thirty Report".

I am not talking about firms that have failed as a result of the recession and, because of that failure, left unsatisfied clients or unsatisfied creditors. I am talking about those which have operated close to or beyond the edge of dishonesty, individuals that have stretched the truth

right up to, or just past, its natural limits and placed their own interests above the interests of all others. Not all of them have failed. Many continue on their merry unethical way, driven by avarice and vaulting ambition and supported all too often by the apathy of others, whether those others are the directors of companies, governments, or just the general public like ourselves.

There is no consistency in this. At the moment, there is a general public abhorrence of the lack of ethical standards. I cannot say that it was particularly noticeable during the middle of the nineteen eighties. The kind of people that I am talking about do not subscribe to the dictum that you do unto others as you would have them do unto you. It is really a case of do it to others before they do it to you. All in all, that is not a pretty picture.

I think one has to be concerned, as Fr Langan mentioned, about the role of the media and of politicians in boosting the image of these kinds of people from time to time, and in seeking to gain lustre from their associations with highflyers. It is a bit of an embarrassment to think, sometimes, about how many of those we are talking about, have appeared as Businessman of the Year in various publications or have been in photographs with Prime Ministers and other ministers in glossy magazines or on the television.

But we should also bear in mind, I think, Fr Langan's comment about adjusting the way that we look at business. It is true that there are many more people of integrity in business than there are of people of the type that I am talking about. I have to say that it is not clear, to me at least, that standards have actually fallen. History suggests that there were always the unethical. The example of the money changers in the Temple has stuck in all of our minds from childhood lecturing. The black marketers in every avenue of business where there is warfare or other kinds of human conflict, the slum landlords, the usurers, have always been with us. They just change their mode of operation.

We seem to have devised societies now, or they seem to have grown naturally, where the opportunities for these kinds of people have increased. Fr Langan went through the reasons for that in a lot of detail, covering also the apathy of the community, which until recently, was at a peak.

We do badly need conscience in business. The question is how is it going to be provided? Some of the strategies have also been outlined for us tonight.

Individuals, I believe, can do a lot, particularly if the environment is suitable to them. Someone has to play the role, in business, of the conscience which guides us individuals. The individual has to play that role and it is better if those trying to do so can somehow be brought together to provide mutual support.

For me to talk on would be a little like serving orange juice immediately after a bottle of Grange Hermitage but I would just like, on your behalf, to thank Fr Langan for taking time to come and talk to us tonight, for the thoughtfulness of his text, and the candidness of his response to questions. I would ask you to join me in responding to that in the normal fashion.

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