

The future of capitalism in Europe: ethics, principles, values

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THE VIRTUES OF SOCIAL CORPORATE RESPONSIBILITY

Prof. Michael Ryan
(Pontifical University Regina Apostolorum, Faculty of Theology)

The purpose of this paper is to reflect on the need of virtue in the implementation of Social Corporate Responsibility and, in general, in the new economy that is now the object of our Conference.

The reasons are many.

Many remind us that even Adam Smith, the influential author of *The Wealth of Nations* (1776) talked about the importance of moral values (or sentiments) as the necessary context for markets and capitalism in his earlier book *The Theory of Moral Sentiments* of 1759. He was speaking of prudence, humanity, generosity, justice and public spirit.

The Church, in the voice of Pope Benedict XVI, recently stated:

The Encyclical *Centesimus annus* states that the market economy... may be recognized as a path to economic and civil progress only if it is oriented to the common good (cf. n. 43). However, this vision must also be accompanied by another reflection which says that freedom in the economic sector must be circumscribed "by a strong juridical framework which places it at the service of human freedom in its totality", a responsible freedom, "the core of which is ethical and religious" (n. 42).

The above-mentioned Encyclical appropriately states: "just as the person fully realizes himself in the free gift of self, so too ownership morally justifies itself in the creation, at the proper time and in the proper way, of opportunities for work and human growth for all" (n. 43).¹

But in the presentations made of CSR we can find a lot of insistence on the fact that it wants to rely on voluntary action. This is how a member of the European Commission expressed it in a conference on "Corporate Social Responsibility Social Commitment" in Milan, 13 December 2002. The Commissioner, Mrs Anna Diamantopoulou, said on that occasion:

"I do not want to be dogmatic on these general issues of public policy involvement. But I do want to be clear on the last point. For me, companies operate already in a well-defined legal environment. And we naturally look to them to respect legal rights and minimum standards on issues such as work conditions, health and safety, equal opportunities, anti-discrimination and the rest. **But we hope, and expect,**

¹ Address to the Members of the "Centesimus annus – Pro Pontifice" Foundation, Saturday, 13 June 2009.

responsible businesses to try to do better. To try to do more. Whether they do this out of 'enlightened self interest'. Or whether they do it in pursuit of more elevated goals. **Which is why, I see CSR as being essentially based on voluntary action and co-operation** [...] Having said that, I know that many people still believe that CSR is largely a public relations exercise. And that, unless I keep the threat of EU legislation 'up my sleeve', there will never be serious progress made at European level. I do not agree. I do not think CSR is about threats, hidden or otherwise. It is about companies doing better than they are legally required to do. [...] we cannot expect to make the world a better place only through legislation and sanctions (*emphasis mine*)

So if we agree with the European Commissioner, laws do not solve the problem. This is a conviction shared by many people, even legislators and lawyers. A famous Irish Emancipation hero, Daniel O'Connell, used to say: "I'll drive a cart and a horse through any law of parliament". Besides, laws usually arrive late, when the damage is done.

The concern is always about how to give these concepts effectiveness, continuity and penetration without having to recur to the motivation of sanctions.

We could say that there are three types of sanctions: the law, social pressure and internal sanctions of the corporation itself. The law is the clearest case; the social pressure will determine the market image of the company; finally, internal financial sanctions can make people be careful. This is what seems to be suggested by actions like that proposed by Michael Hoffman, founder of the Center for Business Ethics at Bentley College in Boston. In an interview in the Italian *Corriere della Sera* of September 30, 2007 Hoffman recommended that more power should be given to the ethical officers, making them members of the Board and thus having "power" over the directors, being able to influence even their dismissal when they are not in compliance with the ethics of the company.

So if we want to take up the challenge of voluntary actions in the context of social responsibility we must face the issue of **motivation**. What is it that will move me to act in one way rather than in another, specially when it can be economically costly in the short term?

We can agree that man has a need of these external controls and of a certain amount of fear. But if this were the only motivation we would still be a long way from making men and women what they should be. They are called to be their own legislators; this is their dignity. This is their greatest strength. But it is also their Achilles tendon.

In the discourse mentioned above the Commissioner addressed this aspect very briefly saying that companies could be motivated either by "enlightened self interest" or "in pursuit of more elevated goals". The "enlightened self interest" can be seen, for example, in concern for social image as an important asset for business today or in a middle and long term perspective that will make businesses last in time.

The other expression about "more elevated goals" is a very open statement which can mean many things. The concept of virtue, which supposes an ideal of human perfection, can give some light on what these elevated goals could be.

To be you own legislator and judge is a very dangerous job. It is easy maybe to be just on and of, but, as Aristotle reminded us, "one swallow does not make a Spring". So we need to be consistent. Society can be safe only when there is constant good action. This is what is called "virtue" and moral life is all about starting, nurturing and maintaining this.

If we are to get anywhere in ethics today I think we must try to return to some solid traditional concepts about human conduct. In the light of the extreme crisis we are facing,

one could wonder why so much talk about ethics in these last years did not produced the fruit that was expected.

In my humble opinion, a part of the answer can be found in the fact that we are victims of a de-structuration, both of philosophy and of ethics; we have forgotten the tradition in which the ethics of the western world was founded and we have developed an ethics of business - Anglo-Saxon to a large extent - based on ethical theories that have lost their roots. Certainly business ethics has made great progress and we don't want to deny this. But undoubtedly the word "ethics" has suffered a severe inflation. You can use it without giving it its specific weight.

Partly, this is due to the fact that its contents are used without their historical roots. You employ concepts like 'good', 'bad', 'law', 'value' but they are like plants that are without roots: they stay standing in the field but they don't have the sap that once gave them life. Elizabeth Anscombe, some 50 years ago, claimed in an article, *Modern Moral Philosophy* (1958), that our terms have become ambiguous, they can mean different things in different minds, because they are no more than the empty remains of Judeo-Christian ideas that derived from the idea of a divine Legislator. According to Anscombe, we have tried to find substitutes (very suspicious ones) for these uprooted terms, but we have not succeeded. We have substituted the idea of a Legislator with the method of calculating consequences. The global result of this process has given us a weak ethics, which I could illustrate from the history of business ethics over the past 30 years.

This diluted atmosphere was unable to react to the temptations presented by the financial economy. Our best terms, 'Corporate social responsibility', 'Stakeholder Society', 'Total Quality Management', 'Ethical Leadership', 'Participation', 'Transparency', 'Integration', etc. were unable to see the contradiction between what they were trying to say and what was being done. They were unable to stop the snowball; people thought that business had to go on.

Some have even said that ethics sold itself to business. At least this is what G. Lipovetsky says in his book *Le crépuscule du devoir. L'éthique indolore des nouveaux temps démocratiques*, Gallimard, Paris 1992. His description of what has happened is stimulating.

Ethics have lost its old ideals, its belief in universal norms which are now considered as obstacles to progress. It is better to have people guided by their enlightened self interest than by 'good will' (good-willers). We shouldn't negate motivations guided by self-interest, but merely moderate them. We should not demand the heroism of disinterested action but that of responsible action and sensible *trade-offs*. In this way we have an ethics that is less sublime but more capable of interacting with the mechanisms of democracy (*my translation*)

Lipovetsky admires the way business has been able to construct an ethics that is tailor-made: on the one hand rigor in the principles but, on the other hand, pragmatic flexibility; an ethics that is approximate, rectifiable, constructed less on the moral tradition and more on the democratic model².

Even if this kind of ethics can have qualities to interact with businesses and speak a certain common language with them, it doesn't have the vigour of the moral ideal, a vigour which is present in the heart of man and of which the economic world has need and could use.

² G. Lipovetsky, *op. cit.*, p. 249.

When the crisis became evident I, personally, spontaneously made an effort to see where the culprits were. But maybe this kind of approach is misleading. Our ethical reflections must be made always in the first person (and not in the third person, where we judge "others"). In Christian ethics there is a concept that maybe is not reflected in other more secular ethical theories. This is the concept of "conversion". Maybe the episode of the Gospel where Jesus was asked to judge an adulteress could shed some light also on our complicated economical situation.

Let's begin imagining that we were here to solve the problem, not of economics, but of prostitution. Can we imagine our conversation about this social problem? What rules and what regulations should be put into place? How does Christ go about it? "He who is without sin, let him throw the first stone". They all left, beginning with the oldest.

The lesson is: stop judging others and start judging yourselves.

This is ethics in the first person. We must always remember what Aristotle said: we don't ethics to know what is good but to become good persons. Ethics reaches its perfection in action. I can know or think that I am the fastest person in the stadium, but if I sit in the stand and don't race, it doesn't benefit me in anyway.

When we speak of virtues and social corporate responsibility I always think that the approach must be one of first person. In this way, and only in this way can we ethics the punch it need to influence our economical systems. Ethics is about principles and bringing them to bear on our everyday actions. As principles they can seem harmless and weak; but in reality if they are true they are real energies that can change society.