

The challenges of Ethical issues in today's business and society

1. Last Monday as I was putting the finishing touches to this talk, I heard a news item on the BBC news that I thought could be a good starting point tonight. It presented the plight of a Greek family, son, mother and grandfather, living in an elegant Athens apartment. The grandfather was born in a poor village to the north of Athens, and as a young man went to the big city, where he had at one point three and even four jobs to be able to send his daughter to university. His daughter made it, and she too managed to send her son to university to study engineering. Yet, one year into the crisis, her salary, which two years ago was €4200 is now €1200, and her son's plans to work in the construction industry came to nothing because there is no construction going on in the country.

This is not the place to analyse the Greek crisis and its causes, internal and external: in fact, the same BBC website includes a discussion on whether we should feel sorry for Greece, citing such examples as 'The railway system would be cheaper if every passenger was taken to their destination by taxi', and 'Every MP has the right to an official car'.

But whatever the case, the state of this tiny economy is sending shivers down the spines of mighty Germany and France, and making most people in the developed world think hard about our present economic set-up.

Less than 20 years after the fall of the Berlin Wall and the many claims of the final victory of the free market system, the fall of Lehman Brothers in late 2008 marked the beginning of the end of an era, and the world and its economy has been in crisis management mode ever since.

So when I asked to introduce this meeting and given a title that seemed so wide as to give me the luxury of choosing my focus, I decided to underline the macro rather than the micro level of business ethics. In this I was luckily complemented by Prof Verstraeten, an eminent business ethicist from Leuven University, who last week delivered a very stimulating lecture on business ethics at the micro level.

The time I have been allotted to introduce the discussion allows me to be more provocative than propositive, and I hope my short general remarks will stimulate you, the real experts, for the discussion in second part of our meeting.

2. To say that we are living through historic times may seem trite, yet there is a feeling that our economic models, if not our very economic systems, are under serious scrutiny and their very survival often looks uncertain. The problems we ourselves have created through naked greed or by foolishly believing in indefinite expanding economies built on the unlimited capacity of states to borrow, are now coming home to roost.

At the height of World War II Jacques Maritain, the French philosopher who had to flee to the US because of his Jewish wife, wrote in *Christianity and Democracy* that it would be certainly be a major disaster if the Nazis won the war; yet he added that it would be equally disastrous if the Allies won the war without succeeding to construct a society whose vision did not go beyond economic success.

Nearly half a century later in *Centesimus Annus*, the encyclical after which your Foundation has been named, Pope John Paul II outlined the reasons that in his opinion led to the fall of communism. Yet the chapters of the encyclical also offer a deep and mature reflection on capitalism and its flagship, the free market, in contrast to those who, in their enthusiasm at the fall of the Berlin Wall, could only see this as the definitive victory of liberal capitalism.

The encyclical identifies the negative effects that a centrally controlled market can have on human enterprise, and ultimately on human well being, at the individual and the communitarian levels. The Pope argued that it was not just a case of economic inefficiency: the basic shortcoming underpinning communism's economic and social mechanisms was a mistaken understanding of the human person and its dignity, and it was this mistake which led to the system's downfall.

The Pope's criticism of the communist system goes much deeper than its economic shortcomings: he insists that Communism's failure was fundamentally cultural and not merely economic, so that the battle it lost was not against capitalism but against its own citizens and their cultural identity, something that can happen again with free market capitalism. The 'true cause' of the downfall of communism was 'the spiritual void brought about by atheism, which deprived younger generations of a sense of direction'. (24)

'The fundamental error of socialism is anthropological in nature' (13), for it considered the human person as a mere element in the social system, and its good subordinated to the good of the whole: the person is thus deprived of his or her freedom and personal initiative, not only in the economic sphere but also in the moral and social

fields. This renders the person more dependent on the system and less capable of creating a true human community. Such a system can only implode and destroy itself.

4. This analysis helps us to understand the very nuanced approval Catholic social teaching gives to the free market mechanisms. *Centesimus Annus* contains what is certainly the most explicit endorsement of the market in Catholic social teaching: it is praised as ‘the most efficient instrument for utilising resources and effectively respond to needs’ (34). It is an expression of human freedom in the economic field, giving central importance to the person’s desires and preferences. It is an important instrument for attaining important objectives of justice, from moderating excessive demands of individual businesses, to ensuring an optimum use of scarce resources and rewarding the spirit of economic initiative. Profit too is acknowledged as having a ‘legitimate role... an indication that a business is functioning well’ (35).

Yet, judging the free market economy by its economic efficiency is not enough, for the wider, more basic criterion is whether a system is at the service of the human person and community, not only by giving space to human economic initiative, but, at the deeper level, that of respecting the truth about the human person and its inherent dignity.

It is within this conceptual framework that *Centesimus Annus* tried to arrive at an ethical evaluation of capitalism, and consequently of the free market. The answer is unavoidable complex, and it is important to quote it in full:

‘If by "capitalism" is meant an economic system which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector, then the answer is certainly in the affirmative, even though it would perhaps be more appropriate to speak of a "business economy", "market economy" or simply "free economy". But if by "capitalism" is meant a system in which freedom in the economic sector is not circumscribed within a strong juridical framework which places it at the service of human freedom in its totality, and which sees it as a particular aspect of that freedom, the core of which is ethical and religious, then the reply is certainly negative’.

(42)

Freedom certainly, but human freedom in its totality, much beyond mere economic freedom, for the free market can never be considered as an end in itself: it

cannot be judged apart from the ends it seeks to accomplish and the values it transmits on a societal level. For instance, while profit has a legitimate role in business, any system that humiliates and offends the dignity of the persons, 'who make up the firm's most valuable asset', is not only morally indefensible but will certainly lead to negative economic repercussions on the firm itself: profit can never become the only criterion of a business' success.

5. John Paul II's preceding social encyclical, *Laborem Exercens*, published in 1981, thirty years ago this year, claims that work is the key to the social question - work not only in the objective sense, but primarily in the subjective sense, the human person who works and who fulfils himself or herself through work. The human person and human work are at the centre of the social question, and any system that disregards this basic truth does so at its own peril, communism first, and then perhaps economic, free market liberalism.

The other principle proclaimed by LE is that *Work comes before capital*, human work or persons who work must be given priority over capital. Yet we live in a world where the opposite seems to be often the case, where deregulation of labour practices seems to be the solution to most of our problems, and where there seems to be a decreasing relation between the prices on the stock market and the real wealth of businesses.

Allow me to refer to an excellent document published a few weeks ago by UHM, *The People's social vision for Malta*. It is the union's reaction to the Maltese Government's Vision 2015 document, itself a proposal to put into practice in Malta the Europe 2020 strategy of the European Union. The document states that, 'Although the UHM endorses the strategic proposals for jobs and smart, sustainable and inclusive growth', it wants to express publicly 'its concern that the social dimension is not being put at par with the economic objectives to be achieved by the country'. (p.1-2)

It goes on to formulate a clear vision:

'The proposed social vision rests on the premise that the individual comes first, and incentives should be targeted to alleviate personal needs and aspirations. In so doing, an improvement in the wellbeing of individuals and society in general offers fertile ground for the economy to prosper, which in turn yields further benefits at personal level, depending on individual skills, effort and motivation directed at the market place. This strategy acknowledges the necessary

interaction between the individual and the market, be it via the individual's entrepreneurial skills, ownership or through the employment of human skills in the labour market. Such attributes put the individual in a better position to enjoy a better standard of living reaped from the market economy'. (p. 4-5)

In our small country we are witnessing a complex situation where on the one hand the effects of the economic crisis have been much less painful than elsewhere, and our economy is growing at a rate faster than that of bigger countries. Yet there are also many warning signs: the differences in income are growing, and there increasing rates of people living at risk of poverty, there are increasing rates of part-time work and of full time work according to definite contracts, greater family breakdown, and more children born out of wedlock.

It is not realistic to put the blame of all or part of this at the door of the way work and the economy are organised, but greater social fragmentation and less respect for the dignity of each person and her needs can only have adverse economic effects.

6. None of us attends the G20, so we may feel tempted to say there is very little we can do, and all the above may seem merely pious wishes that we can never realise. But I am sure we can be more optimistic about our possibilities to contribute to a more ethical economic system:

- On the level of our own enterprise, we can certainly influence the culture we encourage, our corporate culture, the way we understand our corporate social responsibility, to which a movement in the US is trying to add corporate family responsibility, the collective agreements we sign
- But then there is also the level of the contribution of local business and industry to the development of our economic model. Business and industry do play an important role in this area: they are called the social partners, their advice and criticism is offered and sought and listened to attentively, both in a structured manner and also in an informal manner through contacts with politicians and civil servants.

In his speech at the German Bundestag last September, the Pope encouraged the politicians to have a listening heart, and to conclude I will use his concluding words, with the proviso that they were addressed to politicians and not to people involved in business:

As he assumed the mantle of office, the young King Solomon was invited to make a request. How would it be if we, the law-makers of today, were invited to make a request? What would we ask for? I think that, even today, there is ultimately nothing else we could wish for but a listening heart – the capacity to discern between good and evil, and thus to establish true law, to serve justice and peace. Thank you for your attention!