Our City is Your City or **Your City is Our City?**

by

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'Countless sermons have been preached on the ethics of business and the business person. Most have nothing to do with business and little to do with ethics.'

Drucker, P (1974) *Management Tasks, Responsibilities, Practices.* Oxford: Butterworth & Heinemann, pp.294-303.

Introduction: Thinking Ethics while Learning Finance

The mediaeval controversy about usury, which was the most debated economic issue in Catholic doctrine from the 12th to the 19th century, and the only doctrine to stimulate tension between the Church and the world of commerce and finance, eventually issued in a nuanced theory of finance.[1] The opposition to any change in the doctrine of the sinfulness of usury (which, at its simplest, is making a profit on a loan or on investment) was based on a combination of the Catholic Church's teaching authority, backed by threats of excommunication and eternal damnation, and the intellectual case made against it by the finest philosophical and theological minds from Aristotle to Aquinas, culminating in the official condemnation by Benedict XV in his encyclical *Vix pervenit* (1745). The only comparable heated debate and sustained moral condemnation has been that on birth-control, and strangely enough the intellectual case against both practices was based on similar grounds. Aristotle argued that:

> **'The most hated sort of [unnatural money-making], and with the greatest reason, is usury, which makes a gain out of money itself, and not from the natural use of it. For money was intended to be used in exchange, but not to increase at interest. And this term 'usury' means the birth of money from money, and is applied to the birth of money from money because the offspring resembles the parent. Wherefore, of all modes of making money this is the most unnatural.'**[2]

The same argument, that is, of using a faculty in a way that is not its 'natural' use, has been used against birth-control.[3] Given the strength of the doctrinal opposition to usury, it comes as a surprise to discover modifications being made to ethical thought on it from the 12th century onwards; and what is notable about the changes, when they did come, is that they were a consequence of close analysis by Scholastic theologians and Canon Lawyers of new financial products and monetary policies, such as the 'triple contract', investment partnership (the so-called *'societas')*, along with forms of insurance and annuities; and the changed thinking on these topics amounted increasingly to a moral defence of profit-taking on financial investment. The process of argumentation, then, was one of 'thinking ethics while learning economics', with a more nuanced finance ethics as the outcome. A further modifying factor on the Church's authoritative and monolithic prohibition was the careful scrutiny given by Scholastics and Canon Lawyers to

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[1] Noonan, J T (1957) *The Scholastic Analysis of Usury.* Cambridge, Mass: Harvard University Press.

[2] Aristotle, *Politics*, I.10, 1258b.

[3] See the Symposium, 'Birth-Control: The Perverted Faculty Argument' reported in *Ecclesiastical Review, LXXXI* (1929), pp.54-79. One participant claimed that: 'The perverted faculty argument is intrinsic and metaphysical. If its force is not immediately and intuitively perceived, it cannot be made convincing through any process of argumentation.' (p.70).

refinements of Roman Law, which has led Viner to suggest that if theologians and Canonists had continued to pay closer attention to legal detail than to the ontological or finalistic argument of Aristotle, then an even more realistic ethics of finance might have been developed at an earlier stage.[4] The point did, indeed, seem to have struck Aquinas:

> **'Civil law leaves certain things unpunished on account of those who are imperfect, and who would be deprived of many advantages, if all sins were strictly forbidden [that is, by civil law] and punishments appointed for them. Wherefore human law has permitted usury, not that it looks upon usury as harmonising with justice, but lest the advantage of many be hindered.'**[5]

The proposal being made in this paper on modern business and finance ethics on the usefulness of a model dating back to the Middle Ages is intended to highlight, first, the importance which moral thinking on business should attach to facing economic and legal realities, as was the case with these early Canon Lawyers and Scholastics; and, second, the usefulness of this early model, and the tradition of moral thought which it stimulated, to the development of a business and finance ethics for the 'managerial capitalism' of contemporary economics. A **first** theme running through the paper will be the place of ethics in the history of economic thought from the ancient classical tradition of Aristotle to medieval writers such as Aquinas; then, in 17th century philosophical thought on economics to be found in Locke and many influenced by him; later, and almost contemporaneous with Locke, to the central place of ethics and moral thought in the Scottish Common Sense Approach to Economics from Adam Smith and William Reid, to the continuation of that tradition of economic thought in Marshall and Keynes; and finally, to Philip Wicksteed and the contemporary economist Ian Steedman, modern economists who shared the Common Sense Approach to Economics, and did so in a transparent ethical form. The aim of this part of the paper is to analyse the nature and potential of ethical thought embedded in a widely supported epistemological framework of Common Sense Economics, which is 'ethics friendly', in contrast to the 'ethics-resistant' nature of an economic theory founded on scientific model and methods. A hypothesis being suggested is that business ethics has paid insufficient attention to the significance of the whole Common Sense Economics debate, with the result that it has neglected its own soundest foundation. A **second** strand in this exploration of business and finance ethics is that three significant interlocutors have provided a bridge from earlier thought on economic ethics to its contemporary reconstruction as Corporate Social Responsibility (CSR): J K Galbraith, Peter Drucker and Sumantra Ghoshal. But even these authors (though less so in the case of Ghoshal than the other two) have not appreciated the usefulness to business ethics of the rigorous analysis of economic ethics over a period of two-and-a-half centuries. The purist scientific model of economics still holds considerable sway in modern economic and business theory, while existing side by side with the moral overtones of the fashionable Corporate Social Responsibility enshrined in Codes of Ethics for Business, Mission Statements of corporations, and in

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[4] Viner, J (1978) *Religious Thought and Economic Society: Four Chapters of an Unfinished* Work (eds) Mellitz, J & Winch, D. Durham, N.C: Duke University Press. See also Noonan, J T (2005) *A Church that Cannot Change: the Development of Catholic Moral Teaching.* , Notre Dame, Indiana: Notre Dame University Press. This book is attentive to legal aspects of the finance questions, Chs.18 -20, pp.127-142.
[5] Aquinas, *Summa Theologiae, IIa-IIae,* Q78, art.1,ad.1.

syllabuses of business schools, and in programmes of conferences.[6] Finally, a **third** theme in the paper is that Catholic Social Thought, presented as a form of political economy (which the first part of the paper argues is the typical economic structure which has been consistently 'ethics-friendly'), is able not only to dialogue with CSR, but has ethical resources to strengthen its impact on business in the global economy. The Catholic tradition and approach, sharing insights from Middle Ages debates as well as from some of the strengths of the Scottish Common Sense Approach to Economics, will be proposed in connection with a methodological suggestion, described under the term 'Middle-Level Thinking' (MLT), to explain how this tradition of ethical thought is not simply an application of ethics to empirical economic realities, but is, rather, a theorising of ethics with economic thought in terms of an integration of certain shared concepts, such as 'time', 'uncertainty, 'un-knowledge', and 'risk'. The process for learning business and finance ethics in modern, complex economic conditions will be seen as 'thinking ethics while learning finance', as was the case in the usury debate. As a point of interest, it may be noted that the theme of the effectiveness of moral and economic thinking in this inter-connected mode was already spotted by Noonan is his study of early work in this field of moral thinking on money:

> **'Most obviously, the scholastic theory of usury is an embryonic theory of economics. Indeed, it is the first attempt at a science of economics … In this way, the scholastic analysis of usury is the midwife of modern economics.'**[7]

Economics, Business and Ethics

The exploration of ethics by the mediaeval thinkers, which Noonan claims was the stimulant to incipient economic theory, began in fact as ethical thought on business practices, such as investment loans for the production of goods, annuities, the 'triple contract' including insurance, and such like. In this sense, economic theory emerged from business activity, and business, economic and finance ethics were one and the same activity. As it happened, because of the dominance of the usury controversy the ethical question at that time was largely restricted to finance ethics, but the development of capitalism and the elaboration of classical economics from the mid-eighteenth century onwards gave ethics a wider context, in which it came to be thought of as 'ethics in economics'. It was not until the mid-twentieth century, with the growth of management, that there appeared a specific development of 'business ethics' as a particular regulation for business and management and as a distinct academic subject. The literature in the subject suggests that from its beginnings until the present business ethics has been insufficiently connected to economic theory and to the specifics of the tradition of ethical thought in economics.

The prominence in modern academic courses of economics and business as separate subjects obscures the original identity of the two subjects and the significance that this might hold for any attempted construction of an adequate business ethics. In a striking passage George Shackle shows how Cantillon (who merits the title 'Father of

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[6] An exhaustive treatment of voluntary codes can be found in Williams, O (ed) (2000) *Global Codes of Conduct: An Idea Whose Time Has Come.* Notre Dame, Ind: University of N.D. Press. Another useful source is **Financial Executives International:** www://fei.org/about/ethics/cfm The Christian Association of Business Ethics (24 Greencoat Place, London. SW1P 1BE) in 2006 has produced literature on the topic and a Resource Pack. www.cabe-online.org

[7] Noonan (1957), *op.cit.*, p2.

Economics') already in the mid-eighteenth century began his economic thought with an emphasis on the identity of business and economics:

> **With Cantillon economic theory came suddenly to full flower in one great work, as a description of business. Business depends on numerical comparison, and thus economic theory took on at the outset the air of a quantitative science. Many of the notions involved were measurements of natural or technical processes to whose relations the principles of nature gave repetitive constancy. But Cantillon incisively made plain that these relations provided only the rules of the game, within which the play and its results were the work of thought, of knowledge and irremediable lack of knowledge, and of the powers of the mind which exploits that lack. Business appears as technics, but behind this lies psychics. Imagination, the power of conceiving the unprecedented, the alchemy of thought, are liberated and ignited by mankind's elemental predicament, human imprisonment in *present time*.**[8]

Cantillon's incisive exposure of the psychics supporting economic theory (which, as Shackle points out, was the foundation of his sensitivity to ethics in business) reflects a philosophical dualism between the *ideal* and the *real*, which had already found a place in the writings of Locke (himself and important economist) and had influenced his ethical apprehension of the importance of a labour theory of value. Emerging at about the same time, the Scottish Tradition of Common Sense economics, developed by Adam Smith, Adam Ferguson, Sir James Steuart and Thomas Reid (the latter being the successor of Adam Smith in Glasgow University's Chair of Moral Philosophy, which was, and still is, the Department in which Economics is studied) also reserved a role for the *ideal* as a moral foundation for economics, but to this philosophical aspect the Scottish Approach to Common Sense Economics added a sociological discussion of the role of historico-institutional influences in securing the 'social good' of the wider social reality. The *ideal* and the *real* were thus brought together in a theory of 'political economy', which, in contrast to a 'pure' economics theory, made a place for ethics, first, in the form of an ideal conception of the nature of man; second, in the form of institutional economics; and, third, as social impacts of economic policy and responsibility for the wider society. In due course all of these would become central to the development of business ethics. The *ideal* element in the history of economic thought remains important as an *ethics-friendly* constituent. It keeps re-emerging in economic thought, usually as a reaction against deploying the social sciences as a natural science model, in combination (as Jevons insisted) with mathematics as the engine of economics. One unusual instance was the appearance of the science and ethics debate in connection with labour as the sole source of value (and the moral discussions related to this), which gained publicity in the works of the so-called Ricardian Socialists in the 1830s-1840s[9], and widely, again, at the end of the 19th century and in much modern literature.

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[8] Shackle, G L S (1988) *Business, Time and Thought,* (ed) Stephen F Frowen: Houndmills: The Macmillan Press, Ch.1:'The Origination of Choice', p.1. Cantillon, R (1755) *Essai sur la Nature de Commerce en General.* The work was written between1730-1734. Trans. Henry Higgs (1933), London: Macmillan.

[9] Stark, W (1943) *The Ideal Foundations of Economic Thought: Three Essays on the Philosophy of Economics.* London: Kegan Paul, Trench, Trubner & Co., Ltd. deals with the whole philosophical background, and, specifically, with two of the Ricardian Socialists: Thomas Hodgskin and William Thompson, the Irish economist and a predecessor of many of Marx's ideas and postulates. On the Scottish tradition and the entire matter of the ethical dimension of economics a prime text is Comin, F V (1998) *Common Sense Economics: Essays on the Role of Common Sense in the History of Economic Thought.* University of Cambridge: St Edmund's College: PhD Thesis (Unpublished).

In a paper which is devoted to thinking through the place of ethics in business (and the necessity of rooting the search in the history of economic thought) three further points related to the Scottish Approach merit attention. First, 'Common Sense Economics' is more than merely 'ordinary language economics', in as much as it an epistemics, a theorising of economics in terms of a system of thought, and including appropriate methodology; second, the Scottish Approach to Common Sense Economics, in its repeated claims to present a 'balanced picture' of social reality and a focus for economics on desired social outcomes, is governed by a vision which comes close to the notion in Catholic Social Thought of the 'Common Good' as the goal of socio-economic activity;[10] and third, the 'balanced picture' of the Scottish Approach is incomplete without some mention of the place some of its proponents give to theological considerations. Thomas Reid allows that 'the inspirations of the Almighty' are as much a part of the common sense of mankind as are all other simple apprehensions of the human mind; and Wicksteed, in a remarkable unity of thought, invoked the support of Aquinas and many theological principles. [11]

The Roots of 'Ethics-resistant' Economics

The balance of political economy as a doctrine at once *idealistic* and *realistic* was disturbed by the ascendancy given to the scientific model and to technics and mathematics in economic thought and method by some early classical economists. Founders of scientific economics were, like Cantillon, champions of an economics of *thoughts* and not primarily of *things,* though they recognised the importance of scientific method and mathematics. Adam Smith, who placed such emphasis on Isaac Newton's experimental method, belonged to this school, but can be shown as a defender of an idealistic economics which allowed a clear place for ethics. In the later development of economics, this approach would be even more characteristic of Marshall and Keynes, who added significantly to refining the tools of economics, but also refined the notion of *trained* common sense (Marshall), and of common sense as 'incorporating circumstantial historical factors into theory-making.'(Keynes).[12] But as soon as the scientific element was introduced into economics, ethics began to be a casualty, an assumption which Henry Higgs, in his translation of Cantillon's work, took to be true of Cantillon. On the last page of a chapter on the 'Life and Work of Richard Cantillon', Higgs claims that Cantillon 'brushed ethics and politics aside.' But it was not so much that Cantillon sidelined ethics as that Higgs himself, concentrating on the quantitative and scientific aspects of Cantillon's work, failed to appreciate the underlying sensitive ethical cast of the writer's work. But still, Higgs was prophetic in the suggestion that the preoccupation with technical processes would, in time, constitute a threat to any moral

[10] McHugh, F P (2000) 'Muddle or Middle-level? A Place for Natural Law in Catholic Social Thought', in Boswell, J, McHugh, F P & Verstraeten, J (eds) *Twilight or Renaissance: Catholic Social Thought Revisited.* Leuven: Peeters Publishers, pp.35-58.

[11] Reid, T (1764) 'An Inquiry into the Human Mind on the Principles of Common Sense', in Beanblossom, R E & Lehrer, K (eds) (1983) *Inquiry and Essays.* Indianapolis: Hackette Publishing Company Inc., pp.3-125; Reid, T (1785) 'Essays on the Intellectual Powers of Man' in Beanblossom & Lehrer, *op.cit.,* pp.129-295.

[12] Comim, F C (1998) *op.cit.,* p.131. The writer acknowledges his indebtedness to this excellent work. Another useful text on this whole topic is Coates, J (1996) *The Claims of Common Sense: Moore, Wittgenstein, Keynes and the Social Sciences.* Cambridge: Cambridge University Press.

force in economic thought and activity. The difference between Cantillon, Adam Smith, the Scottish Common Sense School and later economists like Gossens in Germany, Jennings in England, and those later 'pure science' economists like Jevons, Menger and their followers in marginalism and the perfect market model, is that the former group presented an economics of *thoughts* and the second the economics of *things* like the 'perfect market' and 'marginalism'. This latter group viewed economics as a dogma stating that the laws of nature conferred internal rectitude on the economic system and an irresistible guarantee of correctness.[13] That system inevitably produced the right output. The only ethics, therefore, was to follow the laws of nature. The most that these professors of scientific economics could offer in the line of moral thought in economics was a Bentham-Mill utilitarianism in which the pursuit of individual interest in the production of wealth would be the best that society could expect. Ethical infringement would lie in the failure to adhere to the system, with the inevitable consequences that individual pleasure will be reduced and, in that degree, the advantage of society would suffer. Expressed more neatly in an aphorism attributed to Keynes: 'Some day we will get the system so right that goodness will become unnecessary.' The greater the stress on its scientific dimension the less economics appears as governed by choice and motivation. As Stark, commenting on Gossens's inevitablity of gradualness: the aim is 'not to weaken but to cultivate the selfish instinct … not to oppose but to further its operation is, too, the proper end of all ethical action, and in particular of all scientific work.'[14]

The pure rational model of economics, developed notably by Jevons and his followers in the second half of the Victorian Age and based on conceptions of deductive science, became the conventional wisdom of the neoclassical school. It left little place for ethics since it was driven by necessity, and as Jennings remarked:

> **'To refer to motives as marks of classification is to employ for this purpose metaphysical abstractions.'[15]**

Or, as Gossens put it in marginalist terms:

> **'To achieve a maximum of enjoyment, man must divide his time and his energies between the pursuit of the different gratifications in such a way that the value of the atom last created of any pleasure-giving object is equal to the magnitude of the pain which he would experience if he should create this atom in the last moment of his exertion.'[16]**

Following Gossens, Jennings and the economists of the Jevonian era, the neoclassical economists of the second half of the Victorian period and into the early 20th century, made determined endeavours to build a self-confident, pretentious theory of economics which rendered ethics surplus to requirement, not by a head-on attack, but as a by-product of a particular understanding of 'rationality' in economics. It was the ascendancy of 19th century neo-classical theory, with its image of *homo oeconomicus* ('economic man'), which finally brought about the dethronement of ethics in economics and the world of money. It proposed a superior, positivistic theory which prided itself on its 'scientific' respect for facts and set down three foundational assumptions.

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[13] Gossens, H (1853) *Exposition of the Laws of Human Intercourse, and of the Principles of Human Action arising from Them.* Jennings, R (1955) *Natural Elements of Political Economy.* .For a discussion of these two works see Stark, W (1943), *op.cit.*, pp.149-179.

[14] Stark, W, *op.cit.*, p.152.

[15] Jennings, R (1855) *Natural Elements of Political Economy*, p.80.

[16] op. cit., p.45.

- **the rational, maximising behaviour by agents whose preferences are pre-set;**
- **a focus on attained, or unstoppable movements towards, equilibrium;**
- **exclusion of information problems (allowing at most for probabilistic risk).**

It was perhaps inevitable that the search for general equilibrium in economics, supported methodologically with the notation of mathematics, should assert ascendancy over a theory in which uncertainty and risk reflect the human limitations of the decision-maker, and that a loss of the gift of imagination should hasten a surrender of a place for ethics. This, at any rate, was the judgement of George Shackle, the distinguished 20th century economist, who was a chilling critic of 'economic man', though not designedly with the aim of restoring ethics, at least not in name, which I can find mentioned only twice in his voluminous works. He wrote:

> **'There are some queer things about economic man. He is utterly free from all feeling of emulation … His tastes do not change; he learns nothing and forgets nothing … He is, perhaps, a sort of Model-T economic man, and a few gadgets fitted on here and there during the last hundred years have made him a little more subtle …Keynes … found the Model-T economic man quite useless. … What makes Keynesian man utterly different from Model-T man is in greatest measure the supreme gift of *imagination.*'[17]**

Underpinning this 'scientific' understanding of economics (and of business and finance, which are the specific interests of this paper) is a tension between materialist cause and effect in science, on the one hand, and human intentionality or purposefulness in social science, on the other; and it is this clash of mentalities which accounts for the 'ethic-resistant' nature of economic thought and of the practitioner mind-set in both academia and the business profession. The intractability of any attempted reconciliation between the intentionality of ethics and the materialist causality of positivisitic economics is particularly strong in contemporary financial markets, where the current term *financialisation* describes a colonisation by money of internal money-market operations, and also of the value-added impacts of financial markets on all sectors of the economy. The recent Report of The Marathon Club (London, 2006), 'Long-Term, Long Only: A Consultation Paper' exposes the tension between long-term value and futile short-term efficiency, a particular fault-line in capital markets. Long-term wealth creation suffers at the hands of 'impatient capital'. This is a formulation of a contemporary ethical problem which was appreciated in more philosophical and psychological form by Veblen, who criticised the notion of the human actor as a 'lightning conductor of pleasures and pains, who oscillates like a homogeneous globule of desire'; and relating this to economics he wrote:

> **'In all received formulations of economic theory, whether at the hands of English economists or those of the Continent, the human material with which the enquiry is concerned with is conceived in hedonistic terms, that is to say, in terms of a passive and substantially inert and immutably given human nature.'[18]**

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[17] Shackle, G L S (1966) *The Nature of Economic Thought: Selected Papers 1953-1964.* Cambridge: CUP. pp.123-124. Most useful of all on these points is Earl, P E & Frowen, S F (eds) (2000) *Economics as an Art of Thought: Essays in Memory of G.L.S. Shackle.* London & N.Y: Routledge, esp. Ch.3, Geoffrey M Hodgson: 'Shackle and institutional economics: Some bridges and barriers', pp.51-75.

[18] Veblen, T B (1919) *The Place of Science in Modern Civilization and Other Essays.* New York: Huesbch, p.73.

While agreeing with the point that Veblen is making, it would be facile to dismiss the valid insight of neoclassical economists that the market has a certain logic about not totally subordinating the pursuit of profit to social responsibility, and to describe 'their ignoring of the intentionality of human nature' as a stigma to berate their economic dogma. It is the task of ethicists to make a case against the amoral understanding of neoclassical economics and of business theory based upon it by theorists like Milton Friedman, who took the view that 'the business of business is business', and who rejected the place of ethics or of social responsibility in business on the grounds that:

> **'This view shows a fundamental misconception of the character and nature of a free economy. In such an economy, there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.'[19]**

Towards the end of his life, however, Shackle had come to appreciate that it was this very air of economics as a quantitative science, with its materialist and determinist dimensions, which paralysed its operations for the common good. Expressing his unease with the direction of economics towards the end of the 20th century, he wrote:

> **'I decided in March of April that I would retire a year early. I was tired in many senses, and I have begun to feel a little out of sympathy with recent trends in our subject. The tendency to trust in supposedly self-contained mathematical models; the belief that mere attention to 'facts' and the application of them to arbitrarily chosen, *ad hoc*, principles for their interpretation can give us knowledge; the neglect of the history of ideas (so that we can have the absurdity of the daily press treating the Quantity Theory as though it was invented in the last month or two, and the belief that 'facts' can exist without pre-conceived classification or concepts, seem to me likely to lead the subject into disrepute.'[20]**

Three Economics Revisionists

The starting point for a revision of economic and business thought proposed (for professional reasons) by Shackle, and by many others (for ethics reasons) must be a recognition (as Galbraith says) that 'the rate of obsolescence in economic knowledge is high', which is accompanied by a risk of not addressing realities as they are. Once again the rule is 'thinking ethics while learning finance.' Galbraith's new theorising of business thought was fomulated in terms of common sense economics and attentive less to systematic theory than to institutional economics. In a career that overlapped almost completely with that of Galbraith, Peter Drucker likewise wrote in the language of commons sense, with particular attention to economic institutions and to the social outcomes of business activity. Born nearly half a century later but dying at almost the same time as the other two writers on economics and business, and informed by his grasp of the nature of the new organizational economy and appropriate management theory, Sumantra Ghoshal called for urgent work 'to expose the old, disabling assumptions of

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[19] Friedman, M (1962) *Capitalism and Freedom.* Chicago: Chicago University Press, p.133. For a detailed view of this matter in connection with the theory of the firm see Jensen, M C & Meckling, W H (1983) 'Theory of the Firm: Managerial Behaviour, Agency Costs, and Ownership Structure', in *Journal of Financial Economics,* Vol.3, p.311.

[20] Frowen, S F (2000) *Economists in Discussion: The Correspondence between G L S Shackle and Stephen F Frowen, 1951-1992.*

existing things that lie at the root of the problems.'[21] Again, as Galbraith insists, this obsolescence tends to be perpetuated by the inclination of teachers to take the easy option of 'conventional wisdom' and to hand down 'off-the-shelf' models to generations of students – which will be cured (claims Galbraith) only by an attempt to 'emancipate the student from the textbook.'[22] The combination of obsolescence in economic theory and the enslavement of generations of students by 'off-the-shelf' models, if accepted by ethicists (as seems to be the case with almost all available textbooks) means that the economic and business communities will continue to find it difficult to take finance ethics seriously. The point is acknowledged by Boatright in his recent book on this subject, in which he writes:

> **'As a field of study, however, finance ethics is barely formed, and so the first task for a writer in this area is to define the subject.'**

He has made an important point, but whether his further comment is justified is still far from proved:

> **'Whereas most textbooks present standard material, this one is forced to be original. Hopefully, *Ethics in Finance* will help create the field of finance ethics.'[23]**

Given the *plethora* of publications on business ethics, the expansion of courses on business and management, and of courses in business ethics within universities and schools of business, it may come as a surprise to find the academic community complaining that all is not well. Ghoshal, for example, writes that:

> **'People are right in their intuition that something is wrong. But this is not because companies or management are inherently harmful or evil. It is because of the narrow, pessimistic and deeply unrealistic assumption about human nature, about the role of companies in society, and about the causes and processes of business success that underlie current management theory and which in practice cause managers to undermine their own profession.'[24]**

What is surprising is that the literature on economics as a system of thought and imagination (Shackle) and on Common Sense Economics, which has optimistic assumptions about human nature, about the role of business in society and about the social responsibilities of management within an economic system understood in institutional terms, has not been systematically explored and adapted to the debate on business and finance ethics in contemporary managerial capitalism. The resources to expose 'the old, disabling assumptions of existing things which lie at the root of the problem' are available, awaiting development; but instead business ethics works with broad generalisations on stakeholder theory or on a Corporate Social Responsibility principle; or it confines business ethics to ecological concerns, environmental issues or the desirability of green products and ethical-investment. These are important 'people' and 'planet' ethical issues in business, but they are not that work of thought and imagination which constitute the structure of business ethics, but only 'the observable contexts' of business ethics. Business ethics in this form, neglecting the accumulated economic wisdom of the past, does not take on board the more intractable internal 'ethic-resistant' challenges discussed above and the tradition of Common Sense Economics

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[21] Birkinshaw, J & Piramal, G (eds) (2005) *Sumantra Ghoshal on Management: A Force for Good.* London: Prentice-Hall/Financial Times, Ch.1.
[22] Galbraith, J K (1974) *Economics and the Public Purpose.* London: Andre Deutsch, p.xii.
[23] Boatright, J R (1999) *Op.cit.,* Preface, p.vii.
[24] Birkinshaw, J & Piramal, G (2005), *op.cit.,* p.3.

which has so much to offer to business thought. It may, indeed, be the very failure to reconstruct ethics within economics as a system of thought which accounts for the fate of even of those social impacts, which business does embrace today and which are written into Codes of Conduct to become part of popular vocabulary in the Third Millennium. But the truth of the matter is, as Jan Bebbington & Robert Gray claim, in a recent report produced by the Department of Management at St Andrew's University, Scotland on the widely-proclaimed adoption by business of a 'green-agenda', that fewer than 4% of the world's 50,000 major companies produce reports on corporate social responsibility.[25]
In this setting, the *agenda* set by the three business interlocutors is an important one, but it is not matched on the side of business ethics by a rigorous analysis of the tradition of ethical thought which has already had considerable exploration in the history of economic ideas, and to this extent the student is not being emancipated from the textbook, which Galbraith took to be a vital task for the future of business thought. Even limited research on this topic is revealing.[26] In syllabuses on Money, Investment, Financial Risk Management, Corporate Finance, Regulation and other programmes of training personnel for careers in the money markets, there is often no mention of ethics or moral regulation. For example, The London City CASS Business School in its listed 19 core modules and 46 elective courses does not include one course in ethics. Again, the nearest which the intensive course **Global Banking and Finance** offered by the **European Business School London** comes to ethics is 'Financial Regulation and Governance'. The same is true of syllabuses advertised by most colleges where nothing on ethics appears, for example, in courses in **Risk Management,** where one would expect to find some treatment of moral responsibility. In the impressive, detailed work *Risk Management for Central Bankers*, the terms 'ethics', 'governance', 'responsibility', 'corporate social responsibility', 'social impacts' do not appear in the Index, and the word 'moral' appears only once, and then in the technical term 'moral hazard'. The nearest approach to ethics is at pp.83-89 on 'Risk and Regulation.'[27]

The Eternal Return of Ethics

The background to the present state of business ethics, then, has been governed in part by those earnest endeavours of neoclassical economists over the second half of the 19^{th} century to persuade their colleagues to adopt the model and methods of science. But the case in favour of ethics in economics and business, informed by the Common Sense Approach, returned in quite explicit form early in the 20^{th} century with the writings of Wicksteed.[28] He was, in fact, sympathetic to the Jevonian revolution which applied

[25] *The Ecologist,* September, 2006, p.009.
[26] Research undertaken for this essay on the attention paid to ethics in the teaching of finance courses has included looking at the syllabuses o 10 UK universities and Business Colleges, some important USA centres such as Babson College, Carnegie, Mellon, Tepper Business School, and several Internet Sites. Ethics has little presence, though much more in the USA than in Europe. Two outstanding exceptions are Villanova University College of Commerce and Finance (which offers an extended course on *Ethics and Social Responsibility),* and the Catholic Social Teaching course based at St Thomas's College, Minnesota.
[27] Frowen, S F, Pringle, R & Weller, B 9eds) (2000) *Risk Management for Central Bankers.* London: Central Banking Publications.
[28] Among his many works an important one for this paper is: Wicksteed, P H (1910) *The Common Sense of Political Economy and Selected Papers and Reviews on Economic Theory.* Edit. Lionel Robbins (1933). London: George Routledge & Sons.

scientific method thoroughly and throughout economics, and was himseld a contributor to marginalist theory, but these operated only inside a system of economic thought which was shaped and guided by psychology and ethics. Indeed, it can be claimed that his epistemology was a Common Sense Economics which included psychology and ethics, and which he described as a moral science. Unlike Jevons and the scientific school who considered that social impacts were not the concern of economics as such, and that economics therefore fell outside ethics and duty, Wicksteed argued that the economic system did not operate simply for economic ends, not exclusively for the creation of wealth, but for a wider vision of the needs of society. Where Jevons embraced an individualist non-moral position, Wicksteed, firmly committed to political economy, had a social and ethical vision. He did not deny the particular moral responsibility which economists and business people had, but insisted that *economic* responsibility was part of a wider *social* responsibility, and not limited to an individualistic utilitarian ethical theory attached only to limited material aims. Late in the 20th century Milton Friedman would express his adherence to what may be described as the Jevonian line, and deliver this judgement on the opinion of those who advocated corporate social responsibility:

> **'This view shows a fundamental misconception of the character and nature of a free economy. In such an economy, there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.'[29]**

Friedman's argument is that when managers make decisions they are acting as agents of the shareholders and that their obligation is to serve the interests of the bottom line. To spend money on anti-pollution or pro-environment issues, unless in the interests of the corporation, is depriving shareholders of profits which are rightly theirs. The point is colourfully made in a morality tale of a young recruit to a bank who enquired for a copy of the firm's guidance on moral practice. Directed to a shelf of books in the office, he found one with the title *The Complete Book of Wall Street Ethics,* but on opening it he found only blank pages! Making the same point in more forceful language Michael Lewis writes of his time as a dealer with Salomon Brothers:

> '**As a Salomon Brothers trainee, of course, you didn't worry too much about ethics. You were just trying to stay alive. You felt flattered to be on the same team with the people who kicked everyone's ass all the time.'[30]**

But business ethics was making a come-back which must be seen in terms of contrasting visions of the systems and theories of economics, and unless this is appreciated it is likely that business ethics will remain in the rudimentary form that is its current condition. The problem, in other words, is more that the judgement of conventional wisdom that the new preoccupation with ethics in business is a reaction against the corporate fraud and

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[29] Friedman, M (1962) *Capitalism and Freedom.* Chicago: Chicago University Press, p.133. For a detailed view of this matter in connection with the theory of the firm see Jensen, M C & Meckling, W H (1983) 'Theory of the Firm: Managerial Behaviour, Agency Costs, and Ownership Structure', in *Journal of Financial Economics,* Vol.3, p.311.

[30] Lewis, M (1989) *Liar's Poker. Rising Through the Wreckage on Wall Street.* New York: W W Norton, p.41.

corruption which have tainted international commerce in recent years.[31] Bradburn, in a recent book, singles out fraud as the most important element to have disturbed the ethical neutrality of corporations. He claims that:

> **'As we have seen, it was a financial incident that really started the whole subject of business ethics. Business is all about money and there will inevitably be cases of individuals acting in an unethical way. Increased controls and education seem to be the solution in both cases. There are large numbers of grey area in the financial area that could be firmed up, and it is without doubt that the increased public awareness of this sector in the past two decades has made a big difference.'[32]**

A fuller account of the return of explicit business ethics, however, would need to include (quite apart from the tradition from Aristotle to *Vix pervenit*!), the attention devoted over the past 40 years to the ethical case made for justice, fair trade and the reduction of poverty in the Third World. The arguments for fair trade and business in modern development studies was made not just on philosophical grounds, but also on explicit ethic grounds, and, indeed, through the development of a new social theology: the theology of liberation. At the same time there was a growing ethical critique of neglect of the environment and a positive moral concern for the care of creation and the support of so-called 'green' projects and products. Practical proposals, based on ethical considerations, created a climate of moral thought in public policy matters, which led to the development of moral thought on overseas aid and ethical investment and then, more generally, encouraged analysis of the role of the financial sector in relations to all these issues. At a level of theory, this led to the formulation of social thought on 'socially responsible investment', then on 'corporate governance', and finally 'corporate social responsibility'.[33] But the conclusion that emerges from the Common Sense Approach to Economics in the history of ideas in economics is that system of economics and economic theory need to acknowledge the foundational value of ethics in business as a pervasive inviolable social law in the economy, a uniquely valuable ethical virtue and an exemplary politics. Wiksteed fashioned such a system in response to Jevonian scientism; and the beginnings of reaction in the developing field of business practice and thought can be instructively sought in the writings of Galbraith, Drucker and Ghoshal in reaction to the scientistic position of Friedman.

As regards the structure of ideas and central interests of the three authors, it can be said that they shared a vision of a new organizational economy of an institutionalist kind, though there are differences in each one's total conception of the system.[34] The term 'institutionalist economy' describes an economic system different from 'the market economy', or the 'marginalist economy'precisely in the relation of the economy to

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[31] There is no intention here to underestimate the significance of corruption and fraud as part of the account of ethics in business, but only to say that concentration on it tends to distract from the need to define a more coherent and pervasive role for ethics as part of the economic structure. The importance of fraud and corruption was the subject of a 2006 Vatican conference of the International Justice and Peace Commission on anti-corruption.

[32] Bradburn, R (2001) *Understanding Business Ethics.* London & N.Y.: Continuum, pp.129-130.

[33] Riordan, C M, Gatewood, R D & Bill, J B ((1997) 'Corporate Image: Employee Reactions and Implications for Managing Corporate Social Responsibility' in *Journal of Business Ethics,* No.16, pp.401-412.

[34] A useful text on institutional economics, which analyses the system in terms of the social sciences, 'which are inextricably moral' (p.15) is: Wiles, P J D (1971) *Economic Institutions Compared.* Oxford: Basil Blackwell.

achieving its goals and how these goals are achieved. The claim is that economic progress depends on 'good' institutions which are managed properly, whereas the market (in the understanding of neoclassical economics) produces its outcomes automatically. The point is sometimes made in the claim that market economics is a system of 'exclusive efficiency', while the institutional system seeks 'inclusive effectiveness' as regards social impacts and the responsible involvement of stakeholders. The institutions of the economy include written and unwritten laws, cultural elements ('the Protestant ethic' was considered seriously by Weber), technology, and what are referred to currently by some economists as 'instrumental variables', which might include, for example, directives from the Financial Services Authority. It seems clear that institutions will include 'social' institutions, and the scope for ethical presence and influence becomes more workable. This sort of analysis has been employed in sociological studies of imperialism and economic underdevelopment and should be more widely employed in political economy as giving an account of social impacts and the relevance of ethics. Similarly, they become part of the definition of CSR and of the analysis of justice in Catholic social thought. The institutions are seen as a cause of economic progress rather than as by-products of it, and are therefore to be submitted to moral judgement. In these sorts of terms there are concealed connections in the writings of all three authors on theories of business, management and ethics, either in an <u>explicit</u> or <u>implicit</u> form. It can be claimed for these authors that even if their contributions to ethics vary in degree of explicitness on business and management ethics, they have, nevertheless, set a significant *agenda* for a dialogue with ethics or corporate social responsibility and, in the particular concern of this paper, with Catholic social thought.

J K Galbraith

The claim of the first part of this paper is that the weaknesses of business and management ethics derive fundamentally from neglect of the economic realities it has professed to interpret. In a secular understanding of the problem it has been explored in Shackle's thought (with implicit ethical overtones), and in ethical and religious garb it is specifically expounded by Wicksteed and others. Of the three authors now under consideration on the subject of business and management theory, Galbraith is the most useful in analysing the underlying relation to economics. In *The Affluent Society* and *The New Industrial Estate,* Galbraith firmly adopted an institutional approach to economics which he placed within a framework of, 'political economy', firstly on the theoretical grounds that neoclassical economics did not embrace an adequate interpretation of the modern corporate economy; and, secondly, because only a new 'organizational economics' could address a system which exhibited an unequal deployment of power with intolerable social impacts. He came to the conclusion that bureaucratic power, not the sovereignty of the consumer (which is the key in neoclassical economic theory), is now the decisive force in economic and political life. In his later work *Economics and the Public Purpose* (which is a summary of much that he wrote throughout his long career), Galbraith criticised the neoclassical model of economics, and suggested, even, that he was attempting to 'emancipate the student from the textbook' and expose him to the realities of the organizational economy.[35] In the works mentioned and in many other books and articles Galbraith returned again and again to the theme that a correct

[35] Galbraith, J K (1974) *Economics and the Public Purpose.* London: Andre Deutsch, p.xii.

understanding of practices in business and in management could not be got right if the economic structure were not properly understood. Throughout his writings, he shares with Drucker and Ghoshal the understanding that the high presence of oligopoly, in the form of large corporations or multinational companies, the influence of supply-side economics, and the degree of power in markets which large conglomerates now hold, has rendered neoclassical economics out of date, and that to continue thinking in terms of 'consumer sovereignty' would only delay needed regulation of the market. The chart presented here gives some idea of magnitudes and inequalities which Galbraith, in lesser amounts, considered problematic in the modern corporate economy, though even he did not anticipate the degree of complexity and accompanying inequalities which he described as 'unfair social impacts'.

The financial sector is particularly vulnerable to white-gloved treatment for the privileged, as can be seen from a recent issue of *The Economist* which recounts how private banking is in bloom with rich pickings for the few. Plutocrats are on the increase: this year's annual World Wealth Report notes the number of "high net-worth" individuals with holdings of over $1m in financial assets- a growth of 20% in the past fie years.[36]

Pre-tax Profit per Employee: Top 20 FTSE Companies

	Pre-T Profits	**No. of Employees**	**£ per employee**
British Gas	£2.4bn	5,390	£ 445,200
Diageo	£2bn	22,333	£98,6000
Barclays	£5.3bn	92,800	£56900
Brit-Amer. Tobacco	£2.6bn	96,952	£26,700
RYL.DutchSHell	£23.5bn	109,000	£215,600
HBOS	£4.8bn	55,384	£86,800
AstraZeneca	£3.5bn	65,300	£54,000
BT	£2.3bn	104,400	£22,400
BHPBilliton	£7.5bn	36m468	£206,000
GlaxoSmKline	£6.7bn	99,503	£67,600
HSBC	£11.1bn	268,471	£41,300
AngloAmerican	£3.3bn	195,000	£16,900
BP	£17,3bn	962000	£179,800
Royal.BankScot	£8.2bn	137,000	£60,200
Aviva	£1,8bn	54,791	£33,100
TESCO	£2,2bn	324,503	£6,900
Rio Tinto	£4.2bn	3,1,854	£131,900
LloydsTSB	£33,8bn	66,797	£57,100
Stand.Chartrd	£1.37bn	43,899	£31,200
Vodaphone	- £14.9bn	61,672	-£240,800

[36] *The Economist,* 'Rich pickings', 19th August 2006, p.63.

Galbraith may not have dealt in theoretical form with the ethical aspects of his analysis of the modern organizational economy and its powerful corporations, but what he did attempt was to highlight the importance of social structures and social impacts, and of corporate social responsibility for their consequences. He did not try to outline an ethical theory, but, consistent with his institutional approach, he identified structural outcomes which he considered 'morally' undesirable. He gave early warning of issues of value which were emerging in the new economy and of 'the social, moral and political sanction thus accorded to society.'[37] In *The Affluent Society* he warned of the ability of the corporations to so dictate consumer behaviour that there would arise neglect of the environment which would threaten the life of the planet; that connections of large corporations to the power of the State would become a dangerous instrument of foreign policy. Galbraith's early apprehension about this development has reached new dimensions (with grave ethical consequences) in the current globalization of capital markets, the development of a modern international trade regime, and the privatization of State and quasi-state enterprises which have opened up opportunities to purchase shares in the global securities markets, thus establishing speculative practices in a systemic form. Galbraith's predictions were accurate, and have assumed particular significance in the condition of financialisation, as it has been described above.. For example, the operations of globalized financial markets has led some economists to talk about 'financial statecraft', in the sense that money can become an instrument of foreign policy. Not that this is an entirely new phenomenon. In 1470 Galeazzo Sforza, Duke of Milan, counterfeited the currency of Venice in order to weaken his enemies there. In 1775 Britain faked colonial currencies in America in order to weaken the rebellion. During World War II, Germany counterfeited millions of pounds in attempts to undercut the British economy. The imposition of financial sanctions and dealings in oil in connection with the Iraq war have raised question about how international capital flows are still being used as an instrument of foreign policy. The war on terror and the Latin American debt crisis are examples discussed in the recent book by Stell & Litan, economists at the Foreign Relations Council, and consultants at the Brookings Institute.[38] Among other ethical issues Galbraith has raised what he calls 'Convenient Social Virtue' which is his term for the ways in which 'paternalistic' institutions take advantage of women and others in charity and voluntary work and other services. At a more general level he questioned the whole role of women and households, which contribute decisively to the economy, but which operate as an entire Non-Profit Sector (to which are attached distinctive ethical questions). He did not, however, envisage the degree to which women have become important in the new organizational economy, especially in the finance sector. Growth in female employment has become fairer, and has also introduced new elements into business relationships, but in his time Galbraith was identifying tendencies in the modern economy to systemic unethical practices. Even if he did not explore ethics or the theory of business morals, Galbraith has put ethicists in his debt by identifying an ethics agenda containing social impacts of an ethical kind, which he discusses under the theme 'The Emancipation of Belief', breaking it down into factors with potentially undesirable (read 'unethical') consequences:

[37] *Ibid*, p.25.

[38] Stell, B & Litan, R E (2006) *Financial Statecraft: The Role of Financial Markets in American Foreign Policy.* Yale: Yale University Press.

*the pedagogy of economics, which does not work for understanding but to preserve institutions' own specialised knowledge
*the present orientation of the education institution which is to preserve the *status quo* in business, economics and management
*advertising as a form of control
*control of public policy and the use of taxes and finance as instruments of public policy
*male control of economics and policy.[39]

<u>Peter Drucker</u>: Scale and the Organizational System

Galbraith, Drucker and Ghoshal all begin from an awareness of scale in modern economic processes and share an institutional or organizational approach to economics, though only Galbraith enters into serious comparison of the new economy with neoclassical economics. In Nan Stone's constructive edition of Drucker's writings (which is representative of his analysis and theories of business and management over a period of 50 years) there is a clear exposition of Drucker's acceptance of the fact of scale and its implications. In Chapter 9, which is an essay published in the *Harvard Business Review* in 1992, Drucker argues that societies have a way of reorganizing themselves in durable form, achieving sufficient identity to merit unitary description such as, 'The Enlightenment', 'Capitalism', 'Modernity' and 'Post-Modernity', in which a particular form of knowledge is a primary social resource. He claims that in the Post-modernity period which we now inhabit, science, technology and information technology, developed by large corporations and put to mass productive effort, is the knowledge base and foundation of social resources. Any understanding of the contemporary economy and business must begin from this new culture or social formation and its component structures, which are no longer explicable in terms even of neo-classical theories of an automatic-adjusting market system.[40] In the new 'organization economy' reality is now that of a constant state of change: down-sizing, out-sourcing, quality-control, bench-marking, risk-analysis, now referred to as "instrumental variables" of institutional economics (see above, p.13), and leading to a need for regular review of business practices..

Within this general structure of post-modernity Drucker discusses, under the heading 'The Coming of the New Organization', the complexity brought to investment decisions by the growth of computer technology, not just in the commercial sector but also in the whole Non-Profit Sector. This is a significant point in Drucker. He takes the entire productive and service sectors as a unit, and develops his theories of business, management and executive practice so as to apply to the entire complex.[41] There are three constants in his theory of business as it applies over the total range of economic provision:

-environment: society, structure, the market, the customer, technology;
-mission: service to family, workers, the wider society;
-core competence: the role of the executive and management.[42]

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[39] *The New Industrial Estate*, pp.303-316.
[40] Drucker, P (1998) *On the Profession of Management* (ed) Nan Stone: Ch.9 'The New Society of Organization', a 1992 essay from *Harvard Business Review*, Sept-Oct.
[41] *Ibid.*, Ch.8, p.103ff., *HBR*, Jan-Feb, 1988.
[42] *Ibid.*, Ch.1, *HBR*, Sept-Oct, 1994

Drucker takes a completely pragmatic approach to his dealings with management, without distraction from economic theories of the past, but with a preoccupation about 'the future which has already happened'. In pursuit of his practical aims he is predominantly concerned with knowledge and innovation, and the Index to *On the Profession of Management* reveals that 85 pages are concerned with the first of these, and 36 with the second. Throughout his works he is unreservedly concerned with what he considers the key element, management, about which he asks and suggests answers to three questions:

- **i. What is a manager's job? To envisage the economic prospect of the company and the allocation of its resources in relation to 'opportunities rather than problems';**
- **ii. What is the major problem? To distinguish between 'efficiency' and 'effectiveness'. It is easy to engage efficiently in doing what is not useful;**
- **iii. What is the principle? Business is not a phenomenon of nature but of society. Events are not present in 'normal distribution', so results have to be managed.[43]**

Having clarified the nature of the task of management, Drucker, in his usual practical way, sets down the principles governing managerial practice:

***management is about people: any business's chief resource is people**
***management deals with the integration of people and so it must be embedded in the culture of its day**
***every enterprise requires clear and simple objectives**
***management is in a relationship of teaching and learning to its employees**
***there must be constant review and inculcation of co-ordinated skills**
***never be short-sighted as regards 'the bottom-line'**
***results are not internal: 'The result of a business in a satisfied customer.'**[44]

Drucker on Ethics

Consistent with his whole approach, Drucker embeds his thinking on ethics within his theory of management, and specifically within the social dimension of that function. Part 1 of a later book, *The Essential Drucker,* is entitled 'Management as a Social Function and Liberal Art', in which he defines his philosophy of management:

> '**The fundamental task of management remains the same: to make people capable of joint performance through common goals, the right structure, and the training and development they need to perform and to respond to change.'[45]**

The philosophy contains the basic ideas of his ethics. Viewed ethically, his 'joint performance' is some form of social solidarity or cooperation, an idea to be discussed below in connection with dialogue between CSR nd CathST. The suggestion about 'common goals' is participative, an idea which Drucker elaborated on in an interview he gave in 1995. There he stated:

> **'I am not comfortable with the word *manager* any more, because it implies subordinates. I find myself using *executive,* because it implies responsibility for an area, not necessarily dominion over people. .. The new organizations need to go beyond senior and junior polarities to a blend with sponsor and mentor relations. In the traditional organization-**

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[43] *Ibid.* Ch.6.
[44] *Ibid.*, p.175
[45] Drucker, P F (2001) *The Essential Drucker.* Oxford: Butterworth and Heinemann, p.4

> **the organization of the last 100 years – the skeleton, or internal structure, was a combination of rank and power. In the emerging organization, it has to be mutual understanding and responsibility.[46]**

His use of the idea of 'the right structure' shows a concern for social aspects, and his new-found sympathy for the participative aspects of 'executive' rather than 'manager' shows a concern for corporate social responsibility, even solidarity and subsidiarity. Most important of all in relation to ethics as Drucker understands it, his thoughts on 'Social Impacts and Social Responsibility' which he deals with in Part IV of *Management: Tasks, Responsibilities, Practices,* is morally normative or ethical, at least in respect of their social consequences:

> **'However much discussed, questions of ethical or moral behaviour of individuals are not central to the issue of responsibility of business and of the other institutions of modern society, such as school and university, government agency and hospital. Central are first the social impacts that are by-products of the legitimate and necessary conduct of business (or of the institution), and consequences of the fact that the institution exists in a community, and has authority over people. Such impacts should always be eliminated or at least minimised. If their elimination cannot be made into an opportunity, there is a need for regulation before there is a scandal. Then there is the issue of responsibility of business for the ills of society. And finally, there is the leadership function of managers in a society in which executives of institutions have become a leadership group.'[47]**

There remains an unresolved problem of the relationship of individual and structure in a theory of ethics, which reappears time and again in Drucker and is expressed succinctly in a later work:

> **'A problem of ethics that is peculiar to the manager arises from the managers of institutions being *collectively* the leadership groups of the society of organizations. But *individually* a manager is just another employee.'[48]**

His earlier distinction between the 'effectiveness' and 'efficiency' of businesses is relevant here. It allows him, for instance, not to confine ethics or corporate social responsibility in an exclusive structural or objectivist form such as Milton Friedman put it in his famous proposition:

> **'The only business of business is business, and the only social (read *moral*) responsibility of a business is to increase its profits.' [49]**

Drucker, then, does emphasise some structural and social determinants of corporate social responsibility, and his idea of 'effectiveness' does allow him (at the price of a certain ambivalence) to attempt some alliance of personal and social morality. He writes, for instance:

> **'The foundations are customer values and customer decisions on the distribution of their disposable income. It is with these that management policy and management strategy increasingly will have to start,' [50]**

In his 1981 paper on the possibility of ethics, Drucker gets closer to clarifying his thought than in any other of his writings.[51] Dealing with elements of an ethical code for business

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[46] *The Essential Drucker,* pp.187-188.
[47] Drucker, P F (1974. Revised edition 1987) *Management, Tasks, Responsibilities, Practices.* Oxford: Butterworth & Heinemann, p.275.
[48] Drucker, P F (2001) *The Essential Drucker,* p.64
[49] Friedman, Milton, R (1970) 'The Social Responsibility of Business is to Increase its Profits', in *New York Times Magazine,* September, No.13, p.32. See also Friedman, M (2002) *Capitalism and Freedom.* Chicago: The University of Chicago Press.
[50] Drucker, P (2001) *The Essential Drucker,* p.86.

people, he argues that there is a universal code, but no specific code for business. To propose a separate business ethics, he suggests, is a cover-up for hostility to business and serves only an analogous role to casuistry in moral theology, with all the dangers of time-serving deceitfulness and legalism. A general ethics of prudence and self-development can serve a more useful purpose in guiding the activity of business people. Recognising the need in business for something more concrete, however, he commends the Confucian rule of ‘an ethics of interdependence’, which, as it happens, he might have found well-developed in the Christian tradition of ‘solidarity’, which will be an importance principle in the debate between Catholic Social Thought and Corporate Social Responsibility.

Business and Social Ethics in Drucker: the Case of Non-Profit Organizations

Given the high proportion of personnel, many working in a non-wage status,[52] and of its contribution to the organizational economy in economically advanced countries, Drucker attaches high importance to the Non-Profit Organizations (NPOs), which include such organizations, even, as churches, Boy Scouts, charity shops, and such like, which in American life now replace the community and civic role once played by the extended family. He does not treat it as a comparative model to the profit-earning sector or as a model for clarifying business ethics, in terms of individuals. He is assessing Non-Profit Organizations in their own right for their social impacts, specifying them by two main features:

1. **as centres of effective social action**
2. **as chief elements in ‘Civil Society’.** [53]

Once again, it may be noted in No.1, that Drucker, consistent with his general definition of the purpose of corporations, uses ‘effectiveness’ as his criterion for assessing the purposes of business. He does not attempt to impose inappropriate ethical understandings on business by comparison with the importance of voluntary service in the NPOs, but applies, instead, the same criteria of social impact and societal influence on both sectors. The distinctive social responsibility of service that is totally characteristic of NPOs, is also a partial element in the mission of the profit-sector.

Sumantra Ghoshal: Business *Guru* and Ethics Visionary

Standing on the shoulders of Galbraith and Drucker, Ghoshal, a generation younger, but dead before the other two, was able to survey a dramatically changed globalized economy with multi-national companies which created new distributions of ownership, control and power, and, with these, forms of management, executive processes and decision-making. Across the markets this profit-dominance is clear, as are the ‘inequalities and unfairness’ to which Galbraith often brought the reader’s attention

The quickest way to a comprehensive grasp of Ghoshal’s contribution to business and management studies is through a book which has brought together thirteen of his most important essays, along with a concluding section of five ‘Commentaries and

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[51] Drucker, P (1981) “Can there be ‘business ethics’?” in Drucker, P (1993) *The Ecological Vision: Reflections on the American Condition.* London: Transaction Publishers. Klein, S (2000) ‘Drucker as a business moralist’, in *Journal of Business Ethics*, No.28.

[52] Drucker estimates that NPOs are the largest employer in the year 2000, with a work ‘force of 80m.

[53] Drucker, P F (1990) *Managing the Non-Profit Organizations: Practices and Principles.* Oxford: Butterworth & Heinemann, Preface, p.xi. See also the section of ‘The Ethics of Responsibility’, pp.61-65.

Reflections.'[54] The subtitle, *A Force for Good,* gives an early hint of an interest in ethics, and although the word appears only once in the Index (in a reference to p.13, where the word, in fact, does not appear at all), there is a pervasive sense of ethics in business and of moral thought on the 'organizational economy'. Like Galbraith, Ghoshal surveys, within an institutionalist framework, the dominance of the multinational corporations (MNCs), and stresses also, like Drucker, that they extend over commercial, service and Non-Profit Organizations. Again, like Galbraith, he raises doubts about the whole validity of the neoclassical model in contemporary conditions and finds the market economy an out-of-date model. Since the 1980s, he argues, the economic scene has been dominated by the MNCs, working over a range of environments. They are shaped by the forces of globalization and characterised by growing homogenisation of markets, cross-border trading relations, growing parity of technology, especially information technology, out-sourcing, and many new forms of relationships with social effects. Ghoshal pioneered much of the work of identifying and analysing these developments.

The failure to understand these developments and their consequences for decision-makers and management has stunted the development of economic and management theory, and (like Galbraith) he proposes to 'expose the old, disabling assumptions of existing things that lie at the root of the problems.[55] Applying this to management, which was his main interest, he writes:

> **'Much of the perversity of corporate management stems directly from this unconscious adherence to theories derived from this negative and erroneous view of the role of companies in society.'[56]**

There is no way forward, Ghoshal concludes, until 'we abandon the oversimplified laws of the market economy and accept instead the reality of the organizational economy; only then can we clearly discern the value-creating role of the companies in society and begin an enquiry on why and how to create value.'*(ibid.,* p.9).

The Globalized Finance Sector

In view of the concern of ***The Good Company*** with ethics in the finance sector and in capital markets, the implications of the writings of the three authors under consideration should be made specific to the condition of financialisation in the modern globalized world of business. Not that the term 'globalization' itself describes a clearly definable structure. The fact is that it does not mean exactly the same in the new millennium as it did when the term first came into common usage in the 1980s. It now refers not simply to multinational companies by reason solely of cross-border presence, but to a structure of international corporations with shared strategic aims and a network of management characteristics which position them for the worldwide competitive environment giving them global reach.[57] An economy and its corporations may be described as globalized by reason of three operational values: <u>efficiency,</u> <u>responsiveness,</u> and <u>knowledge.</u>[58]This is the point Ghoshal is making when he claims that he is leaving old models behind. It calls

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[54] Birkinshaw, J & Piramal, G (eds) (2005) *Sumantra Ghoshal on Management: A Force for Good.* London: Prentice-Hall/Financial Times.
[55] *Ibid.,* p.3
[56] *Ibid.,* p.9.
[57] Milgrom, P & Roberts, I (1992) *Economics, Organization and Management.* Englewood Cliffs, N.Y: Prentice-Hall.
[58] Birkinshaw & Piramel, *op cit*

for new understanding of 'management capitalism', and its new details have significance for business and finance ethics, as we shall see later (see below, 'In Search of an Adequate Ethics Theory'). This latest form of globalization is particularly strong in the finance sector, where new opportunities have been created for the purchase of shares in global securities markets (See above, on *financialisation*). There is a 'casino culture' in out midst, as Keynes once said, though in his day in a less voracious form. This is nowhere more obvious than in the new hedge-fund sector,[59] which, as investment pools for institutional investors and wealthy individuals, aim to produce returns irrespective of whether holdings are increasing or decreasing in share-price. Investors may 'bet' on currency, debts, commodity or equity derivatives, or borrow shares in the hope of replacing them later with ones bought at lower prices. A practice known as 'Alpha betting', alternative asset investment (in hedge funds, property, private equity) grew by 20% in 2005 at a total of £850bn. –a significant table in the casino economy![60] Regulation of these practices is slight, and the short-term mentality is prominent in this culture. In a recent research project the majority of 400 executives confirmed that earnings per share (EPS), reported on a quarterly basis, is the best measure and indicator to interested parties, including analysts and investors.[61] But in terms of the importance of social impacts, as stressed by all three of our authors, ethical judgement may need to be extended beyond the positivistic values of efficiency, responsiveness and knowledge.

Ghoshal's Theory of Ethics

More explicitly than Galbraith or Drucker, Ghoshal, writing on the organizational economy, multinational corporations and the management of these, formulates a conception of corporate social responsibility which comes so close to traditional themes in ethics and moral thought on economics and business life that dialogue becomes inevitable. It comes as no surprise when he writes:

> **'In a practical discipline like management, its normative influences can make it uniquely beneficial or uniquely dangerous.'[62]**

And then, acknowledging a widely held unease about ethical failures in corporations, he identifies what are moral sources of deformation in companies and management:

> **'People are right in their intuition that something is wrong. But this is not because companies or management are inherently harmful or evil. It is because of the narrow pessimistic and deeply unrealistic assumptions about human nature, about the role of companies in society and about the causes and processes of business success that underlie current management theories and which in practice cause managers to undermine their own profession.'[63]**

Though it cannot be claimed for them that they developed any detailed connections between the philosophy of 'human nature' and the ethics of business and management, it is encouraging to find Ghoshal and Moran identifying a social source of ethics and detecting, if not proving, that these values are in some sense 'systemic'. In the essay

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[59] Stern, S (2006) 'The Short-Term Shareholders Changing the Face of Capitalism', in *Financial Times*, 28 March 2006. It is estimated that annual hedge-fund activity is now operated by 8,000 firms worldwide, and handles £1,200billion, much of it owned by rich individuals.
[60] *The Economist,* 16-22 September 2006, pp.97-98.
[61] Graham, J R, Campbell, R H & Shiva, R (2005) *The Economic Implications of Corporate Financial Reporting.* National Bureau of Economic Research: Working Paper No.10550, January.
[62] *Ibid*.p.4
[63] *Ibid*.p.3.

already quoted several times, they write about the consequences of MNCs and the appropriate levels of complex management:

> **'The social concern that follows is how to combine this force with behaviours that most will view as moral or ethical, or, at the very least, as reasonable and, indeed, whether it is possible to do so in any systematic way.'[64]**

Where Ghoshal and Moran get their ideas on ethics and moral thought from is not clear, but is helpful to find them sensitive to an interplay of agency and structural moral elements contributing to a systemic 'force for good', to quote the subtitle of the Ghoshal and Piramal book. Rejecting, for example, those theories in economics which favour determinism (and one immediately thinks of the automaticity of classical and neoclassical economics and their models of perfect competition), they write: 'It is this theory of determinism that has been the primary cause for the rise of asshole management. It has formally absolved managers of all moral obligations and, to the extent that ultimately all human responsibilities rest on grounds of motives and morality, it has freed managers from any sense of responsibility for their actions.' (*ibid.,* p.13). From within this framework of ethical freedom they reject Milton Friedman's blunt statement that the only social responsibility of business is to make profit.

Having absorbed all this 'common sense ethics' (in the formal meaning of this term in the Scottish School of Moral Philosophy), it comes as no great surprise when Ghoshal and Moran, quoting Robert Nelson, remind us on p.23 of their essay that: 'the closest predecessors for the current members of the economics profession are not scientists such as Albert Einstein or Isaac Newton; rather, we economists are more truly the heirs of Thomas Aquinas and Martin Luther… Economists think that their role in society is to provide technical knowledge to operate the economic system. The members of the economics profession do make important contributions in this regard … However, another basic role of economists is to serve as the priesthood of a modern secular religion of economic progress that serves many of the same functions in contemporary society as earlier Christians and other religious did in their time. Economic efficiency has been the greatest source of social legitimacy in the United States for the past century, and economists have been the priesthood defending this core social value in our era.'[65]

Although I would have chosen Calvin rather than Luther to couple with Aquinas on this point, and would prefer to recommend economists to embrace the mentality which Nelson actually attributes to them, the general sentiment creates a good entry point for proposals which I would like to make from Catholic social thought.

Grounds for Dialogue

In his reflection on the contribution of Ghoshal to management theory, Christopher Bartlett, his close co-operator in research and writing, says of Ghoshal that 'having identified a theory-practice gap, Sumantra's driving motivation was always to bridge it. The question was to decide which theoretical links to build on and which to challenge or cut.'[66] Ghoshal himself makes it clear on a number of occasions that he had not yet achieved the level of theoretical adequacy which he was searching for. Throughout his writings, however, it is clear that the framework would be in the form of

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[64] *Ibid.*p.12

[65] Nelson, R H (2001) *Economics as Religion.* Pennsylvania: Pennsylvania State University Press.

[66] Bartlett, C A (2005) 'Creating a Legacy: the philosophies, processes and person behind the ideas', in Birkinshw & Piramal, *op.cit.,* p.346.

institutional economics, that business and management would be radically social, and even (as emerges in two important essays in the Birkinshaw & Piramal collection[67]) that there would be communitarian dimension, in the sense that central to his thinking was a conviction that the network of relationships vital for the modern complex organizational economy would be of advantage to value-creation, rather than to value-appropriation. Though he did not develop a formal theory of ethics for business and management, Ghoshal does bring corporate social responsibility and moral thought into his writings, both explicitly and implicitly.[68]

Two streams of economic thought had run together, by which Ghoshal, if he had recognised the confluence, might have been helped in his aspiration to build a satisfactory theory of ethical thought for managerial capitalism. First, there was the Common Sense Approach to Economics, with its overt ethical dimension, and then in a more implicit form in Galbraith, Drucker and Ghoshal; and, second, the critique of neo-classical 'materialistic' thought by secular thinkers like Shackle. These had come together and actually laid the ground for an ethic suitable to modernity's economic problems. In relation to economic theory, the influence of this combined thinking can be found, for example in the efforts made by Ghoshal, in collaboration with his colleagues Moran, Bartlett and Nahapiet, to base his economic and business theorising on the concept of 'social capital', which they describe as 'centrally concerned with the significance of relationships as a resource for social action.'[69] The modern organization is conceived as an institutional setting for these relationships, which enshrine the social capital in which shared knowledge is a central element. Within this framework he suggests a definition:

'Social capital [is] the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit.'[70]

Heading the list of components of social capital is intellectual capital, an idea which George Shackle half a century before these management theorists had made central to economics.[71] The role of knowledge is critical. It is structured by institutions (and to this extent is social), and it is 'un-knowledge' in the sense that it is limited by institutional requirements, as Shackle explained in an earlier work:

> **'When the compass of potential knowledge as a whole has been split up into superficially convenient sectors, there is no knowing whether each sector has a natural self-sufficiency … Whatever theory is then devised will exist by sufferance of the things which it has excluded.'**[72]

So much for the influence of the two strands of thought on epistemology and theory. At the level of economic and business practice a corresponding sympathy to moral

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[67] Ghoshal, P & Moran, P, 'Bad for Practice: a critique of the transaction cost theory', pp.185-223; and Nahapiet & Ghoshal, 'Social capital, intellectual capital, and the organizational advantage', pp.251-293.

[68] The discussion of the 'postmodern organization', social issues and the notion of the organization as a moral community is well summarised in Maclagan, P (1998) *Management and Morality*,pp.137-155. London: SAGE Publications.

[69] Nahapiet & Ghoshal, p.255. There is a surprising neglect of the pioneering work of Amartya Sen on social capital, particular since he has also written a connected book on ethics.

[70] Birkinshaw & Piramal, *op.cit.*, p.254.

[71] For a good discussion of these ideas see: Loasby, B L, 'How do we know?', in Earl, P E & Frowen, S F (eds) (2000) *Economics as an Art of Thought: Essays in Memory of G L S Shackle.* London: Routledge, pp.1-7. See also: Shackle, G L S *Business, Time and Thought,* (ed) S F Frowen (1988) Houndmills: The Macmillan Press.

[72] Shackle, G L S (1972) *Epistemics and Economics.* Cambridge: CUP, pp.353-354.

regulation was making a prominent appearance in the boardroom and in the institutions of legal and voluntary regulation. Contrary to the typical persuasion (the intellectual child of Friedman) that the duties of investment managers preclude them from taking environmental and social issues into account, it began to be appreciated that there was a fiduciary duty to have regard to such matters, and that to neglect to include environment, social and corporate governance (ESG) might be a breach of their duties to beneficiaries. A recent legal opinion for the United Nations Environment Programme Finance Initiative, an association of 170 banks, insurance companies and asset managers, supports this view.[73] The grounds of their judgement come close to the Common Sense Approach: there is a duty to maximise returns on each investment, but there is also a responsibility to take ESG issues into consideration when they are relevant to investment strategy, in matters such as the general political and social context. In today's climate, important social impacts are greenhouse gas emissions, climate change and risks to the environment, labour conditions in emerging markets, and the declaration of such matters when recruiting new staff. A number of pension funds and institutional investors have already responded to this report and have drafted a *Principles for Responsible Investment.* At a more general level, many corporations are including these matters under the general moral title of Corporate Social Responsibility, and it is precisely at this point that dialogue with ethics and Catholic Social Thought holds promise. In CSR the ethic element lies in the word 'social', which has always been central to Catholic moral thinking on social issues, and, indeed, these social topics and the social impacts of economic activity were part of a specific subject, 'Social Ethics', although it must be admitted that the ethics tended to be imposed on the realities to the neglect of consideration of how ethics issues affect strategy, which is itself an ethical matter. But there is now a way forward for dialogue on Corporate Ethical Responsibility, within a framework of social relationships, solidarity, communitarianism, agency and structure – ideas which are central to Catholic Social Teaching. Ethics has returned, as in the Middle Ages, as a result of attention to new economic realities which, themselves, are in search of moral support.

It would be naïve, however, to assume that managerial capitalism has succumbed to moral conversion. Corporate social responsibility appears mostly as a battle to be 'green', most fiercely in supermarket retailing (led by Tesco), but also among financial traders, and it must be recognised that concern for the environment and climate change have made green-energy stocks attractive to investors. Agricultural waste and disposal services and wind-power technology are currently showing high returns for investment in these projects, and banks show a similar keenness to act as intermediaries for projects linked to curbing production of greenhouse gases. It would be easy to be deceived by the 53 'new energy' companies worldwide, with a combined market value of £6.8b. which have recently been listed on the London Stock Exchange: the task of instilling ethical motivation may still need to be done for those who are already heading in the right direction.

At the level of framework, these ideas have certainly made progress towards theorising ethics, but (as is the case with all social theory) they do not, at this level, solve the difficult task of getting from generalities to detailed policy and application. In the world of finance, for example, the sorts of detailed situations which ethics must confront are the

[73] The firm, Freshfield, Bruckhaus & Deringer, prepared a 150 page report.

tension between long-term value and short-term partial advantage. In the capital markets, long-term wealth creation (with potential advantage to all stakeholders) often suffers at the hands of what has become known as 'impatient capital'. The problem has been highlighted recently in terms of 'long-term, long-only' investment (LTLO) and refers to a 'fundamental research-oriented investment approach that incorporates the variables that explains business success and that has focused discipline of optimising positive absolute returns over the long-term business cycle.'[74] This discussion is subsumed under the general rubric of 'Corporate Social Responsibility.' (CSR), and it is close to Drucker's discussion of social impacts and 'effectiveness' as distinct from short-term 'efficiency', which was directed to creating value for the whole investment population.[75] Drucker may have neglected the advantage of the general population, or, as Catholic social thought would put it, 'the common good', but the new CSR lobby gets closer to universality in its description of itself as 'intergenerational stewardship of resources, directed to all stakeholders, creating wealth and distributing it to the advantage of the widest possible social advantage', and, in this latter connection, linked to the goal of Sustainable Development. This is different from the approach of Maclagan, who makes a clear distinction between CSR and management/business ethics. He quotes Clutterbuck as saying that CSR is about 'companies acting in ways that enhance quality of life for all their stakeholders. Ethics, on the other hand, is connected to the process of decision-making'; and he adds that CSR is relatively discretionary and less difficult, although it involves some ethical decision-making.'[76]

Ghoshal and his collaborators include among their concepts 'subsidiary function', to which the Catholic social teaching's 'principle of subsidiarity' (the exercise of authority at all appropriate levels) is a bridge, and connected to the whole idea of 'a framework of relationships', as described by Ghoshal. An adequate exploration of these themes would involve serious research, which is beyond the compass of the present paper. The most that can be done here (which in many ways is an *agenda* for the reconstruction of business and finance ethics) is to suggest that Ghoshal (having advanced beyond Galbraith and Drucker in exploring themes in ethical theory) has created more promising openings for dialogue between corporate social responsibility and Catholic social thought. What can be added is that any research on these matters must take account of details of the new understanding of financialisation and globalization referred to above. The new structure of strategic aims and the network of industry characteristics will be part of the business environment to be explored by Middle-Level Thinking on the application of solidarity and subsidiarity in the new economy. Just as 'globalisation' is too-general a term and requires to be specified for managerial capitalism in the new millennium, so Catholic social thought is a too-general notion, and needs to be specified for the moral interpretation of the new economic realities. This, in a word, is the task of MLT. In this paper the connections are being made only so as to commend a research project on Middle-level Thinking as a critical part of the dialogue between CathST and

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[74] The Marathon Club (2006*) Long-term, Long-only Investments: A Consultation Paper*. London.
[75] For a discussion of CSR and the use of 'patient capital' and long-term objectives, see: White, A L (2006) 'The Grasshopper and the Ants: Why CSR needs Patient Capital.' Business for Social Responsibility,' Occasional Paper, May, pp.2-15. www.bsr.org
[76] Maclagan, P (1998) *Management and Morality.* London: SAGE Publications, p.140.

CSR.[77] In this way we might begin to strengthen (as Galbraith thought vital) the 'conventional wisdom' which is drawn upon in most of the courses in business and finance ethics.

Religious Ethics and Catholic Social Thought

It is clear that Catholic Social Thought, as it is being described here, is not exclusively theological. If it were to be placed appropriately in a modern curriculum it would probably be under the fashionable title of 'Religious Ethics', which is focused enough to define it and wide enough to accommodate its inter-disciplinary interests, including finance ethics. Doing this, however, *ipso facto* submits the subject of finance ethics to recent scepticism about the general epistemological status of religious ethics, the difficulty being that of determining whether its status is that of philosophy or theology. Gustafson has recently highlighted his unease about 'religious ethics' when he stated that, **"an ethicist is a former theologian who does not have the professional qualifications of a philosopher."[78]** There is no need to rehearse here those already well-worked discussions of the status of religious ethics, except to say that the name has been used sometimes to describe theological ethics, or, at other times, as 'tradition-specific ethics'. In claiming for CathST the description 'religious social ethics', the intention is to identify it as including theology, tradition and philosophical theory, and some form of rational natural law. It might be defined as a tradition-specific discipline which includes theology as an essential element. This is not an attempt simply to have the best of both worlds, philosophical and theological, since it may be pointed out that Catholic theology has always rested on Revelation and Tradition. But rather than try to defend the view that CathST may be brought in under the rubric 'religious ethics', it would be better to say that religious ethics might point to CathST as its most defensible and enduring example.[79] This social ethics is, at once, religious and moral. Conceptualised in this way it goes beyond the particularised aim and method of so-called 'finance ethics' as found in standard curricula, and beyond the rule-like formularies of Codes of Ethics. It comes close to being a multi-dimensional hermeneutic as defined by Schweiker.[80]

Catholic Social Thought[81]

In focusing the dialogue between CSR and CathST the definition of Corporate Social Responsibilty which is being considered is the one proposed in 1999 by the World Business Council for Sustainable Development: 'Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as

[77] An excellent bibliography on the Ghoshal side can be found in Birkinshaw & Piramal, *op,cit.*, pp.286-293.
[78] Gustafson, J M (1978) 'Theology Confronts Technology and the Life of Science', in *Commonweal,* Vol.105, June, pp.386-392.
[79] The subject of religious ethics has been extensively discussed by William Schweiker. See, for example, Schweiker, W (2006) 'On the Future of Religious Ethics: Keeping Religious Ethics Religious and Ethical', in *Journal of the American Academy of Religion*, Vol.74/1 (March), pp.135-151.
[80] Schweiker, W (2006), *op.cit.*, p.137.
[81] The rest of this paper relies heavily on McHugh, F P (2006) *Renovating a Tradition: Catholic Social Thought. A Keyguide to Resources.* Leuven: Peeters. (Forthcoming).

well as of the local community and society at large.' This definition covers the individual concerns and social impacts which have recurred throughout the preceding discussion.
Catholic Social Thought (CathST) is being proposed as an ethical (and even as a supra-ethical religious vision) and will now be defined and discussed at some length.
Throughout the history of the tradition, and particularly since its more formal development as Catholic Social Teaching (CST) at the end of the 19th century, the discipline, with its practical aims and a purview of social policy, has developed in the form of a 'political economy'. With the inclusion of a transparent ethical dimension, the definition of political economy offered by Sheila Dow catches the ambition of CathST:

> **'The political economy alternative is put forward as being more able to deal with pressing policy issues, more realistic in its depiction of the behaviour of individuals and institutions, and more concerned that these features should be maintained than by technical considerations inherent in any one theoretical framework. Political economists thus start with policy issues rather than theoretical *curiosa,* the consider the historical background to these issues, the study institutional arrangements and they study the history of economic thought in order both to understand theory and to adapt it for application to particular contexts.'[82]**

The core of Catholic Social Teaching, to be explained below, will provide the moral aspect that is missing from the above definition.
One broad conclusion which emerges from the analysis presented in this paper is that a political economy structure of economic thought is 'ethics-friendly'. In reverse form, Catholic Social Thought, developed as part of the tradition of moral philosophy and ethics, has become patterned in a form that may be called a political economy discipline. It has been developed as a wide vision for individuals and institutions in society, and has included, particularly since *Rerum novarum* (1891) growing attention to the social sciences. The chart set out below proposes a political economy framework in terms of economic and business processes within three types of economy. Catholic Social Thought as a political economy (with a systemic place for ethics as the last entry in column 3) would be analysed and explored as a Communitarian form as its ideal form.

	COMPETITIVE	**DIRECTIVE**	**COMUNITARIAN**
Anthropology	Individualist	Collectivist	Partnership
Ideal-type	Profit-driven	Reporter	Co-operative
Co-ordination	Managerial	Central direction	Social groupings
Institutional	Market-linkages	Hierarchy-linkages	Cross-border Forums
Cultural Requirements	Commodification	Indoctrination	*Ethical formation*

[82] Dow, S C (1987) 'The Scottish Political Economy Tradition', in *Scottish Journal of Political Economy*, No.34'4, p.338. Quoted in Comim, F V (1998), *op.cit.* ,p.17.

Definition and Explanation of Catholic Social Thought

Definition: As a tradition of thought about human nature and purpose in their connections with society, politics and economy, Catholic social thought (**CathST**) comprises two streams: (a) a body of official Catholic social teaching (**CST**), expressed mainly though papal encyclicals, also in documents emanating from Church General Councils, such as Vatican II, and statements by regional or national bishops' conferences; and (b) contributions by individual thinkers within the Catholic tradition and by connected institutions, movements or groups dedicated to both reflection and action (henceforward 'Catholic non-official social thinking' or **CNOST**).

The development of sound CathST requires the stimulus of a profound adherence to CST. Most popes since Leo XIII have made significant contributions, usually in encyclicals such as *Rerum novarum*, *Quadragesimo anno* and *Centesimus annus*. They have set out an inspiring vision and key principles or guidelines. Some features represent perennial and universal core values, while others have signalled important changes in ethical thought; among which witness against materialism, brute capitalism and excessive statism have been a guiding light.

Outside the Catholic community Catholic Social Thought it sometimes written off as a 'vague religious humanism', but it is, rather, religion-inspired moral enquiry and analysis, a *praxis,* which makes it more than mere advocacy

Components: CathST includes (a) a visionary apprehension of the *telos* (end, purpose) of human life, formulated, at one level, in terms of 'the common good and human dignity', and, at another, of 'the Kingdom', as an eschatological and present reality; (b) a set of broad values or principles for social reconstruction, namely **solidarity, human rights, subsidiarity, justice** and a **preferential option for the poor;** and (c) varieties of **middle-level thinking** which seek to bridge the gap between vision-*cum*-principles and the complexities of public policy and social action.

In relation to Corporate Social Responsibility, research is being undertaken on connections between the 'common good' and the 'common sense approach to economics'. This will be an important aspect of the dialogue. A comparison of Drucker's views on 'ethics of interdependence' and 'solidarity' is also relevant.

Middle-Level Thinking: The term Middle-level thinking (MLT) is not meant simply to name the search for *axiomata media*, 'intermediary principles' which may help to carry us from idealistic moral principles to their applications to reality, but, rather, that searching thought which takes place in the large complex areas of analysis, reflection and imagination which lie between values/ideals, on the one hand, and historic situation or concrete action or decision, on the other. The image of MLT, in other words, is not of the (ideal) helicopter descending into the social situation (the real) with its set of principles, but, rather, the camera of the engineer which explores in the earth, passing on from the scrutiny of one stage to the clarification of the next, and so on to later stages.To take a fairly obvious example first: in dealing with the problem of ecology and the concept of sustainability (which most CSR researchers do today) it will be necessary to deal with environmental policy, defined as 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs.'[83] CSR is here stating a principle of the inter-generational stewardship of resources so as to create wealth and distribute it not only among those who created it but also within a vision of the common good (fundamental to CathST), which includes future generations.[84] MLT must begin with details such as these, which is not very difficult when dealing with external matters such as the environment.

Much more challenging is the application of moral thought to the systemic and integral implications of financialisation and of capital markets, when such thinking draws both on empirical sources and on diverse models or theories of history and society. It often includes ideas of social improvement and categories of broad policy-thinking at micro- (national) or micro- (international) levels. In the case of economic, business, and management and ethics this thinking might take patterned or semi-programmatic form as subsidiaries, organizational networks, value-creation, risk-management, and such like. For example, it may be necessary to break up 'the corporation' into a bundle of assets like 'human capital', 'technology innovation', 'high-quality supplier networks', brand and reputation', and then to explore the vulnerability of each in the search for uses for 'impatient capital'. Then there may arise practical judgements on the CSR of shifting capital markets towards long-term perspectives, with careful attention to the imperatives of Earnings per Share. In other words, it is necessary, in the pursuit of a credible CathST, to undertake some sort of content analysis of literature in business and finance ethics in order to uncover patterned or semi-programmatic forms used by contemporary authors. In regard to ethical thought, for instance, connections may be more easily made to *concepts* used in management literature, such as ''centralisation', 'formalisation' and 'socialisation'.[85]

MLT tends to be, by the very nature of the exercise, relatively contingent, pluralistic and divergent, and hence often a matter for dispute among the proponents of Catholic social thought. But if our business and finance ethics is going to be effective, it must be developed in this rigorous way. Testing it through the frameworks used by secular authors should end up with an integrated place for ethics. Ghoshal has this imaginative approach, but all the steps necessary to proposing it as a theory have not yet been taken. To take an example from his own writing along with his colleague Bartlett. Faced with the multidimensional capabilities of internationally based corporations, he sees a need for a balance between central control and greater subsidiary function. The ethical requirement of subsidiarity in CathST must be thought through in relation to the sorts of managerial strategy suggested by Ghoshal and Bartlett.[86]

At the level of developing theory, the task of MLT is a complex one and has to take account of empirical economic realities, legal considerations and moral thought. Interestingly, it was in just such a threefold encounter that Catholic social thought emerged in the Middle Ages out of the monolithic condemnation of usury, so as to develop into a nuanced theory of finance ethics. In relation to the global economy today,

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[83] UNSCED, 1987, p.8

[84] Bebbingon, J & Gray, R (2006) *An Account of Sustainability :Failure, Success and Reconceptualisation.* Research Paper: School of Department of Management: St Andrew's University, Fife, Scotland.

[85] Blau, P M & Schoenherr R A (1971) *The Structure of Organizations.* New York: Basic Books.

[86] Ghoshal, S 'Managing across border: new organizational responses', Birkinshaw & Piramal, *op.cit.*, Ch.3, p.52.

the application of CSR (or the theory of justice in CathST) to Third World Poverty would be more coherent if the law of restitution was formulated as 'the law of unjust enrichment'. The point is that the nomenclature 'restitution' obscures the fact that the law of restitution refers to the effect, whereas 'unjust enrichment' refers to the cause. The name of the event (unjust enrichment) should predominate over the name of the response.[87] A person who has been unjustly enriched at the expense of another is required to make restitution to the other. MLT in ethics theory must take the same probing approach to detail that the law does in this instance if it is 'to expose the old disabling assumptions of existing things that lie at the root of the problem.[88] Furthermore, the inadequate approach of standard courses in business and finance ethics will be perpetuated so long as MLT is not allowed to connect the concepts of morals to the intricacies of empirical and legal realities. As Bogle claims:

> **'Society has come 'to measure the *wrong* bottom line: form over substance, prestige over virtue, money over achievements, charisma over character, the ephemeral over the enduring, even mammon over God.'**

In the dialogue between CathST and CSR much that is explained in the theology of creation would become relevant to measuring the correct bottom line of serving the common good.

CONCLUSION

Two objectives have been kept in view: first, to strengthen the theoretical and practical proposals of ethics as applied to economics, business and management; and second, to commend a revision of the incomplete courses offered in academic programmes, along with a concurrent hope that all those schools of business and management which do not include ethics (and they are in the majority in the Britain if not the United States) may be tempted to improve their provision. The suggestion in this study is that Galbraith, Drucker and Ghoshal have formulated modern economic thought in a way that allows moral and ethical thought to be explored in a realistic description of the modern managerial economy and its processes. In having at least an implicit ethics, and sometimes even explicit one, presented under the rubric of CSR they provide a starting point for a debate with business ethics. In their normative thinking, Nahapiet and Ghoshal propose 'social capital' as a foundation notion in normative thinking on business, and detect two aspects in an interplay of agency and structure:

- **i. social capital constitutes an aspect of the social culture;**
- **ii. it facilitates the actions of individuals within structures.**

Ghoshal connects the first of these to his recent theorising (in conjunction with many research collaborators) on the firm. The hypothesis behind the theorising is that 'organizations build and retain their advantage through the dynamic and complex inter-relationships between social and intellectual capital.' An important finding then is that the firm must be viewed as a social community specialising in efficiency and speed in a creation and transfer of knowledge, which drives social action, which, in its turn, is the motor of the creation of wealth. The process by which the second of these two principles works through structures to include 'ethical formation' as part of the communitarian

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[87] Cornish, W R, Nolan, R, O'Sullivan, J & Virgo, G (1998) (eds) *Restitution: Past, Present & Future. Essays in Honour of Gareth Jones.* Oxford Hart Publications, esp. pp.1-36; Dagan, H (1997) *Unjust Enrichment A Study of Private Law and Public Values.* Cambridge: Cambridge University Press.
[88] See above, p.8, Note 22

political economy is set out in column 3 of the chart on p.27 above. The suggestion here is that Ghoshal's ideas on 'social and intellectual capital' can be seen to include elements of CSR by the steps of the chart, and the stage is thus set for dialogue with CathST.

These consideration lead on to two ethical observations raised, one by Pope Pius XI in *Quadragesimo anno,* par.3, and the other by Pope John Paul II in *Sollicitudo rei socialis,* para.36, which relate to wealth-creation, on which our three writers have had much to say.[89] Ghoshal's claims, for example, about the need to examine 'organizational advantage' in relation to value-creation might be tested ethically by the text of Pius XI.

> **'The investment of rather large incomes so that opportunities for gainful employment may abound, provided that this work is applied for the production of truly useful products (we gather this from the study of Thomas Aquinas) is to be considered a noble deed of magnificent virtue, and especially suited to the needs of our times.'**

The eminent German writer on Catholic social teaching, Fr Oswald von Nell-Breuning, commented on this passage:

> **'Pius XI revives the idea of magnificence, not in its feudal form, but, rather, modernised throughout. The 'magnificence' that Pius XI speaks about is a genuinely capitalistic virtue. The pope makes it a virtue of the entrepreneur, not in the sense that all present-day employees practises this virtue, but meaning that it is the virtue proper to the capitalist employer.'**

It is a task for MLT to clarify the debate between these ethical statements and the implications for the new 'organizational economy'. Problems with the second characteristic of social capital have already been the subject of comment by Pope John Paul II:

> **'One must denounce the existence of economic, financial and social mechanisms which although they are manipulated by people, often function almost automatically, thus accentuating the situation of wealth for some and poverty for he rest. It is the use of the word 'almost' which indicates that structures are not to be treated as wholly deterministic, but acquire such an existence of their own as to merit the description in some circumstances of 'sinful structures' …it is not out of place to speak of 'structures of sin', which, as I stated in my Apostolic Exhortation *Reconciliatio et poenitentia,* are rooted in personal sin, and thus always linked to the concrete acts of individuals who introduce these structures, consolidate them and make them difficult to remove. And thus they grow stronger, spread and become the source of other sins, and so influence people's behaviour.**

An agreed conclusion among most of the authors considered in this paper (and it is also the opinion of many contemporary writers and of many in the corporate sector) is that corporations do have a social responsibility to serve the bottom-line and shareholder interest, and it is recognised that earlier capitalism was effective in delivering economic and many social benefits, such as health and infant mortality improvements. In the conditions of institutional corporate management of the global economy, social responsibility extends to a wider world of stakeholder interests, whose claims invariably rest on some social conception of the business, proposed in different forms by Galbraith and the other two writers, and being developed now by Sen and the numerous members of the 'capability school'.

But the idea of CRS does not go unchallenged. The carefully circumscribed and legal-based contractual theory in the form proposed by Jensen and Meckling argues that the notion of CRS is vague, inclusive, 'pure rhetoric' (as Friedman calls it), and intellectually

[89] See also Pontifical Council for Justice & Peace (2004) *Compendium of the Social Doctrine of the Church.*Nos.338-350 on Business and the Market. London: Burns Oates.

untenable on the grounds that moral responsibility, in the last analysis, can reside only in the individual. A more tenable form of position is proposed by the particular defence of capitalism made by Bogle, who argues that the system should be run for the shareholders rather than the business leaders, investment bankers and money managers who pay more attention to stock market prices than to the 'intrinsic values of corporations'. [90] It is common for managers today to use their position to play the market, which gives them a trade-off in the form of fees and a share in the profits. In the past two decades (argues Bogle) 'managerial capitalism' has sought its own benefit, as is proved by the soaring remuneration and massive bonuses given to company executives. While defending the creation of wealth, Bogle sees the intrinsic values of the corporation as meaning more than this, a point at which he indicates he parts company with Friedman, and comes closer to Drucker.

It is important at this point to define what Bogle means by 'intrinsic values of the corporation', which needs to be more carefully defined than is done by Galbraith, Drucker and Ghoshal, though their social considerations must certainly be part of the debate. The other side of the coin, however, is that these considerations may be social risks to the bottom line, which is partly what Jensen, Meckling and Bogle are arguing. The debate has been the subject of a recent legal opinion issued by international law firm Freshfields, Bruckhaus Deringer for the United Nations Environment Programme Finance Initiative. The conventional wisdom of modern management is that they are guided by two maxims: first, they must put beneficiaries' interests before their own; and second, their chief duty is to maximise returns on each single investment. The first is not in question. The second, however, is set aside by almost all legal opinion, which claims that it is limited by environmental, social and corporate governance considerations (ESG). The links between ESG and financial performance are now apparent to most institutional investors.

These considerations are central to Middle-Level Thinking in the dialogue of CSR and CathST, which agree on the importance both the creation of wealth (the 'bottom line') and of the 'social' foundation of economic and business morality. In Canon Law there has always been an important concept of institutions as 'moral persons', and not just collections of responsible individuals. This is the notion that is being appealed to by Pope John Paul, in terms of a sociological reality which gives some moral reality to structures and, indeed, to 'sinful structures'. A theoretical defence of the sociological concept of 'responsible social structures' would require an analysis (such as Giddens has offered) of how agency and structure achieve a composite reality in a 'structuration theory'. The idea 'that the whole is greater than the sum of the parts which make it up' was adumbrated in Durkheims' notion of the *conscience collective,* which gave structural and moral reality, through the *volonte generale,* to the institution of government.

In his book on finance ethics, Boatright claims that no definitive answer can yet be given to this debate between CSR and contractual theory,[91] but the suggestion being made here

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[90] Bogle, J (2006) *The Battle for the Soul of Capitalism.* Yale: Yale University Press. See also Baker, R (2006) *Capitalism's Achilles Heel.* London: John Wiley & Sons, which favours capitalism, but includes in the discussion, bribery, money laundering, tax evasion and income inequality in the discussion, which contribute (unethically) to the gap between rich and poor, and in the long-run undermine creation of wealth. Also, Meadowcroft, J (2005) *The Ethics of the Market.* London: Institute of Economic Affairs.

[91] Boatright, J R (1999) *Ethics in Finance.* Oxford: Blackwell, p.194.

is that MLT between Catholic social thought and corporate social responsibility, as proposed by Ghoshal, might well help the development of the normative dimension which he viewed as essential to his projected theory.[92] A relevant consideration in this complex debate will be the ongoing preparatory work undertaken by pensions funds on Principles for Responsible Investment, co-sponsored by United Nations Environment Programme and the United Nations Global Compact. Early indications are that they will emphasise a fiduciary duty to include ESG matters in institutional investment. Catholic Social Thought should be engaged with these matters from it's the position of its own principles.

Our City is Your City or Your City is Our City

In *Alice in Wonderland* the Duchess makes the remark that, 'The more there is of mine, the less there is of yours.' This thought lay at the heart of the debate on usury at a time when the vast bulk of populations possessed very little, but even then there was a 'rich list', as there now is in the annual publication of *The Times.* The problem of lending and borrowing was a serious one, symbolised in the term for 'a loan' in Latin which is *mutuum*, a hybrid of *meum* (mine) and *tuum* (yours). The first half of the general title to this paper, 'Your City is Our City', is taken from an advert for financial services relating to The City (meaning, of courses, the financial 'City' in London, the so-called 'Square Mile'), and seems to be extending a gesture of generosity, but is clearly a possessive claim over a valuable asset; the second part of the title, 'Your City is Our City' signals a claim for transparency and for some civic responsibility for and control over the rather self-protected financial sector, 'The City.'

In the broadest terms this paper has argued that finance ethics or corporate social responsibility fits within a model of communitarian political economy, a model which has broad affinities with CathST. In this form it can be further classified as 'religious ethics', which allows for a supportive theological and political structure suited to societal influence. It is in this value-setting (as an ethical but also a supra-ethical religious affirmation) that finance ethics should be taught and implemented; and it is the absence of this clearly-expressed value-setting which accounts for the rudimentary rule-like structure of finance ethics in current literature, curricula courses and skeletonic codes of ethics. It is in this arid form that finance ethics resembles Shackle's economic Model T-man in that it lacks 'in the greatest measure the supreme gift of imagination.' Finance ethics would have much more purchase on global corporate life if its imaginative relationship to economics, politics and power were clearly set out. This wider conception of finance ethics proposed here enlarges its ability to be developed and applied to wider public policy and practices in the global economy. As an example of a wider development, and one with theological aspects connected to developments in feminine theology, there is room for consideration of the finance ethics implications of the increase of female employment on global growth. Connections might be made here to Galbraith's

[92] The work by Maclagan, P (1998) *Management and Morality.* London: SAGE Publications Ltd. might be used as an interlocutor in a research project on economic and business ethics in dialogue with Catholic social thought. This writer approaches the subject from a much less imaginative perspective than Ghoshal, but his book is exhaustively supported by modern literature. One other recent author, writing from the perspective of economic ethics, who might be used as a modern interlocutor is Boatright, J R (1999) *op.cit*. There would then be 3 phases to the dialogue: i. Economic: Shackle; ii. Institutional: Galbraith, Drucker & Ghashal; iii. Modern academic: Boatright & Maclagan.

observation that female and household units are discriminated against by 'male control of economics and policy', and to Drucker's corresponding criticism of the discrimination against women's worth in the treatment of NPOs. Changing patterns of employment, particularly the decline in traditional manufacturing work and the growth of jobs in the service sector, has put the sexes on a more equal footing. In the Third World, for example, in connection with outsourcing and economic development, there has been a growth of 60-80% in jobs in the export sector, where women predominate. The growth in female employment and the decline in male employment in the United States, for example, means that the sexes are now employed in almost the same numbers This growth in female presence and power should be explored by theology for the contribution it might make to the values which finance ethics is buying into.

The more specific, programmatic form of current finance ethics needs to be set in a wider social framework of politics and power so as to be supported by a set of values and principles related to the social needs of the global economy. Then, there is an analytic task of Middle-Level Thinking to be undertaken in order to bridge the gap between the religious ethics framework and the particularities of finance markets and pervasive financialisation. It is within such a framework of governance that finance ethics enables the captains of the financial industry to control itself in the pursuit of the common good, in a way that parallels Maddison's general advice to government in the quotation which appears at the end of this paper.

In the dialogue between CathST and CSR there is a positive side and a negative one. Taking a definition of CSR as **"the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large",**[93] the positive side is the 'effective' inclusion of good management, which delivers sound business practices: a sound triple 'bottom-line, reporting not only of financial results and shareholder value, but also of other social impacts, particularly of the impact of business on the environment.[94] The claim of Corporate Social Responsibility is that it in raising profits and at the same time advancing societal well-being, and, significantly, the whole idea of sustainability, it reconciles both short-term and long-term aims of business. In this respect it accords with CathST's vision of business: 'the common good'. The negative side, which was really a straw-man description, was recently presented by *The Economist* from its recent survey on CSR which portrayed CST as a set of provisions for the squandering of shareholders' money on useless practices which are meant to ease the public conscience. As the definition given above suggests, CSR is a radical commitment to achieve what CathST would call 'the common good'. It instruments include Internal Audits, the Law, fiduciary duties and responsiveness to such bodies (in the case of British business) to the Financial Services Authorities. But the full ethical commitment will include moral education, commitment, and the achievement of transparency of stakeholders involved in the business – a matter once understood as 'the stewardship of money', and which has received too little attention in modern business ethics. This would

[93] World Business Council for Sustainable Development: 'CST: Meeting Changing Expectations.' (1999).

[94] A major analysis has been conducted of the correlation between financial and environmental performances. Orlitz, Schmidt & Rynes (2002) http:;//www.finanzostenibile.it/finanza/moskowitz2004.pdf

include, for example, educating the public to realise that every payment made at the check-out desk is a vote for something or other.

In response to the crisis of credit and debt in the United Kingdom, the Financial Services Authority is committed over the next three years to spend up to £60m on education initiatives and the Department of Education is working on a programme to improve education in financial capability throughout schools. The financial services industry in addition to supporting these initiatives should involve, as a matter of corporate social responsibility, the commercial and the Non-Profit Sector. If there is to be any regime of CSR that is to achieve the rigour of Catholic social thought so as to establish the claim, 'Your City our City', then guidelines such as the six proposed here should be recognised:

1. **There is a need for more training and competence programmes in the financial sector since it cannot be assumed that the requisite knowledge of the system is widespread. These programmes should contain more about the ways in which financial ethics is distinctive; and explanation of principles and specific market conventions. (See CABE 'Principles for Those in Business.' Copies available).**
2. **In spite of the fact that the financial system exhibits many characteristics of interdependence, it does suffer from isolation from the wider society. The model of communitarian political economy and the social implications of religious ethics provide a good framework for commending ethical transparency and responsibility. In the encounter of CSR and CathST the dialogue, at this point, would centre around the principles of solidarity and subsidiarity.**
3. **In the interest of transparency there should be more disclosure to shareholders and to the public. The principle of distributive justice would enter here: distributive justice being that principle (more about giving than claiming) which defines mutual responsibilities.**
4. **The development of forums for discussing finance and ethic issues should include representatives from the financial sector, other economic interests, trade unions and welfare agencies. The dialogue here would centre around the principle of subsidiarity in CathST.**
5. **There should be encouragement of a wider social understanding of classes, regions, and conditions which exist away from the City, finance departments and boardrooms, as responsible partners to the common good.**
6. **Corporate Social Responsibility (or Business Ethics) should include a commitment by the financial sector not to liberate the student from the textbook, but to assist promotion in schools of the education of young people in 'the stewardship of money.'**

Quis Custodiet Ipsos Custodes?

> **'If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed, and in the next place oblige it to control itself.'**
>
> **James Maddison, one of America's founding Fathers.**

As a tailpiece to this paper it may be worthwhile adding a comment stimulated by a recent book.[95] To develop a critical mass on any topic, many journalists will now recognise that the blogosphere keeps them alert to urgent matters in the wider society. For example, George Bush's second choice for the Supreme Court was doomed within minutes of her appointment, when a cavalcade of bloggers compared her qualifications to the horse which the Emperor Calligula attempted to nominate as a Roman Senator. Technology is now empowering the little person, and at its best is a pressure group with more potential influence than anything ever at the command of the wider society. It is now Middle-Level Thinking's most valuable instrument for the 'ethicisation of financialisation'.

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[95] Reynolds, G (2006) *An Army of Davids: How Markets and Technology Empower Ordinary People to Beat Big Media, Big Government and Other Goliaths.* London: Nelson Current.