Not just “how” but “why”:
A personal reflection on business ethics and the crisis

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Foreword

Reform is not a think tank which has traditionally focussed on business ethics. But when Will Morris set out his thinking to me at the end of 2011, I realised that it was actually extremely relevant to our work. A society which sees business as unethical will clearly support much higher levels of regulation and public spending than it would otherwise. It will also doubt the opening up of public services to a wider range of providers.

At the same time, there is clearly a case to answer. Very few would argue that the sole cause of the financial crisis was unethical practice in some companies. But, equally, very few would say that it played no role at all. In surveys, a third of the public think that British businesses generally behave “not very ethically” or “not at all ethically”. The whistle-blower at Goldman Sachs (who claimed that managers had called their clients “Muppets”) will have strengthened those people’s fears.

Will Morris addresses that case directly. He argues that there has been something of a vacuum where a strong framework of business ethics should be. He explains what that focus should be, through the clear idea that individual employees should be “critical insiders”. He explains that an ethical framework is not an “attack” on business because ethical businesses will be strong businesses, not least because of their ability to recruit and retain employees. He proposes extremely simple legislation to build on existing efforts to secure business ethics. Will’s approach is a Christian one but, as he explains, it can be supported by people of all faiths and none.

I am sure that the ethics of business will continue to be debated right through to the 2015 General Election. As such I hope this Reform paper is a particularly useful contribution.

Andrew Haldenby,
Director, Reform

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1 See for example Scott, D. et al (2011), Off balance, Reform. “There have been excesses on a wide front; by households as well as banks. All sorts of institutions - including banks, rating agencies, regulators and accountants - have been incompetent, negligent or worse. Some activities by banks have been indefensible but the reason that such excesses could come to fruition was because of mistakes by governments and central banks.”

Introduction

I was delighted, but also slightly apprehensive, when Andrew Haldenby asked me to write this pamphlet on business ethics and the crisis. Many instinctively identify some failure in “business ethics” as one of the causes of the crisis. But we also seem confounded by the difficulty in the early 21st Century of envisaging, far less constructing, a new ethical system. However, the possibility of bringing to this discussion a rather unusual perspective – that of Christian Ethics – was a challenge I could not refuse.

What follows is, in several ways, very much a personal response. It is, firstly, personal in the sense that it represents only my own views and not, in any way, those of GE, the CBI, St Martin-in-the-Fields, or any of the other entities with which I work.

It is also personal in that it reflects my experience and circumstances. I work on tax policy for GE, and chair the CBI Tax Committee among other professional activities. But I am also a Church of England priest at a central London church well-known for its work with the homeless. The purpose of this essay is not, however, to explain how I manage these apparently divergent aspects of my life. Rather, I want to explain why I think that even in this apparently secular age a faith standpoint may enable us to take a more holistic approach to the question of business ethics, which may, in turn enable us to reconstruct a more robust ethical framework.

Lastly, this essay is “personal” because I believe we all need to take some individual responsibility for business ethics. There were undoubtedly some systemic failures over the last few years, but it is just a little too easy to say we were all mere cogs in the doomsday machine. Businesses, in the end, are run and staffed by individuals. This is not to say that every person in a business should apply his or her own individual value system to every business decision. But I do think that in relation to the ethical code under which the business operates, individuals have a personal obligation to make sure that both they and the business adhere to that code.

I am, of course, aware that in a country that does not “do God” there is a danger that the mention of Christianity will put some people off reading any further. I am equally aware that the Church really does not “do business”, so there is also the danger that arguing for the godliness of profit-making business may deter some of the religious. But I hope that neither will occur. To the secular, I would say: you will be surprised how many of the principles of Christian Ethics that I refer to can also be expressed (and recognised) in non-religious ways. For example, “transcendence” might have an oppressively religious sound to it, but expressed as “something bigger than ourselves”, it is a feeling that many people recognise. Equally, to the faithful who believe that business is something slightly distasteful that belongs to the imperfect material world I would say: we have God who we believe created the world. And that is all of the world, including the world of work. So I hope that both sides will read on.

Will Morris
May 2012
Occupy Wall Street and Occupy London have been criticised for failing to articulate their aims. But if they lack a prescription, they certainly do not lack a diagnosis: banks caused the crisis. Motivated by greed and short-term rewards, banks increased debt leverage and risk to catastrophic levels. Having caused the crisis, they ran to their friends in government for billions in help. And having received that help, they continue to draw huge salaries and bonuses with a remarkable sense of entitlement, while the “squeezed middle” or “the 99 per cent” lose their jobs and government support. And income inequality, already at historic highs before the crisis, continues to increase.

If this were only a message from the “left”, it might be possible (just) to dismiss it. But consider this, from a speech by Jeff Immelt of General Electric (my CEO):

I think we are at the end of a difficult generation of business leadership, and maybe leadership in general. Tough-mindedness, a good trait – was replaced by meanness and greed – both terrible traits. Rewards became perverted. The richest people made the most mistakes with the least accountability. In too many situations, leaders divided us instead of bringing us together. As a result, the bottom 25 per cent of the American population is poorer than it was 25 years ago. That is just wrong.3

This type of convergence, from very different points, should tell us that, in fact, something really did go badly wrong in the years leading up to the crisis. But what, exactly, was it that went wrong?

Working Out What Went Wrong
To consider this we might ask two sets of questions. First, was the crisis simply a sectoral failure, or was it broader than that? Was there a failure of regulation? Was there also a political failure? Second, why did so few – businessmen, regulators, politicians, journalists, academics – criticise the risky transactions, the “light touch” regulation, the dangerous leverage, or the increasing focus on the short term? The answer to the first series of questions is, probably, “all of the above”. There were clearly significant failures in parts of the banking sector, in particular with regard to risk management, some elements of remuneration, and long-term sustainability. But, more generally, government regulation failed to keep up with practice, and the regulators in some cases lacked the knowledge to regulate their subjects, or were captured by them. Politicians also played their part both by weakening regulation indiscriminately, and also by sanctioning (or even encouraging) risky behaviour (such as mortgage borrowing). While these failures are significant, however, we do need to ask whether they are cause or symptom. If they are symptom, the manifestation of more profound problems, then the second set of questions, in a way, becomes more interesting than the first. What caused the collective blindness, the groupthink that allowed all this to happen? Was it something systemic? And was that “something”, at least in part, a failure of business ethics?

At a superficial level that question already seems to have been answered. Most of the terms used by politicians, for example, to describe the crisis and its aftermath speak to such a failure: “crony capitalism”, “predatory capitalism”, “casino banking”, “the bonus culture”, “excessive risk taking”, “fat cat bosses”, “rewards for failure” and “tax dodging”. It should, of course, be remembered that these same politicians may be trying to divert attention from the fact that they played their part in creating the crisis conditions. Not simply the part they played in loosening regulation and calling off the regulators, but, just as – perhaps, more – significantly, the massive increases in deficit spending to fund politically popular, but economically unsustainable programmes. So these epithets, satisfying though they may be, should perhaps be viewed with some scepticism. Nevertheless, in some way they do point to a perception of ethical failure that played a part in the crisis. In order to move towards some type of response, however, we have to ask some more fundamental questions: what was the system of business ethics that may have failed? If it did fail, why? And, what might a stronger system look like?

What Is (Or Are) “Business Ethics”?  
“Ethics”, not unlike “fairness”, is a rather elastic term that can mean everything and nothing. In order, therefore, to usefully discuss whether there was some failure in “ethics” and whether we might be able to reconstruct or build anew an “ethical system”, we do need at the outset to define our terms. So, first, what do we mean by the term “ethics”? To use considerable shorthand, “ethics” is the study of individual and community morality – what individuals and the community think is “good” and “bad” – and the distillation, in a rational way, of this morality into ethical principles. In turn, ethical theory is the systematisation of these ethical principles into an ethical framework or code, with the purpose of allowing individuals and the community to determine how to act in a “good” way in a range of different situations.

Second, what do we mean by “business” ethics? Again, very simply, it can be described as a system of ethics applied to business situations, that allows people in business to act in a “good” way, to make the “right” decisions. Then, to go slightly beyond that, if an ethical issue is implicated, to what aspects of business does it apply? Business ethics has been taught in business schools for decades now – although not always with the centrality that some think it should have – but there is no clear answer on this. There are many possibilities (some of which may involve trade-offs with others), but they would certainly include:

- how the business interacts with its employees;
- how the employee interacts with the business;
- how the employees within a business interact with each other;
- how the business interacts with the local community in which it is based;
- how the business relates more generally to the society in which it is based;
- how the business relates to its owners (particularly the shareholders of a large company);
- how the business shares the rewards of its activity between owners, employees, and other stakeholders;
- how the business interacts with government (and, especially, its regulators);
- how the business interacts with customers;
- how the business interacts with its suppliers;
- how the business acts in cross-border situations; and
- how the business interacts with other stakeholders, including NGOs.

In some countries or regions of the world some of these areas will be much more heavily regulated than others (and, therefore, business ethics may play a subsidiary role). In others, differing traditions of individualism and communitarianism will lead to different emphases. Nevertheless, at various times, combinations of ethical principles related to these areas have been brought together in something that can be called “business ethics”.

We should note that there is also a negative definition of business ethics: only those areas of business activity requiring a moral decision, and not covered by law. I will return to this a little later, but some argue that if the law specifically provides for a result, then questions of morality do not arise – one simply follows the law. (And the potentially beneficial effects of making a moral decision, rather than simply following the law, might not occur.)

To summarise, therefore, while there is no one definition of “business ethics”, for the purposes of this essay I will define business ethics in the following way:

A system by which a business and its employees ask and make ethical questions and decisions about the operation of that business in relation to a range of stakeholders in situations not necessarily governed by legal requirements.

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5 See, for example, the January 2010 Gresham Lecture by Douglas Board and the sources cited therein. Available at http://www.gresham.ac.uk/lectures-and-events/confessions-of-a-regulatory-headhunter-how-we-led-ourselves-into-financial (accessed 7 April 2012).
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The Context: “Something Went Wrong”

Did a System of Business Ethics Fail?

So to return to the earlier question: what exactly did fail? Well, in one sense, something went wrong in many of the possible areas noted in the previous section to which business ethics might apply: the relationship with society as a whole, the treatment of employees (including remuneration), the interaction with government, and attitudes to risk. But was there really a coherent system of business ethics that broke down – or is it possible that there was, in fact, no true system of business ethics in place to fail? Many of the attacks on “bad banking” and “corporate greed” have been primal screams of morality, rather than reasoned critiques of breaches of a system of business ethics. That tells you something about us as human beings – “it’s not fair”, “that’s greedy”, “they’re selfish” – but it may also tell us that by the beginning of the crisis there was no truly systematised code of business ethics (at least in certain sectors), and, therefore, few “breaches” to which critics could specifically point.

It is true that in certain areas some standards of business ethics have been emerging over the past two or three decades. Many companies now have Corporate Social Responsibility (CSR) positions on, for example, local workers employed in developing countries, human rights, or environmental sustainability. (But as the OECD noted (admittedly, 10 years ago) such statements are often not comprehensive. Of the 246 Codes they studied, 148 dealt with labour standards, but only 56, for example, with bribery.) Other businesses that do not have Codes may still have ombudsmen and whistle-blower protection for their own employees. Finally, almost every company will say that it will fully comply with all applicable laws and regulations.

In a technical sense, however, that last is not an ethical statement. It is a statement of legal obligation (although, clearly, a welcome one), and this points to one of the potential weaknesses of some aspects of the current approach. Much of what has been thought of as business ethics is either adherence to the law, or process-driven (in terms of accountability standards). But business ethics, as I have set out in the definition above, does require us to ask the question “why” not just “how” – and to keep on asking the question. So while there are Codes of Business Ethics that we may be able to build on in some areas, why did many of them not appear to work over the past decade?

The World Moved On – and Business Ethics Didn’t

A Variant on Adam Smith

I think there are two principal, and somewhat connected answers to this. First, some of what passed for business ethics by the mid-2000s was not truly an ethical system. Whatever their CSR statements might have said, a significant number of business people thought that a variant form of laissez faire was a true system of business ethics. Adam Smith had argued that the rational decisions of actors in the market, allied with good information, would lead (through the action of the invisible hand of the market) to an optimal outcome for producers and consumers. The late 20th century twist to this (although Smith himself saw the danger) was to change the key factor from utility-maximisation to profit-maximisation. Utility maximisation allows for moral concerns (one can decide that the damage to another person from an action that benefits you is enough to outweigh, in your opinion, the benefit of the action to you). Profit maximisation, however, turned “rational” choices into merely “selfish” ones. So, it was now argued, in certain sectors, the “selfish” profit-maximising decisions of a legion of individual actors will be “rewarded” by profit if they appeal to others, and “punished” (in an economic sense) if they do not. Therefore, all we have to do is follow our narrow self-interest, and the invisible hand will sort the rest out. (As already indicated, this, of course, ignores the many subtleties of Smith’s position.)

It is important to make clear that not every business had adopted this way of thinking. But it was certainly prevalent in parts of the financial services sector, as well as at some larger, often, multinational concerns, and it was the actions and difficulties of these large, systemically important (and in some cases, revered) businesses that were an important trigger of the crisis. Furthermore, as a number of authors have pointed

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8 Not just Smith’s well-known dictum on the monopolistic tendencies of business but also more pointed observations on the often successful efforts of business to capture and control the process of law- and rule-making. Not to mention the fact that in addition to *The Wealth of Nations* (1776) Smith also wrote *The Theory of Moral Sentiments* (1759).
out, this was also what was being taught in business schools to the leaders of the future. In this simplistic form, however, the ethic was almost anti-ethical – and the model did not prove robust.

Globalisation
The second answer relates to dramatic changes in economic activity, especially the increase in cross-border activity and the businesses engaging in that. Again, it is very important to note that global welfare has been significantly improved by the growth in cross-border investment and trade in goods and services that we broadly call “globalisation”. It has led to a significant increase in living standards and economic opportunities have greatly increased as a result of this. But globalisation has also increased some of the ethical challenges of doing business in this new environment.

Many of these developments in the past 30 years were a response to the increased competition resulting from the opening up of markets. For example, the removal of exchange and capital controls across the world in the 1980s and 1990s, and liberalisation of financial markets in many countries, changed the shape of global banking – and, to survive, the banks had to respond to increased challenges and opportunities. (Although there is there is an element of chicken and egg to this, because banks in the US, for example, lobbied for the repeal of Glass-Stegall (which had separated retail and investment banking), which then allowed them to grow and to increase leverage, which in turn, of course, increased competition.) The same is true of many other sectors. The success of GATT/WTO and GATS agreements resulted in greater global opportunities for manufacturers and service providers, but also greater global competition, which in turn affected the location of business activity, the reshaping of supply chains, and so on. The older world was not perfect – the City of London prior to “Big Bang”, for example, was viewed as a largely private school/Oxbridge club where insider trading was not uncommon – but Dictum Meum Pactum (“My Word is My Bond”) did work between market participants, in part because they knew and trusted each other, and in part because (as partners) when they were risking their own money they were quite a lot more careful with it. New, much faster, multi-jurisdictional business has rendered inapplicable some older systems of business ethics based on personal contact and direct ownership, and those that remain need to be updated and strengthened.

Much of this has been reflected in the UK’s individual experience, as the past thirty years have seen a dramatic change in the way business has been done. The British Mittelstand suffered severe reverses in the recession of the 1980s, and the small business ethic that went with that suffered accordingly. Large companies globalised and grew, while the shape of their boards and managements changed. Much heavy industry departed (the UK became a net importer of manufactured goods for the first time in 200 years), and the post-war compact of (mostly) full employment, including for unskilled workers ended. The service sector (in all its forms) grew – and changed. Professional services partnerships, for example, have become large businesses. In those businesses performance-related pay (sometimes, less charitably, called “eat what you kill”) replaced lockstep pay, which both significantly changed the professional ethic, and dissolved the loyalty that bound partners and non-partners in a career-long understanding. And, of course, largely London-based financial services businesses grew, and, again, changed from the old model of large retail operations and separate, smaller boutique partnerships for corporate finance. The sector was now increasingly dominated by large integrated multinational institutions where ownership was divorced from the workforce, and reward was measured largely in terms of remuneration, sometimes based on the fulfilling of short-term criteria (although not always the cash awards supposed by its detractors).

I describe this not to criticise it. What has happened has happened. And, again, it is important to emphasise that any breakdown in business ethics did not “cause” the crisis, but rather was one among a number of contributory factors. Nevertheless, in coming to understand what did happen, I do think it important to note that much of this economic development took place without a correlative development in

9 As Board (op. cit.) noted: At London Business School Sumantra Ghoshal condemned the way business education was draining management of its ethical dilemmas and turning it into a pseudo-science (2005). Rakesh Khurana at Harvard criticised the search for hero–leaders and showed in detail how American business schools had taken Ghoshal’s path. Step by step during the twentieth century, the idea of business as a complex, ethically significant activity turned into the scientific maximisation of shareholder value (2002) (2007). Following the crisis it seems this has now started to change. For example at the Cass Business School ethics is now being built into many elements of the curriculum to emphasise how integral it is to all business issues. See, for example, Paton, N. (2010), Business schools put ethics high on MBA agenda, The Guardian, 23 January 2010, http://www.guardian.co.uk/money/2010/jan/23/business-schools-ethics-mba, accessed 7 April 2012.
business ethics (whether new systems, or refurbishment of existing ones). So to return to one of my earlier points, I do believe that the crisis has not so much shown that there was a *collapse* of business ethics, as that there was a significant lack of fully-operationalised, functioning systems of business ethics before the crisis struck. Businesses, of course, still prospered, and, in many cases, made substantial amounts of money. But I think it can be argued that, in many areas we had, certainly collectively, lost the capacity to tell whether we were making "good" or "bad" decisions in relation to business activity. And that was important.
Where Do We Go From Here?

So what do we do? The changed global landscape means that a return to personal relationships and personal ownership as the basis for business ethics is unlikely and, probably, impractical. But the absence of functioning systems of business ethics has been shown to impose a cost, both in relation to that part it played in the crisis, but also, subsequently, in the lack of trust (e.g., in lending markets) between business and the public, and, as importantly, between businesses themselves. In a sense this represents a market failure. The lack of business ethics is now imposing a cost on business because of the lack of trust, over-compensating regulation, and other statutorily-imposed rigidities. For a range of reasons, therefore, it seems that there is a case to be made for a new or reconstructed system of business ethics.

The question of how to construct an ethical system almost from scratch is, however, to somewhat understate it, a complex task. This is, of course, not completely uncharted ground. As mentioned above, some companies did have Codes. There are also certain voluntary international standards. For example there are the UN Guiding Principles for Business and Human Rights, and there is Social Accountability’s standard SA 8000 on workplace conditions. Slightly different again, there are the OECD Guidelines on Multinational Enterprises; and there are proposed codes – for example, the OECD Banking Code of Conduct. A number of business organisations, faith-based, and otherwise, have also tried to come up with guiding principles. Certain NGOs have also tried to come up with positive systems for at least some aspects of business ethics. But these attempts are seen to have their limits. Many are worried about being thought to be normative (i.e., judgemental). Some NGOs are criticised for not understanding the realities of the business world. So, it is difficult to articulate principles upon which a more general system might be based. Nevertheless, what I will try to do in what follows is first to briefly lay out the general ethical principles that might be available, and then see what Christian Ethics might add to that.

It might helpful if first, however, I lay a few of my cards on the table. I believe passionately that work and business can and should be “good” (in my faith terms, Godly) activities. They can make products that save lives, can give people dignity, and can grow the economy to the benefit of all. But the evidence in front of our eyes shows us that often this does not happen. Why not? In simplistic terms, I think it is often because of a failure to ask “why” we do something rather than just “how” we do it. We need to bring another dimension to work and business for it to reach its potential. For me, this may be what I call “God”, together with the set of moral principles set out in the Bible (and Church’s teaching) that I recognise as “Christian Ethics”. But many others – especially those now moving into business, have this sense, often not explicitly faith-based, of a larger context, something bigger than each individual and bigger than the present moment. A sense that we do more than just “work to live” and that there is, or should be, something in work which is about more than mere subsistence or mere accumulation. I will call this feeling “transcendence” in this essay, and it is a broad awareness of this, I believe, that offers the possibility of a new framework. So my motivation is a strong belief that work and business can bring great benefits, and can be “good” activities. But I also have an awareness also that we need to always have in mind the larger context if work and business are to fulfil their potential.
Potential Ethical Building Blocks

To look first at the fundamental philosophical building blocks, classical (Western) ethical systems largely break down into “consequentialist” and “non-consequentialist” (or “deontological”) categories. Put a little more simply, those systems are based on whether the motive is important or whether the outcome is important. And, likewise in consequentialism, if the outcome is good, then the motives (and means) leading to that result are of secondary importance. Theories from the non-consequentialist camp include, for example, Kant’s categorical imperative,18 and Rawls’ justice theory19. Consequentialist theories include utilitarianism (Bentham, Mill20) and “egoism” (of which Adam Smith’s variant is “conditional egoism”), that is to say the following of self-interest.21

Despite being a consequentialist theory, the variant form of “egoism” discussed above – the profit-maximising, rather than utility-maximising following of self-interest – that was prevalent in parts of the financial services sector, and elsewhere, clearly did not lead to wholly good consequences.22 Likewise, the other major branch of consequentialism, utilitarianism, with its avoidance of pain and pursuit of pleasure (or “happiness”) as a collective matter, failed in the long term precisely because the short-term pleasure maximisation (the building up of both public and private debt for current expenditure – even though some of that might have been motivated by “good” intentions, such as the desire to expand home ownership23) had disastrous results that rendered the long-term somewhat irrelevant. So, “consequentialist” theories on their own are, perhaps, not much help in this area of applied ethics.

What about those “non-consequentialist” ethical systems focussed on motive instead? The problem with these is that whether focussed on duties (Kant’s categorical imperative) or rights (Rawls, et al) the systems are relatively complex. They are also relatively abstract and theoretical. Constructing a system of business ethics based on, for example, the principle of the categorical imperative, would make for a very complex template.

What Might Christian Ethics Offer?

If the traditional ethical frameworks do not look entirely promising for business, is there anything that Christian Ethics might offer? That might seem a strange question. In a country (and a region) where practising Christians are a small proportion of the population it seems clear that a Christian rulebook is not necessarily going to gain widespread acceptance. Additionally, after the events at St Paul’s Cathedral in late 2011, the Church of England – the national church – has seemed uncertain as to how to engage with precisely these ethical issues. Yet, at the same time, in appearing to endorse specific proposals in reaction to the crisis – for example, a Financial Transaction Tax without an understanding of who would in fact bear that tax, or what the economic impact would have been24 – certain church leaders have showed a lack of familiarity with business. So what on earth can Christianity offer?

Peter Selby in his study of debt and the Christian response quotes Dietrich Bonheoffer’s question: “Who is Jesus Christ for us today?”25 I have two purposes in repeating this question. One is the relatively obvious one of whether the founding principles of Christian Ethics have anything to say to the early years of the 21st century. The second purpose, however, which is also important, arises in simply asking the question. Any ethical system actually requires us to ask questions that are bigger than ourselves and our self-interest – what is right, what is wrong, why are we doing something? This awareness – and the obligations it brings – is what I have called “transcendence”, above. And it is this awareness that makes us ask the question “why” not just the question “how”.

It is probably also worth mentioning one very obvious point about applying Christian Ethics to a business situation that is alluded to in the introduction. The Bible, clearly, has nothing directly to say to early 21st Century business practices. So any biblical “rules” are going to need to be applied by extension or analogy.

19 Ibid., pp. 155-56.
20 Ibid., pp. 241-43.
21 Ibid., pp. 107-197.
22 Again, however, the drawbacks of this model should not understate the fact that the expansion in financial services also brought significant benefits in terms of, for example, the availability of finance to underserved sectors and increased employment.
24 Archbishop Rowan Williams (2011), Time for us to challenge the idols of high finance, Financial Times, 1 November.
We can, of course, use religious language as we seek analogously to apply these principles. But we can also apply these principles using non-religious language. So a search in the field of Christian Ethics for helpful ethical principles does not automatically mean that any success could only be accommodated in a new religious rulebook.

**Founding Principles**

So what are the “founding principles” of Christian Ethics? Any choice is going to be a little arbitrary, but here are my three:

- the “Great Commandment” (in fact two: Love the Lord your God, and love your neighbour as yourself);
- the “Golden Rule” – do to others what you would have them do to you; and,
- the Parable of the Sheep and the Goats (“when I was hungry you fed, me, naked you clothed me”, etc.).

The first of these contains three instructions on motive, all of them to do with love: love God, love your neighbour, and love yourself. And we are to do that without any thought of reward or results. It is a command or duty (thus, arguably, non-consequentialist). The second is a command, but with more of a focus on consequences – do to others, what you would want done to yourself. This has a positive element of command, but (more clearly in other versions such as “judge not, lest you be judged”) also warning. (Thus, a mixture of both non-consequentialist and consequentialist.) Finally, with the sheep and the goats there is very little reference to motive, but a strong focus on results. In the parable it is made clear that those who performed the acts of charity often did not know when their actions were and were not crucial. So there is a focus here on actually getting the job done, irrespective of motives (consequentialist).

Looked at in this way, Christian Ethics combines consequentialism and non-consequentialism; individualism and communitarianism. And all of this is held together by the awareness of transcendence – not so much these days a fear of hellfire, but more that sense of larger purpose. I will return later to the question of how this can be turned into something practical – something that can be “operationalised” in business-speak. But it is important to note that the founding principles of Christianity may be useful in two ways. First, as a holistic, balanced model of consequentialism and non-consequentialism. But also more directly – even if translated, or transposed into non-religious language – of how we deal with people, with our responsibilities as well as our rights, and so on. We can explore this second strand a little more closely in the next two sections by looking at the practical application of these Christian principles in the areas of money and wealth creation, and community and individual responsibility.

**Christian Ethics: Money and Wealth Creation**

Much of institutionalised Christianity has a troubled relationship with money generally, and wealth creation in particular. The Bible has a lot to say about money, and much of it is by way of warning – the effects that the desire for money can have on a person; on his or her relations with others; and, also on his or her relationship with God. Greed, envy, avarice are all powerful emotions which distort our personalities; and money can take over our lives as a measure – sometimes the only measure – of who we are and what matters. The Old Testament prophets have much to say on this; and Jesus even more – about not being able to serve God and Mammon, about the camel more easily passing through the eye of the needle than a rich man entering the Kingdom of Heaven, to pick just two. But that is not the whole story. Jesus also talks in positive terms about what money can do: the giving of alms, for the support of the poor, and as the means of supporting a family. The problem comes with the love of money, not money itself.

And what of wealth creation? Again, the Old and New Testaments have some very pointed things to say about the creation (and preservation) of wealth through the exploitation of others. These stretch from the Sabbath year provisions providing for debt cancellation every seven years in Deuteronomy, to angry passages of Amos on the deceitful activities of rich merchants, to some of Jesus’ more nuanced parables, such as that of the man who celebrates his gift of abundance by building bigger barns in which to store his harvest (rather than giving it away). And there is particular disapprobation for those who do not give back from their abundance, and those who are not troubled by inequality.

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26 Matthew 22: 36-40; Matthew 7:12; and, Matthew 25: 31–46. I will not add citations for the other biblical references which follow but would gladly supply them should anybody wish.

27 Additionally there is the liberating effect of philanthropy. The most effective way to ensure that money has no grip on us is to give it away disinterestedly. In that way we move from what academic philanthropists call a “mentality of scarcity” (i.e., we always worry about never “having enough”) to a “mentality of abundance” (i.e., we discover that we have more than we need).

28 As Dr Patrick Nolan has pointed out to me this has an economic echo in the idea of the “money illusion”. People come to view money as “real” with true value, rather than simply as a means of exchange (i.e., what they can do with it).
But it is equally important to note that many “wealth creators” are favourably mentioned (from Abraham and Isaac, through Zacchaeus, to some of St Paul’s sponsors29). Many of Jesus’ parables feature responsible employers, and the parable of the talents (a parable, admittedly, not equally loved by all) might even endorse those who make more rather than less of their skills. So while there is unbiblical crassness in some Protestant variations of the “Gospel of Prosperity”, and despite the ambivalence about money-making in many of the mainstream churches, the via media of Christianity recognises not just the acceptability, but actually the desirability of responsible money-making and responsible growth. Without commerce we would not have so much that we rely on to make our lives not just comfortable but liveable.30 And tied to this – sadly, not that well developed – is a theology of work which suggests that as human beings we can find our fullest expression in work. Not overwhelming, never-ending work, to be sure – there must also be leisure – but work that allows us to exercise our gifts.31 In short Christian Ethics offers a balanced approach to wealth creation and the right relationship with money – and one that could easily be translated into secular terms (underpinned by awareness of transcendence).

Christian Ethics: Community and Individual Responsibility

Another important facet of Christian Ethics is responsibility: responsibility as part of a group; and responsibility as an individual. On the eve of the Crucifixion, Jesus tells his disciples to love one another in the new church – a call to communal responsibility. In the Acts of the Apostles, living this call, the members of the early Church sold their goods and gave the money to the church for sharing amongst those less fortunate. In St Paul’s letters, while less radical on this point, there is still a commitment to sharing out abundance with other members of the Church. With St Paul there were also the beginnings of the idea of responsibility towards Church authority for the upholding of the community.

But while the imperative to join together and act as a “Church” was very strong, so, too, was the idea of individual responsibility. Again, Jesus told each individual that that person should love his or her neighbour, illustrated with parables such as that of the Good Samaritan. But this individual responsibility has also manifested itself in another way, particularly in Protestant theology, where the individual has a relationship with God (each person is “justified by faith”), and salvation comes not through membership of the church (important though that is) but through the acts of the individual responding to that grace. Whether that response is through “good works”, or a life that results in “assurance”, the outcome is much the same. The individual has a responsibility to respond to this gift of grace by seeking to do good – and that is not a responsibility that can be subcontracted.

So, again, in its teaching on individual and communal responsibility, Christian Ethics may provide a base for guiding action through recognition of a balanced responsibility both towards other individuals and towards the community.

Christian Ethics as a Framework for Business Ethics

So, where does that leave me? Well, I believe that in the form sketched out above, Christian Ethics does have something to offer. It holds the promise of providing the basis for a new framework on which a system of business ethics might be built – and one that can be easily expressed in non-religious language. A respect for business and wealth undertaken in a responsible way that gives us the opportunity to exercise our gifts, support ourselves and our families, and improve the world around us. An attitude to money that acknowledges the good that can be done with it, as well as the damage it can cause when it becomes an end in itself. A concern with consumption just for its own sake, and for the potentially deadening effects of too much debt. A proportionate sense of what constitutes abundance, and what constitutes over-abundance (both in terms of selfishness, and over-indulgence). An imperative to help those least able to help themselves. An acknowledgment that we are (very) imperfect beings, and that some of our baser instincts need restraining by rules – or the opinions of others. A sense of responsibility both as part of a group, and also as an individual – a responsibility that is ours alone, personal, as the recipient of a gift. And, finally, a sense that there is a God – transcendence – something bigger than us – something that makes life worth living well.

29 Ken Costa (2007) makes this point tellingly in God at Work, Continuum, p. 23.
30 Canon Geoffrey Brown, a former vicar of St Martin-in-the-Fields, retells the story of how St Martin of Tours cut his fine cloak in half to give to a beggar who, it subsequently transpired, was Jesus. Geoffrey points out that while St Martin did a fine thing he would have had no cloak to share were it not for the shepherd, the shearer, the carter, the weaver, the dyer, the cloak-maker, the shipper and the salesman – all of whom did what they did for a profit.
In the last chapter we looked at various principles of Christian Ethics that I believe hold promise, at least in theory, for a more robust ethical system. But however good this Christian construct may sound in theory, how does it fit with the practicalities of a world that is globalised — and a world where in many places faith (far less, Christianity) is not exactly a dominant fact? I want to first consider the question of practicality, and then look at a case study from my own area of tax, then discuss how I approach the dilemmas of my ethical grey zone, before finally discussing what a Christian-inspired framework might look like and involve.

**Competitiveness and Global Business**

One of the principal practical challenges to the construction of a robust system of ethics in a globalised world is the challenge posed by “competition”. If a business thinks that it will lose out in a significant way to a competitor, then regardless of the attractiveness of any ethical framework it will — rationally, and in one sense “rightly” (e.g., because of a responsibility to its workers and their families) — often seek first and foremost to remain competitive. In the case of some truly global dominant “brand” companies, the threat of reputational challenge to that brand posed by public campaigns may occasionally counterbalance this — as, for example, has been the case following criticism of Nike’s, and Apple’s iPad suppliers — but such public examples are relatively rare.  

It is, therefore, unrealistic — and, perhaps even unreasonable — to expect businesses to take actions (not required by law) that would render them at a significant disadvantage to others. Inside the nation state this problem can sometimes be solved by law, or, for example, by frameworks established by trade or professional bodies to which most businesses adhere. But it is more difficult in the current state of our globalising world, because of a lack in many areas of business of international standard setting mechanisms that can encompass both developed economies (where getting agreement can be difficult enough) as well as emerging ones.

So, to focus in, let us take tax and cross-border business. The competitiveness dilemma means that it is unrealistic to (anthropomorphically) expect the rational business, or, indeed, the rational country, to forego an advantage that would put it at significant disadvantage to competitors elsewhere. That is not to say that all companies are determined at all costs only to have an effective tax rate (ETR) of, say, 5 per cent. But what it does mean is that it is not realistic (or reasonable) to expect a company that can attain a 5 per cent ETR to voluntarily pay a 35 per cent ETR if its foreign competitors will only have an ETR of 5 per cent. And it is equally unreasonable to expect a country that cares about growth and investment to raise the ETR on its companies to 35 per cent if that is going to drive away the investment that creates jobs (because businesses can pay significantly less tax elsewhere).

To broaden this back out again from tax, there are clearly several aspects of business activity that are not ideal (using various ethical criteria) which result from a rational responses to competitive pressures. That is not to justify all such behaviours as optimal or immutable, but it is to point out that the only truly effective way to deal with some of these issues is at the international level, so that there can be an internationally-level playing field. This requires working with institutions such as the OECD, the IMF, World Bank, and UN which can broker multilateral inter-governmental agreements. Some worry that such calls for international cooperation are a pipedream — or, worse, a smokescreen for inaction — but organisations such as the OECD have proved successful at standard setting in certain areas, often in cooperation with affected businesses. The aim should now be — as indicated above — to strengthen international organisations which can effectively set standards not just for their existing “clubs” but for a broad enough range of countries that the “level playing field” would be an attractive reality for most affected businesses.

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32 Of course many companies care about their reputation and will do what they can to avoid reputational challenges (including, for example, on high profile issues by following SA 8000 and the UN principles referred to above). But they also have to turn a profit and, if possible, do better than their competitors, and that can lead to considerable pressure in areas where matters are less clear.

33 The OECD, for example, is often described as the “rich countries’ club”. But it is now trying to reach outside its core membership of 34 countries to include the BRICS and less developed economies. Likewise the United Nations is traditionally seen as largely representing the concerns of the developing world.
A Case Study: Tax and Global Business

I have already mentioned tax in relation to competitiveness, but I also want to use it as a more specific case study on the possible application of ethical principles. To do this I first need to introduce what I think are the three major schools of thought in the tax community on the ethics of taxation:

- Some believe that, properly speaking, there can, in fact, be no ethics of taxation, because tax is simply a question of law. If the law allows it, it is allowed. If the law prevents it, it may not be done. There is no obligation (and, in some cases, they would point out, actual legal disincentives) to pay tax voluntarily.

- There are other people – for example, in some NGOs – who would argue for a reading of all tax law in accordance with the “spirit of the law” (the underlying purpose of the law rather than just the words on the face of the statute) or with a concept of “fairness”. Thus, for this group there would in some cases be an obligation to pay more tax than the law requires.

- Finally, there is a substantial group in the middle, who agree that the duty of a taxpayer is to pay what is owed – not more, not less – but who also acknowledge the complexity of the world.

This last group understands the competitive pressure on taxpayers to sometimes move towards the more aggressive end of the tax planning spectrum. They also know that laws are complex, sometimes unclear, and require interpretation in their interaction with other laws in order for a workable solution to be reached. It follows from this that as a result of that complexity there may be more than one plausible solution, and one of those solutions may produce a better tax result than another. But this group also acknowledges that some interpretations, even if “legal”, are very strained, and clearly not consonant with the broad policy intent of the statute.

Before discussing the taxpayer further, however, it is worth noting that there are also obligations on government to act in a responsible way by promoting certainty, stability and simplicity in the tax law. Unclear law, frequent changes, unprincipled revenue “grabs”, broken promises, unduly retrospective legislation, and unreasonably high tax rates are all deficiencies on the government side that can lead to a malfunctioning tax system. Additionally, if a government does not accommodate reasonable expectations, especially in relation to the true economics of a business, then taxpayers will much more willingly resort to “self-help” to achieve the appropriate economic result. This might happen, for example, in relation to: losses incurred that cannot be used to offset income (or be carried forward); double taxation on cross-border income that is not relieved; or, business expenses legitimately incurred that are not allowed as a deduction.

To return to the taxpayer, however, there will always be aggressive taxpayers and aggressive advisers, and, almost certainly also aggressive critics. But the real question is this: how do you encourage the broad middle to act in what is, in essence, an ethical way? As an initial matter it is worth noting that there are a number of advantages to building up this “middle”. First, it leaves the government free to concentrate limited resources on the truly abusive transactions. Secondly, however, there may be significant welfare losses from driving activity out of a jurisdiction through unduly prescriptive or overly burdensome laws. There is the obvious national welfare loss (the business goes elsewhere), but there may also be a global welfare loss. If businesses go to jurisdictions with lax rules and/or ethics, they may act in a way that is (much) more detrimental to global welfare than they would have done under a “middle way” regime in their original country.

So, what should be done to encourage the broad middle? The one absolutely clear answer is that further detailed law and regulation will not work. It is in the details that the loophole opportunities arise for the aggressive planner. But what if you asked people to exercise their judgment? One possibility might be the use of a legal framework. What, for example, if the UK adopted a general anti-avoidance rule? Graham Aaronson’s recent proposal would ask if a piece of tax planning can “reasonably be regarded as a reasonable exercise of choices” in deciding whether it is abusive or not.34 That might not restrain the most aggressive (little will, other than substantial financial pain, or jail time), but it would establish a framework for most of the others that encourages them to stay away from the most strained and formalistic planning. Another approach – quite possibly, complementary – would be to construct a business ethic that embodied this middle way. One that asked the question “why” we are doing something, not just “how” we do it.

Individual Responsibility: A Personal View

Businesses, to be sure, can trap those who work for them – or even corrupt and pervert them. Nevertheless, businesses are made up of, and run by people, and those people do have responsibilities. So, how can an individual deal with the day-to-day ethical dilemmas? Here I can really only share my personal experience as a tax professional. One way of thinking about this that I have found very useful is the idea of American priest, Richard Rohr, who has talked about living on the “edge of the inside.”35 What he means by this is that you are not an angry voice standing outside the circle throwing rocks and insults at those inside. But nor are you there in the centre, fully signed up defending everything that the “inside” stands for, simply because it is the inside. To stand just inside the edge, is to be on the inside, it is to honour what the inside stands for, but it is also to question the weaknesses and failings of the inside. It is not just about being personally honest. It is about asking those wider questions of the business itself. How does it treat its employees and customers; how does it treat the local community around it; and how does it interact with, and add to, society as a whole? It is to be “inside”, but also to be clear-eyed and questioning.

So, what does that mean? Well, first, it does mean honouring what work is. To be personal again, my company does amazing things, and brings huge advantages to its employees and to its customers. It brings amazing products to the marketplace such as highly mobile medical equipment, more efficient jet engines, and energy-efficient power turbines. It can earn wealth for employees all over the world: people who can support their families and then also support others in need. I have no hesitation in honouring that core of the “inside”. And I also would utterly reject the idea that the person deep on the inside is, any way, automatically dishonest; or that the person standing outside the circle hurling insults at Big Business is, automatically, the last honest man standing.

But, if I am serious about my ethical position, then nor must I automatically extend that admiration for the company’s mission to every aspect of every operation, especially, in my case, in the tax area. I, obviously, have a vested interest in keeping my well-paid job, so I need to be aware of where the edge of the inside really is. Self-justification, even self-delusion, is a big risk. In a speech at London University almost 70 years ago, called The Inner Ring36, C.S. Lewis talked about this as a type of corruption. In order to please those on the “inside”, all a person is required to do is to engage in just one very small piece of moral shading, possibly right on the edge of what we know to be the boundary between ethical and unethical. And then, perhaps, just one more very small one. And then just another little one, and another, until the person “goes bad”. It is an almost imperceptible, but, after a certain point, almost inevitable, progression. This is particularly a risk in a job that calls for almost constant judgements – whether of credit risks, or the interpretation of tax rules. If we get too close to the line, in time we may no longer be able to see where it is and slide over it. We must never forget that it is all too tempting to suspend judgment and take the easy route.

Linked to this is what some theologians call “structural sin”. This is the idea that we may, individually, be good people, but the structure, the culture, the processes of the organisation in which we work can (if the structure is “bad”) inevitably compel us to do bad things.37 Again, I need to determine – being clear-eyed – whether despite my own desire to do the “right” thing, I am in a structure which prevents it.38

So this means that I have always to question not only the policies that I advocate, but also the processes by which they are arrived at. I can never blithely accept them because others want them, or solely because those people, individually, are good. Put in a slightly different way, I must always ask whether I have convinced myself that something is good policy simply because it matches my company’s needs. I must question whether I have convinced myself just in order to give myself a clean conscience. So that is how – for me at least – standing at the “edge of the inside”, and constantly questioning myself, and my job, and the company, keeps ethics at the forefront of my mind. But, this edge of the inside is not always an easy place be. I am fortunate that my company has an ethical culture, but any modern business environment, even a favourable one, inevitably poses challenges. There are topics – big and small – on which my colleagues and I disagree. We argue quite vigorously. That is not

37 Paula Clifford (2009) in The Gospel and the Rich: Theological Views of Tax (p. 6), defines it in this way: The term “structural sin” refers to human beings acting together in a way that amounts to collective irresponsibility. What it means that everybody behaves in the same way, or unquestioningly accepts the same kind of behaviour, the impulse to question one’s own behaviour very quickly dies away and is replaced by a feeling of powerlessness.
38 Just to be absolutely clear I do not believe I do work in such a structure. However, the point I want to make is that these questions – “am I simply ‘going along to get along’?” “Am I ignoring the true nature of the business for which I work?” – need to be asked by an individual of any organisation in which he or she works. And not just once but on a frequent basis.
to say they do not have good policy arguments – they always do – it is just that sometimes I feel more comfortable with mine. So, what happens if I lose the argument? (That does happen occasionally!) Well, in that case I do accept the authority of my boss (or of the majority decision) and I’ll make the other argument. In part, that is because – hard though it is to admit in our individualistic world – submitting to that authority really is part of the deal. And it is also a realization – again hard to believe, perhaps – that I may not always be right. But, mostly, it is about preserving my position at the edge of the inside. I will not – I will never – make what I think are ill-thought-through or dishonest policy arguments. But I will make good arguments that are not my first preference, in order to continue to be able to influence my company. It is about honouring the process, and honouring my company, which is fundamentally decent, while at the same time prodding and poking it to be as good as it can be. Again it is about always asking the “why” questions. I will not win every single time, but that is no reason to stomp outside the circle and start hurling rocks in. It is a spur to keep on trying to change things, to move things on when that needs to happen. In short, I think I can do more good in a fundamentally decent organisation by being a respectful but questioning insider, than I can by being a critical outsider.

Summary: Ethics in the Real World

The “real” world is a complex place, and not terribly amenable to moral absolutes. That might encourage us to throw up our hands and walk away from the effort. But in fact with a measure of flexibility, a measure of realism, and an understanding of what we can do as individuals we can apply the building blocks taken from Christian Ethics to the real world. Globalised competition, for example, brings with it pressures (as well as great opportunity) that businesses must often conform to in order to succeed, even if, in a perfect world they would prefer not to. But instead of either bemoaning those pressures and calling for unilateral action by one business or one country (which is unlikely to happen), or simply accepting that that’s just the way things are and nothing can be done, we can work in an international setting to address some of those issues. Likewise we are not powerless as individuals if we – in a respectful way, as insiders – ask ourselves and our businesses tough but appropriate questions. This will often (perhaps always) be an incremental process, but the one, I believe, that offers the best prospect for true progress.

39 Of course, accepting authority is not an unthinking, absolute blanket principle. Just think of the Nuremberg Principle. In other words, just because the boss says it is so, does not remove from us the obligation to ask any questions. It is thus absolutely crucial to be totally honest with yourself (myself) about what you are (I am) being asked to do. This goes to the reality of structural sin, mentioned above. Appropriate responses may vary. If something potentially illegal is being proposed then following the whistle-blower route (something my company takes very seriously) may well be appropriate. If it is a moral (ethical) disagreement, then resignation might instead be appropriate.
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A Proposal for an Ethical Superstructure

So to come to my final question, how might a more robust form of business ethics be built on a framework informed by Christian Ethics? As I have noted above, it will not be on the basis that everybody suddenly starts to believe in (or, in some cases, be terrified by) God. What the business ethics architecture would need to do, however, is to capture all the elements that make Christian Ethics truly holistic – although most likely expressed in secular ways. Thus, it needs to encourage a balance of focus on motives and consequences, and it needs to embody both community values and communitarianism, as well as an appeal to individual responsibility. But most importantly it needs to harness the motivation – the “glue” of ethics – that comes from transcendence. To reiterate, whether or not we name that “God”, it is the widespread feeling and understanding that there is something larger than ourselves. It is this that we need to capture, because it is this, whatever we call it, that encourages us – and enables us – to move beyond our own self-interest.

My proposal therefore has two interconnected parts (which, I should be clear, I do think, in some form, should apply to all businesses – not just the very large\(^\text{41}\)). So, first, I would suggest a relatively simple outline, which contains a very basic element of compulsion (law) to bring Codes of Business Ethics into being, and to provide for reporting and training on those Codes. But I would then leave space for those Codes to adapt and respond to community values, changes in business circumstances, and other variables.\(^\text{42}\) As outlined above, circumstances have changed significantly over 30 years, but, I would argue, the need for a relevant, flexible code of ethics never diminished. Some will argue that compulsion of even this very generalised nature is inappropriate, not least because of the burden it imposes. I disagree, in part because I think there has been a “market failure” (as noted above) over the past 30 years in some business sectors that – at least in this broad directional sense – the state needs to remedy. I also think that there would be a significant free-rider issue without that compulsion. To reiterate, however, this is not a detailed requirement, but it does require all businesses to do something. Without that, less scrupulous actors might hide behind the more conscientious.

The second part of my proposal involves no compulsion whatsoever, but is a call for those in business to take responsibility for their and their business’ actions. I hope the very high-level statutory framework would encourage this, but, in the end, it will come down to individuals asking – and re-asking – themselves and their businesses: why, why, why?

What this structure aims to provide in its two parts derives from the fundamental observation (Christian and otherwise) that we need a framework of rules within which to operate if we are to function as a society. In other words we must accept some element of authority. I have noted the dangers of blind adherence to authority above, but one great benefit of authority is that it allows us the space to move beyond the basic questions such as “how can I survive?” and “how can I defend myself?”\(^\text{43}\) and instead begin instead to ask questions and pursue activities which are more creative. At the same time, however, it is important that rules should not be so all-encompassing as to remove any element of choice. I will discuss this in more detail below.

The Codes of Ethics

But, it will be asked, why do we need a law that mandates that each business have a code of business ethics? Some might argue that voluntary codes already achieve some or even much of what the first part of the proposal would require. Take, for example, the UK’s “voluntary” Banking Code of Practice (which, in fact, is in essence compulsory\(^\text{44}\)). In February 2012 Barclays disclosed a transaction under the Disclosure of Tax Avoidance Schemes rules that some commentators thought showed the ineffectiveness of that Code of Conduct. But, to the contrary, in fact much of criticism of Barclays seemed to come from the fact that they

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40 One of the comments that I received on an early draft of this pamphlet noted that parts of my proposal echo the framework designed by Roger Steare (2009) in Ethicability: How to Decide What’s Right and Find the Courage to Do it. While I was not aware of Professor Steare’s work I happily acknowledge that he was first to some of these points.

41 I think that this process would be beneficial for any business large or small, not only because regularly asking the question “what are we doing” is critical to the health of any business. But, of course, there may have to be different requirements based on size, and it may well be that for the smallest businesses this would be an inappropriate burden.

42 I would hope that these Codes would be fairly comprehensive and cover a broad range of issues. But I do not think that detail should be legislated. That would remove the possibility for autonomy that I will discuss later.

43 This underlies not just the thinking of St Paul, for example, but also Hobbes and Locke (in political theory).

44 Government officials made it crystal clear that every bank in the UK was “expected” to sign up to the Code.
had (at least in the Government’s opinion) breached the Code which they had agreed to follow. Likewise, following the *New York Times* op-ed piece by a (disgruntled) former employee of Goldman Sachs, it was suggested by some that Goldman’s problem could be directly linked to a public statement of ethics (“The Fourteen Principles”) against which it could be measured, and to which, the former employee argued, Goldman’s had not adhered. So, I think, therefore, that only the lightest of legislative touches is needed to ensure that what is currently a patchwork of voluntary codes is knitted into a comprehensive quilt – but that legislative touch is, nevertheless, required.

There is an additional reason why I think it would be inappropriate for the proposal to be any more prescriptive. The reason for proposing a code of ethics where almost all of the content must be provided by the business, rather than the state, is that following the law does not require us to ask questions about what we are doing – and the more detailed the law, the less room there is for individual choice. Dealing with the law may require interpretation of unclear statutes, but that activity does not automatically make it into an ethical activity. We have an obligation to follow the law: there is no real judgment on direction to be made. To make an ethical decision, however, is to be confronted with the question of whether something is “right” or “wrong” (however, we choose to define those terms). So building a Code of Ethics rather than having it imposed upon us requires us at some level to ask ourselves what we are doing. Put slightly differently, it institutionalises some of the benefits of the “edge of the inside” idea, by requiring us to ask the hard questions – and keep on asking them.

**Each Business to have a Code of Ethics**

So, the first part of my proposal would have three linked components. First, a law would require every business to publish (e.g., available on the Internet) each year its own Code of Business Ethics. One could envisage that the law might require certain topics to be covered, but the law would not state what the Code should say about these items – otherwise it would not truly be a code of ethics. The law would simply require that such a Code be published. And it would allow beneath that the necessary flexibility for the Code to adapt to new circumstances, and, thus, prevent ossification.

**Each Business to Report Annually on its Code of Ethics**

In this proposal, the law would also require that the business publish an annual report on its compliance with any of the topics covered in its Code, and hold an annual meeting to present that report. This and the next part of the proposal, perhaps, are actually more important in a way than the first one. As noted above, there are many types of Codes (voluntary and semi-voluntary) already in existence. Therefore, most likely, the first part of the proposal would only fill in gaps. The problem (and, perhaps, the failure) during the crisis went more to the fact that these Codes had not been – or had ceased to be – operationalised. Businesses did not have an incentive to make the Codes part of their regular operating rhythm, in part because of a perceived lack of return. A requirement to report on the Code and to train employees would operationalise it.

Again, to be clear, the requirement to publish would contain no mandatory details. However, one might hope that it would engage with some of the more important ethical issues mentioned above. For example, as noted earlier, one of the most significant challenges to operating in an ethical way is the fear – often justified – that this will put the business at a competitive disadvantage. In the report, therefore, businesses might identify areas where such competitive concerns have caused it to omit provisions from its Code of Ethics (or, perhaps, in a particular year, caused it to deviate from its own Code). Drawing on the necessity for international coordination to produce sufficiently broad coverage, discussed above, the business might also identify areas where international coordination, perhaps by the OECD, or World Bank, or IMF, might be able improve the situation while keeping the business playing field level. But, again, there would be no legal obligation on the business, other than to report publicly in relation to the business’ Code. There would be no requirement that the report be audited, or that it include this set of figures or that set of figures. And, perhaps, most importantly, the law would make clear that neither the Code, nor the contents of (or omissions from) the report would ever provide a basis for any type of legal action.

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47 Any existing Code would meet this standard, although the hope would be that the Codes resulting under this proposal would be comprehensive, covering, for example, the items listed on page 7 of this pamphlet relating to interactions with a wide group of stakeholders. The opposite argument could, of course, be made that those currently having more comprehensive Codes would pare them back to the bare minimum. That is certainly possible, but reputational issues could well constrain such action.
Each Business to Reinforce the Code of Ethics through Frequent Training
The final element of the law would require the business to produce (and make public) training materials for its employees on compliance with the Code of Business Ethics, and to use those for training key employees frequently (perhaps once every six months). As with the other two requirements, the law would not specify exactly what the materials should include, simply that they should be produced.

This part of the proposal draws on insights both from business and from Christian Ethics. The first is that repetition (whether of beliefs or other messages) is necessary to keep a message fresh, and to ensure that it becomes inculcated. Big, one-off events are great for getting publicity, but the day after the party memories already begin to fade.

A second reason for this part of the proposal is that it draws on the basic human insight that many of us are liable to choose the easier over the harder option, especially over time. People rarely go from “good” to “bad” overnight, but baby steps will still get you there (see C.S. Lewis, above). So, for example, as in the lead up to the financial crisis, if two times the risk is fine, why not three times? Or four times? We need regularly to be reminded what the Code of Ethics is and why it matters.

A final reason for this training element is that it would get to the operationally important people in the organisation. The CEO will (or should) always set the tone, but it is the people with their hands on the levers, the operational leaders, who truly determine how the business acts. If they read the occasional uplifting message from the executive suite, but more frequently hear a much sharper message from their line manager (“Make the numbers this quarter, or we/you are all in big trouble”), then they will generally respond to the latter. So any Code of Ethics, to be successful, needs to become part of the DNA of the business – put slightly differently, the Code of Ethics needs to reflect and complement those messages from the e-suite. For that to happen, it needs to be owned by the entire line of management, by the people who truly drive the business. And that requires frequent repetition and reinforcing.

Enforcement
One question (and criticism) that many will have of this first part of the proposal is this: where is the enforcement mechanism? Without such a mechanism will it not be too easy to avoid or evade doing almost anything? Well, I can envisage a monetary fine (proportionate to the size of the business) for failing to fulfil the basic requirements of constructing, reporting on and training in a Code, but I think it important there is no more than that. In the same way that I want to leave space for businesses to develop their own Codes without detailed rules being imposed upon them (although I desperately hope that such Codes will be comprehensive and imaginative), nor do I want their application and continuing development to be driven by a legal or quasi-legal process.

My aspiration is to create an atmosphere, a culture (through both parts of the proposal) where individuals inside of businesses, and, in some way, the business itself, think about ethical issues and make ethical decisions. This is an important part of our growth as human beings and communities (a concept, again, that is not purely religious by any means), but it is also a way of making the process self-sustaining. If there is an enforcement mechanism, be it through recourse to the courts or by reference to some independent body (whether or not governmental), then the potential for growth will be stifled by fear of externally-imposed punishment, and, internally, the cautious hand of the legal team. I do envisage the Codes would be subject to public scrutiny and comment by the press and NGOs, but that can be a creative process only if it is a non-litigious engagement about ethical principles. If, on the other hand, a business can be subject to a legal proceeding for failing to meet this or that aspect of a Code required by law, then the creativity will be squeezed out, to be replaced by defensive minimalism.

Encouraging Individual Responsibility
One of the problems we have noted is that even where Codes of Ethics were in place there was often a human failure to live them out (because they were not operationalised). Part of the purpose of the reporting and training proposals above is to help do this. But for this to be truly successful there has to be a personal sense of responsibility, and that relates to the second part of my proposal.
In the section on Christian Ethics, above, I noted the importance of the responsibility of a person both as part of a group and as an individual. It is too easy to sound Pollyanna-ish (or just plain pious) on this, but I will try not to. We need to encourage individuals in business to feel that sense of responsibility – to take ownership for the Code of Ethics. To repeat, this is responsibility as part of a group, but also responsibility as an individual. It, obviously, requires us to be decent, honest, truthful, etc., but it also requires us to ask those hard questions of the company. So, how do we achieve this?

Part of the way, I firmly believe, is by building the ethical superstructure which is the first part of this proposal. Inside of “good” structures people can, and generally will, act better. Frameworks, whether legal or social, are important. And the business also needs to recognise the value of those who genuinely strive to live the Code of Ethics and help the business to live it (even if they can be slightly uncomfortable to be with at times). And broader society needs to play its part as well. It is not good enough to criticise businesses for being unethical – any more than it was to praise them for making some people “filthy rich”. Society (including the Church, which is not always very good at this) needs to uphold and strengthen those in the business world who are demonstrably trying to live out an ethical life, and to encourage their businesses to help them do so and we need to work on concrete and inventive ways to do this.

But what will help this most, I believe, is a more open discussion of “transcendence”. Not necessarily “God”, as I have made clear before, but of some sense of purpose that extends well beyond profit maximisation. If businesses, if society, are more open about asking what the bigger questions are – those “why” rather than “how” questions – then, truly, any Code of Ethics will become part of the DNA of a business because individuals inside the business will see it as part of the norm. Not a nice-to-have, not an add-on when profits are looking very healthy, but a core part of why the business is in business – and part of their responsibility to the group, and to themselves, to uphold.

Does the Faith Element Doom the Proposal?
To close this chapter I want to ask again whether the faith element dooms the proposals? I do not think so. As I have noted already, I do, of course, realise that using a term like “transcendence” will make some uncomfortable. But I think if I ask the question in a slightly different way – is there something more to life than just earning money in order to eat? – then most people would say yes. Also, it is important to note neither proposal is explicitly Christian. Rather they seek to take insights from Christian Ethics, and build those into a framework which could sustain a Code of Business Ethics.

In fact, it is important that this system of business ethics can operate outside of a specifically Christian context if it is to be effective: not just in the secular West, but also in parts of the world operating under different belief systems. Additionally, I do think that a design based on the framework of Christian Ethics – which shares many of the core values of other faiths – actually offers the possibility of a system that is not seen as irredeemably tied to “Western Capitalism”, but is capable of broader appeal. So I do believe these faith-inspired proposals can operate successfully outside of a specifically Christian context.

My hope in the UK would be that the Church (or, specifically, my church, the Church of England) could try to regain the initiative lost over Occupy London and St Paul’s and play a significant role in this process. How? Well, first the Church can offer space and perspective for those seeking to construct the codes. With the knowledge that such codes and their adherence will be done in the public eye, but at the same time with the knowledge that there is no legal penalty for any infraction, businesses may turn – if the offer is made – to bodies such as the Church which have ethical experience (a church “kitemark”, perhaps?). At the same time, cognisant of the need for a more developed theology of work, and of wealth creation, the Church could empower all Christians who work in business to use their skills, informed by their beliefs, to help their businesses construct and adhere to a code of business ethics. Finally, the Church could publicly praise, uphold and support (and not just on Sunday morning in church but throughout the week) those who seek to implement such codes.
I believe that the last two or three decades (as with past crises) have shown what happens when the economic world changes shape and business ethics does not keep up with that. I certainly do not claim that a failure of business ethics “caused” the crisis, but I do believe that it played a part, and that we cannot afford to ignore that.

As I have made clear, I do not believe that the much-needed new or reshaped systems of business ethics will emerge without some high-level legislative framework, because the pressures (competitiveness and self-interestedness) are too great in the other direction. But this system also has to allow enough space, to be voluntary enough that there is some genuine choice in setting the ethical standards for the business – in other words, to enable us to choose to do something because we believe it is right, rather than because we are told to. And it has to be public. Not so that people can sue the business, but so that the business has to consider and articulate how it interacts with the world around it. And also so the world around it can see the value the business creates, and support it, but also, if necessary, hold it to some type of account based on principles publicly articulated by the business, rather than on blind rage. In the business world there will always be a place for law and for regulations on a broad range of issues from protecting workers to preventing monopolies. But there should also be a place for ethics. We should truly measure ourselves not just by the laws we obey, but also by the choices we make – by what we aspire to – and it is in that context that the second part of the proposal, encouraging individuals to own the Code by emphasising “transcendence”, is also crucial.

There will be some for whom this is far too much. For whom ethics (particularly ethics with a religious flavour) should not intrude into business. For whom the profit motive and morality are in different spheres. To them I would say: the world is changing, and faster than you might think. Almost all business, in the end, relies on its good name and on public faith (if I can put it like that) in the brand. In a world of social media and instantaneous communication, every business is under much more scrutiny by many more people who are – or who can influence – customers. And for them the bottom line is more than a single number. Whether the analogy is correct or not, many people want to know how the business acts as a “citizen”.

There will be others for whom this is far too little: a modest proposal without teeth when we should be cracking down, changing laws, writing regulations, and judging more harshly. To them I would say two things. First, we should aspire to a world where people can flourish and grow, and that requires responsible businesses that are allowed the space and societal trust to make and provide goods and services, and to employ people. Second, more laws and attendant punishments will not make us good – they can only (perhaps) make us more obedient. To make us better (good) we need the opportunity, and the discipline, of making ethical decisions. Only in that space can we grow. We need the opportunity, the encouragement to ask: what is the bigger picture, and in what way is all this bigger than me?

So – the final word – to both I would say that we need now to construct a new framework. One that will always keep us asking the question “why”, not just the question “how”.

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