on international trade.[64] The commission recommends automatic financing because the current mix of voluntary aid and minimal financing of international organizations simply is not up to the enormous task ahead.[65] Automatic financing of this sort would involve a significant derogation of authority to transnational organizations. While it would be desirable to institute such an authority by conscious design to prevent deleterious delays in meeting the environment-development agenda, it is more likely that, as with the European Economic Community, it will evolve over time as a result of efforts to integrate environmental and development activities on a world scale. What is clear is that, even within the present international system, leaders will have to take the initiative in setting global needs on their national agendas.[66]

Responsibility falls on ethicists as well. Ethicists, writes Denis Goulet, cannot "remain content with portraying ideals and passing adverse judgment on the means used by politicians, planners, or others to achieve social justice." Ethics, Goulet proposes, ought to be a praxis in which ethicists take responsibility with others for the design and direction of social institutions. He concludes that just and sustainable development requires that ethicists "versed in the constraints surrounding vital choices promote values for which oppressed and underdeveloped groups struggle: greater justice, a decent sufficiency of goods for all, and equitable access to collective human gains realized in domains of technology, organization, and research."[67]

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THE ETHICS OF BUSINESS

Business ethics is a field that covers a vast range of problems from affirmative action to toxic wastes, from Third World debt to management styles, from fixing prices to closing plants, from supporting ballet to paying foreign officials. In societies as different as the United States and Poland, the United Kingdom and Mexico, greater reliance is steadily being put on the private sector to meet a wider variety of personal and social needs. This ensures that even more of the vexing problems of

[64] *Our Common Future* 340–42.

[65] Ibid. 340–41.

[66] While Pope John Paul sees political will as a necessity for just and sustainable development, he sees determination to work for global change lacking on the part of leaders, particularly, it seems, in the West (*Sollicitudo*, nos. 24, 35).

[67] Denis Goulet, "Development Ethics and Ecological Wisdom," in *Ethics of Environment and Development*, Goulet 11, 12. Also see 13: "Under ideal circumstances ethicists would share responsibility for the practical consequences of joint decisions taken by teams of development planners, economists, and technicians.... [T]hey need the critical input made by problem solvers if they are to avoid purely extrinsic moralism."

contemporary societies will come to be ethical problems for business. But business itself is constantly being subjected to new strains and new pressures for change as markets and production processes become global, as technology makes vast quantities of information more readily available, and as demands for rapid decisions are intensified.

For example, the transformation of financial markets during the 1980s as a result of deregulation, product innovation, and technological change has been accompanied by a series of crises and scandals involving the collapse of hundreds of savings and loans institutions, widespread insider trading on Wall Street, the collapse and restructuring of one of our largest banks (Continental Illinois), indictments of major brokerage houses, large-scale investigations into the Chicago exchanges, and an extended series of battles for corporate control and for the instant personal enrichment which the gain or even the loss of such control often brings. Thus the recent transformation of financial markets has to be seen as a complex phenomenon with many ethically significant aspects and not simply as a morally neutral set of technical changes in procedures and outcomes.

As the business world changes and expands, both as a result of its own internal development and in response to the opportunities provided by the crisis of Marxism in Europe and Asia, the connections between business ethics and a wide range of ethically significant issues will become more manifest and more intimate. At the same time, we can reasonably expect that there will continue to be scandals and moral failures that cast doubt on the compatibility between widespread business attitudes and practices on the one hand and legal and ethical norms on the other.

In this situation of expanding responsibility and occasionally daunting failures, business ethics has five interrelated tasks or functions which shape its distinctive character. I will call these the corporate, the academic, the existential, the analytic, and the interpretative tasks of business ethics.

Corporate Task of Business Ethics

First, business ethics serves as the means for ethics education within the corporate setting. Corporate ethics programs cannot substitute for the primary moral formation of individuals, but they provide an occasion for the communication of ethical standards as these are to be understood and applied within the setting of a particular firm or industry. These programs can take the form of developing codes, credos, or policy statements or of conducting seminars and discussions at various levels within the organization. These seminars usually concentrate on applying general ethical principles and the more specific norms found in corporate codes and policies to particular cases. The general legal and social context of the conduct of business in contemporary society, which affirms both the legitimacy of corporate enterprise and the necessity of regulation by law, is taken as a given rather than as a subject for systematic reflection or practical revision.

Useful overviews of the range and character of business ethics programs within corporations have been prepared by two of the major business organizations in the country: the Conference Board and the Business Roundtable. The Conference Board publication, *Corporate Ethics,* was prepared by Mr. Ronald Berenbeim, a lawyer, and was issued in 1987. The Conference Board, which was founded in 1916 and is headquartered in New York, describes itself as "a business information service whose purpose is to assist senior executives and other leaders in arriving at sound decisions."[1] So it is not surprising that Berenbeim begins with a survey of 300 senior executives from both U.S. and non-U.S. corporations. These executives were asked their judgment about which items on a list of 27 were ethical issues for business. The issues on which there was widespread agreement (defined as 80% or more) were: employee conflicts of interest, inappropriate gifts to corporate personnel, sexual harassment, unauthorized payments, affirmative action, employee privacy, and environmental issues. Six issues which fell just short of the 80% level of agreement were: employee health screening, conflicts between company ethics and foreign business practices, security of company records, workplace safety, advertising content, and product safety standards.[2] It is interesting that most of the items on both lists touch the internal working of the company and are likely to be matters of perennial concern. Though their precise shape and their particular urgency will vary from time to time, they will continue to confront managers with the need to make judgment calls and painful decisions, no matter what happens on financial markets or in world politics. It is also interesting to note the four issues in which less than 50% of the business executives were willing to acknowledge an ethical component: social issues raised by religious organizations, comparable worth, product pricing, and executive salaries. The bottom three are all what Berenbeim characterizes as equity or "basic fairness" issues.[3]

Berenbeim's study also reports the ways the executives resolved four separate cases: a deluxe conference offered by a software firm to potential customers, the handling of a quality-control inspector who becomes a

[1] Ronald Berenbeim, *Corporate Ethics,* Research Report No. 900 (New York: The Conference Board, 1987) i.

[2] Ibid. 3.

[3] Ibid. 2.

"whistle blower" over toxic emissions, the retention of employees in a newly acquired plant, and the use of insider information. The third chapter in the Berenbeim report is given over to the codes of conduct which corporations have developed for themselves. Particular attention is given to the development of a "credo" at Security Pacific, a very large California bank. The development of the credo required extensive consultation "top-down" and "bottom-up."[4] The credo itself is structured around the category of commitment and explicitates six major commitments: to customers, to employees, to the bank itself, to other employees, to communities, and to stockholders.[5]

The Berenbeim study contains a reasonable amount of information and is sensibly organized, but it does not offer much in the way of general arguments or assessments. In the following year (1988) the Business Roundtable, which consists of the heads of 200 very large corporations and is also headquartered in New York, issued a more ambitious report, which drew on the services of a number of experienced writers in the field of business ethics and focused on ten corporations that have been particularly active in giving explicit attention to the ethical aspects of the way they function. The effort was chaired by Andrew Sigler, the CEO of Champion International, a major paper producer; and one of its objectives clearly seems to be to encourage other large corporations to make a concern with ethics a significant part of their corporate agenda. The firms reported on are: Boeing, Champion International, Chemical Bank, General Mills, GTE, Hewlett-Packard, Johnson & Johnson, McDonnell Douglas, Norton, and Xerox. Some of these companies face the special task of maintaining high ethical standards in the difficult environment of defense contracting; only one of them is a major financial institution. Some companies (Chemical Bank, GTE, McDonnell Douglas) put primary stress on training programs and seminars in which ethical issues are analyzed and discussed.

Hewlett-Packard seems to rely on a strong and distinctive culture with an emphasis on open communication and is reluctant to develop an institutional ethics program, though it does include an ethics section in the annual audit of each operating division. During the audit each manager is asked a series of questions about conflicts of interest, unfair treatment of customers, and improper efforts to obtain proprietary information from competitors.[6] Hewlett-Packard, despite its great size

[4] Ibid. 15, quoting Mr. Irving Margol, executive vice-president of Security Pacific.

[5] Ibid. 21.

[6] Kirk Hanson and Manuel Velasquez, "Hewlett-Packard Company: Managing Ethics and Values," in *Corporate Ethics: A Prime Business Asset*, ed. James Keogh (New York: The Business Roundtable, 1988) 72.

(82,000 employees and $7.1 billion in revenues in 1986), still stands very much in the shadow of its cofounders, Bill Hewlett and Dave Packard. In the account that Kirk Hanson and Manuel Velasquez give of ethics management in the firm, students of narrative theology and proponents of a communitarian approach to ethics will happily note the following summary:

> Employees repeatedly assert that their understanding of the HP way and of company policies and standards was primarily communicated by the example of their fellow employees and managers. Primary among these "examples" was that of the Company's founders, Bill Hewlett and Dave Packard. Stories abound of their commitment to and concern for their employees.[7]

Reliance on a highly personalized and informal approach to sustain ethical values in an entity that is as large, as complex, and as subject to technological, financial, and political changes as Hewlett-Packard has limitations, and so it is not surprising that Hanson and Velasquez report that "the result of these strains is that there is considerable uncertainty among many employees about the current interpretation of HP's values."[8]

A different and well-publicized approach to maintaining ethical values in a business culture is Johnson & Johnson's emphasis on its corporate Credo. The culture of this huge and highly successful medical-products firm emphasized decentralization and individual autonomy and initiative. As Laura Nash points out, this culture requires "trust in an individual manager's ability to make the right decisions from both a business and a moral point of view."[9] James Burke, the recently retired CEO of Johnson & Johnson, describes the stabilizing function of the Credo in such a culture: "The Credo is our common denominator. It guides us in everything we do. It represents an attempt to codify what we can all agree upon since we have highly independent managers."[10]

The Credo was originally formulated under General Robert Wood Johnson in 1944–1945, but it has been revised and communicated anew several times during the intervening years. It came to widespread public attention when Johnson & Johnson had to deal with the Tylenol crisis of 1982. In response to the placement of cyanide in Tylenol capsules, the company conducted a comprehensive product recall, for which it took costs of $140 million. Burke, an alumnus of Holy Cross, has often stated that the guidance of the Credo played the most important role in

[7] Ibid. 73.
[8] Ibid. 74.
[9] Laura Nash, "Johnson & Johnson's Credo," in *Corporate Ethics* 80.
[10] James Burke, in Nash, ibid. 80.

management's decision making during these crises. The Credo, as Nash points out, identifies four central responsibilities of the firm: customers, employees, communities in which they work and live, and stockholders.[11] Nash criticizes the philosophical inadequacy of the Credo and its unsystematic use of such central ethical notions as justice and fairness, but she praises it for the way it "is at all times tied in to the regular concerns of business management."[12] The handling of the Tylenol crisis and other episodes shows that the principles of the Credo, while idealistic in tone and general in content, are effectively honored in practice even when the cost of doing so is high.

The Business Roundtable report focuses on more specific projects in the ethics program at Chemical Bank, a money-center bank with major concentrations of activity in New York, New Jersey, and Texas. Like many other corporations, Chemical has a carefully formulated Code of Ethics, which is more specific, more akin to a set of legal norms, and less inclined to invoke general values than a credo is. The Roundtable report refers to the seminars on "Decision Making and Corporate Responsibility" (since retitled as "The Business of Ethics") as "the bank's most innovative approach to helping its employees deal with questions of ethics and corporate responsibility." The seminars are two days of discussion led by an outside consultant (Robert Solomon, a philosopher at the University of Texas) and an inside specialist in training (Kathleen Ford of Chemical); they focus on "ethical gray areas faced by bank managers" and are aimed at helping "managers to recognize the ethical implications of their day-to-day business decisions."[13] The other Chemical program that is singled out for particular praise is the Streetbanking program which "was begun in 1969 out of the recognition that banks should be more responsive to the needs of the disadvantaged."[14] This response had taken the form of working with local community leaders and has led to significant programs for low-income housing.

Underlying and sustaining the specific programs at Chemical Bank is the commitment and "continuous example of senior management" that "has been the crucial element" in maintaining "ethical business conduct and corporate responsibility."[15] All the studies in the Business Roundtable report agree that it is the special responsibility of the most senior leadership in a firm to set the tone on ethical issues and that it is their personal involvement that makes the difference between a program that is window dressing and one that makes a real difference in the way the

[11] Nash, ibid. 97.

[12] Ibid. 83.

[13] Ethics Resource Center, "Chemical Bank Programs in Business Ethics and Corporate Responsibility," in *Corporate Ethics* 34.

[14] Ibid. 37.

[15] Ibid. 39.

corporation responds to its various constituencies or stockholders. This point is also emphasized in a more analytic overview of corporate-ethics programs by Patrick Murphy, a professor of marketing at Notre Dame, in the *Sloan Management Review,* which is published from the business school of MIT. Murphy considers three types of programs centered around a corporate credo (Johnson & Johnson, Security Pacific), ethics programs (Chemical Bank, Dow Corning), and a corporate code tailored to the firm's key functions (the St. Paul Companies, an insurance group, and IBM). Murphy reports enthusiastic responses from managers to all three types of programs but also underlines the "countless hours" and "substantial amounts of money" that these firms put into "developing, discussing, revising, and communicating the ethical principles of the firm."[16]

A more small-scale, more concrete approach to implementing both the ethical norms of the firm and the principles taught in the recent pastoral letter of the U.S. bishops can be found in "Faith that Mandates Justice: A Case Study," a recent article in *Chicago Studies* coauthored by Joseph P. Sullivan, the CEO of an agribusiness holding company headquartered in Chicago, and Thomas F. McMahon, C.S.V., director of the Loyola University Center for Values in Business. Sullivan, who is also a founder of Business Executives for Economic Justice, a Chicago group "dedicated to applying Catholic social teaching within their companies, industries, and communities,"[17] is particularly concerned with the handling of corporate acquisitions in a way that respects the human dignity of employees.[18] Sullivan and McMahon insist on honesty and directness in communicating with employees, particularly when the situation is difficult. They point to the following concepts as particularly helpful for guiding the firm's actions: subsidiarity, stewardship, cocreation, coconservation (especially important in an environmentally sensitive business such as agricultural chemicals), servant leadership, and vocation.[19]

Academic Task of Business Ethics

Second, in its academic function business ethics serves as an element in the undergraduate or graduate curriculum in schools of business administration. In this task it provides a humanistic and reflective counterpart to the training in quantitative methods characteristic of business education, and it links the early ethical formation of students

[16] Patrick Murphy, "Creating Corporate Ethical Structures," *Sloan Management Review,* winter 1989, 87.

[17] "Authors," *Chicago Studies* 28, no. 1 (April 1989) 104.

[18] Joseph P. Sullivan and Thomas F. McMahon, C.S.V., "Faith That Mandates Justice: A Case Study," ibid. 19.

[19] Ibid. 30–31.

with the moral challenges likely to confront them in their careers. In this task business ethics does not focus on the problems and policies of a particular industry or firm, though it often draws on particular examples for case studies. For the most part, business ethics in the academic setting moves from the exposition of ethical theory, usually focusing on the major philosophical ethical theories, to the analysis of cases. The standard procedure in these courses focuses the attention of students on dilemmas or conflict situations. The objective is to provide students with a framework that is broad and flexible enough to be useful for future decisions wherever they may be in the business world. The characteristic vehicles for this second task of business ethics are the textbook and the casebook. The treatment of business ethics in a business-school setting is also likely to overlap with consideration of the legal and social character of the corporation. An extended argument has developed over the place of ethics in the business curriculum, specifically over whether it should be taught as a separate course or whether it should be included as an element in various other business courses (marketing, management, accounting, etc.) or whether it needs to be taught in both ways. A secondary argument has developed over the effectiveness of instruction in business ethics in preventing ethical lapses and crimes.

Existential Task of Business Ethics

A third task of business ethics is to provide guidance for right decision-making and for the establishment of ethically sound policies within a corporation. This is what I would call the existential function of business ethics, and it is the fulfillment of the first two functions. It goes beyond corporate training and academic foundations to providing the cognitive and evaluative element in right action. When this is absent, people are inclined to speak of a failure in "business ethics." It would be less misleading to speak of an ethical failure in business or an absence of ethical considerations in a business decision. Before such considerations can be effectively present in a business decision, there has to be in the person or persons making the decision a readiness to entertain moral considerations or to think about business problems from a moral point of view. On the one side, this requires some answer to the fundamental question, "Why be moral?" But this answer has to be specified to fit the business context within which it is asked. So it has to make clear what the connections and differences are among ethical principles, legal norms and regulations, and such standards for business practices as are found in principles of accounting. At the same time, the question "Why be moral?" is also a request for motivating considerations. Since the "profit motive" is commonly taken to be a necessary condition for business activity and since considerations bearing on profitability or on "the bottom line" are often thought to be the only considerations that can legitimately guide business decisions, the connection between ethics and profitability becomes a constant theme for re-examination.

In a recent symposium on this subject in *Business and Society Review*, Peter Barnes, president of Working Assets Funding Service, affirms: "To be ethical as a business because it may increase your profits is to do so for entirely the wrong reason. The ethical business must be ethical because it wants to be ethical."[20] In his view profit should be seen as a means and not as an end; and businesses should aim at sufficient, not maximum, profit. Robert Solomon, a philosopher from the University of Texas, recognizes that "the relationship between ethics and profits is clearly not one of logical or financial certainty"[21] and that the market does not directly reward ethical behavior. Robert Frederick and Michael Hoffman, professors at Bentley College, which runs a major conference each year on business ethics, acknowledge the possibility of real conflict between ethical norms and considerations of profitability but affirm that, despite occasionally heavy costs, "we are spiritually required to adopt the moral point of view in all our dealings with other people."[22] On the other side, Milton Moskovitz reminds us of "the comeuppance that unsavory characters and corporations frequently experience over the long term."[23] Maurice Schoenwald, another investment executive, describes a social conscience as a great business asset.[24] Lionel Tiger, an anthropologist, argues from the central importance of life in small groups in the history of our species and proposes the development of "moral quality circles in which people in an enterprise discuss not only how to improve productive efficiency but how to improve moral integrity and satisfaction."[25] He expects morality in behavior, the morale of workers, and productivity to improve in an interconnected way. This symposium nicely illustrates the continuing desire of both scholars and participants to combine three distinct affirmations: (1) ethical behavior is a value to be pursued for its own sake and is essentially independent of profitability; (2) ethical behavior and shared reflection on the need for it will usually have a beneficial impact on corporate well-being and profitability; (3) neglect of or contempt for ethical behavior will generally have a negative impact

[20] Peter Barnes, "Do Good Ethics Ensure Good Profits?" *Business and Society Review* 70 (summer 1989) 4.

[21] Robert Solomon, ibid. 8.

[22] Robert Frederick and Michael Hoffman, ibid. 10.

[23] Milton Moskovitz, ibid. 9.

[24] Maurice Schoenwald, ibid. 11.

[25] Lionel Tiger, ibid. 6.

on corporate well-being and profitability. If these affirmations are made jointly, then it is not reasonable to regard ethical behavior as a luxury that might be squeezed out by declining profit margins, a point that the sociologist Amitai Etzioni makes in the same symposium.[26] Rather, it has to be seen as a constituent element in doing business well. It cannot be reduced to a mere means without subordinating moral motivation in an improper way or without seeming to imply a possible defection from moral standards if more effective or less costly alternatives are available. But at the same time it does not form a goal that is external to or unrelated to business activity, since many of the same qualities that make for moral excellence also make for business success (e.g., attentiveness to the needs of others, readiness to work hard, faithfulness to commitments, prudence in assessing risks).

At the same time, profit cannot be treated as an end in itself, but it should be seen as a central measure of good business activity and a means of ensuring a flow of future resources to sustain and expand this activity. This, I suspect, is what underlies the interesting affirmation by Dayton Hudson, one of our largest retailers: "The business of business is serving society, not just making money; profit is our reward for serving society well. Indeed, profit is the means and measure of our service—not an end in itself."[27]

Even if people are persuaded to the view that there is a systemic convergence between ethical behavior and business success and profitability, they may well feel that the social patterns and the cultural climate within corporations are not favorable to ethical motivation and ethical behavior. This view is expressed with considerable vigor in the recent book *Moral Mazes* by Robert Jackall, a sociologist at Williams College. Jackall's work is based on a set of interviews with 143 managers in four corporations conducted during the years from 1980 to 1985. These are supplemented by preliminary interviews with managers in other corporations, extended informal contracts, and a series of case studies of corporate dissenters or whistle-blowers.[28] Whistle-blowers seem to me to offer a particularly interesting window on the connections between ethical behavior and business success, since the cases in which they are central actors often involve both serious damage to their careers as a consequence of their conscientious behavior and serious harm to their firms when these have engaged in unethical or irresponsible behavior.

[26] Amitai Etzioni, ibid. 5.

[27] Dayton Hudson Corporation; cited in Leo Ryan, "The Wave of the Future," (London) *Tablet* 242 (Dec. 10, 1988) 1423.

[28] Robert Jackall, *Moral Mazes: The World of Corporate Managers* (New York: Oxford University 1988) 205–6.

Jackall's book paints a dreary picture of corporate manipulation, deception, "the circulation at or near the tops of organizations of ever changing rhetorics of innovation and exhortation,"[29] and the "making of hard decisions" in which burdens are really shifted to the poor, the ignorant, and the defenseless in order to protect corporate interests and personal careers. The real villain in Jackall's account of contemporary corporations is bureaucracy, which is the major source of corruption and distortion. He puts his indictment thus:

> Bureaucracy transforms all moral issues into immediately practical concerns. A moral judgment based on a professional ethic makes little sense in a world where the etiquette of authority relationships and the necessity for protecting and covering for one's boss, one's network, and oneself supercede all other considerations and where nonaccountability for action is the norm. As a matter of survival, not to mention advancement, corporate managers have to keep their eye fixed not on abstract principles but on the social framework of their world and its requirements.[30]

Observers of both church and state can find some parallels to this pattern, but I would argue that such a pattern cannot sustain itself over the long term without relying on some more productive and more realistic patterns of interaction. If one had only Jackall's pessimistic readings of the inner climate of corporations to go by, one would expect the West rather than the East to be in a state of collapse, unable to meet real needs and tied fast by ideological delusions. This is not to deny that there are many pathologies of bureaucratic and corporate life that obscure lines of responsibility and that cause people to be profoundly skeptical about the claim that a moral commitment to the work of a corporation will lead to positive outcomes for oneself and for society at large. It should also be noted that many of the pathological situations Jackall describes, while intelligible in terms of the pursuit of self-interest by capable but not outstandingly competent or confident players within the organization, will not yield positive outcomes for the corporate bottom line or for a corporation that confronts serious problems of development or survival. But precisely because Jackall's book concentrates so heavily on corporate and social pathologies engendered by bureaucratic modes of organization, we can be helped to understand the pervasiveness of the ethical problems we encounter in the business community, and we can appreciate the effort and the generosity of commitment that need to be aroused if firms are to rise above the kind of self-protective internal politics which he finds to be so pervasive. Jackall's book can be taken as evidence for

[29] Ibid. 142.

[30] Ibid. 111.

either the impossibility of an ethical renewal of American business or for its urgent necessity.

Analytic Task of Business Ethics

Fourth, business ethics has a clarifying and analytic function with regard to issues. Business decisions are not usually about such broad ethical questions as "Should I be honest?" or even about such legally defined offenses as "Should I conceal my ownership of securities from federal regulators?" They are about particular situations in which specific values are in conflict and in which the moral character and moral weight of these values are often unclear and are likely to be overlaid by a variety of factual and technical considerations. As a result, there is need for an analytic sifting of arguments and claims around a controversial topic such as the environment or affirmative action or operations in South Africa in order to select and highlight the ethically significant issues.[31] Business ethics, if it is to inform particular decisions in a rational and comprehensive way, must then reflect on general practices and problems. In doing this, it will draw not merely on the broad categories of ethical theory but also on themes from social and political philosophy, on ethically significant interpretations of the problem from various social sciences, and on different sources of factual information. Unlike the fundamental categories of ethical theory (virtue, good, right, obligation), which show only a gradual long-term historical development, the problems confronting business that call for such analytic sifting will vary from time to time.

Two particularly salient issues that require ethical analysis and creative business decisions are the Third World debt problem and the surge over the last five years in mergers and acquisitions activity within the U.S. and more recently in Europe. The Third World debt problem, which is of a magnitude and complexity that has rarely been equaled in the history of business and which has a continuing impact on the lives of millions of people in the developing countries, certainly calls out for ethical analysis. This call has been responded to within the Catholic community by the Vatican Commission on Justice and Peace, and by the bishops' conferences in the Federal Republic of Germany and the United States of America. The subject of Third World debt was already touched on by the U.S. bishops in their 1986 pastoral letter *Economic Justice for All.* The statement which the administrative board of the USCC approved

[31] A similar sifting is necessary in the analysis of cases and of certain situations that occur in business activity. But these frequently involve conflicting values that are accidentally related to each other (e.g., a person one suspects of trading on inside information is also a close personal friend). So they do not provide a pattern for a general analysis.

and issued in September 1989 begins with a quotation from John Paul II speaking in Lusaka, Zambia, on May 3, 1989, in which he reminds us that "now it is the time for a new and courageous international solidarity, a solidarity not based on self-interest but inspired and guided by a true concern for human beings."[32] In fact, a major concern of the USCC debt statement is to sketch "the human face of Third World debt" and to convey a sense of urgent concern for the poor whose access to necessities is restricted by the burden of debt repayment.

The USCC document was prepared by a committee chaired by Bishop William Wiegand of Salt Lake City, who served on the *ad hoc* committee preparing the pastoral letter on the U.S. economy. The debt committee consulted extensively but less publicly than the Weakland committee on the pastoral. Its document acknowledges the complexities of the problem and affirms that "no single principle can govern all the situations of indebtedness."[33] Thus, it recommends a complete cancellation of debts owed by sub-Saharan African nations, mainly to governments and international financial institutions. For other countries it proposes remission, which is not to be equated with forgiveness, but which can take the form of partial forgiveness or renegotiation or partial rescheduling. The main line of the moral argument, however, is fairly simple and is put clearly in the following assessment:

> The fact of the debt erodes the international common good. The consequences, for the poor in debtor countries, of repaying the debt violate minimal standards of social justice, because their basic needs go unfulfilled. The failure to find a just and effective method of resolving the debt crisis is not only a technical or political mistake, but a failure of solidarity.[34]

The belief of the bishops' conference is that the moral presumption in favor of repayment of debts is effectively overridden by a number of other considerations, some of them arising from the circumstances of the original contracts (unequal bargaining power, illegitimate governments), some of them from the negative consequences of repayment, especially for the poor. The document recognizes that much of the problem arose from inequities and economic mismanagement within developing countries and the flight of privately held capital from these countries.[35] It also affirms that "even total forgiveness of the indebtedness would not solve the problem, because it would leave the underlying systemic causes of

[32] John Paul II, address in Lusaka, Zambia, May 3, 1989; cited in U.S. Catholic Conference, "Relieving Third World Debt," *Origins* 19 (Oct. 12, 1989) 305.

[33] U.S. Catholic Conference, ibid. 312.

[34] Ibid. 34.

[35] Ibid. 21.

the present crisis—both structural and behavioral—intact."[36] The guidelines which the USCC offers for ways of resolving the debt problem stress the importance of revitalizing the economies of the debtor countries and of providing benefits for the poor.[37]

Coming at a time of increasing skepticism within financial markets about the likelihood of repayment and of growing recognition of the deteriorating economic and political situation of many of the major debtors (Argentina, Brazil, Venezuela, Peru), the USCC document is not particularly radical or surprising, and it has not drawn much public discussion. The fact that it was not discussed or voted on at the fall meeting of the bishops conference held in Baltimore in November 1989, but was moved up for approval and issuance by the administrative board in September, ensured that it would receive less public attention. It is probably true that neither the U.S. bishops nor the U.S. Catholic community as a whole is prepared to enter into an extended debate on this topic. So the document was not subjected to the probing debate and the intellectual challenges that refined the two pastoral letters. As a result, it lacks the intellectual strength and the honesty in confronting difficulties that marked its two distinguished predecessors. It exhibits an uneasy balancing of the desire to share in those radical critiques which challenge the legitimacy of the debt and of the need to meet standards of economic rationality and creditworthiness. It is less than careful in its assessment of austerity programs adopted by governments attempting to comply with IMF conditionalities and the requirements of debt repayment. The pronouncement that "austerity simply puts the burden on the poor" fails to recognize the necessity that developing countries are under to move away from massive food subsidies for urban populations if they are to develop a vigorous agricultural sector, as well as the necessity they have to restrain the growth of public-sector spending if they are to achieve long-term growth that will be necessary if the poor are to benefit. This does not justify starvation or policies which neglect the urgent needs of the poor. But it should make us skeptical of populist solutions to problems that have been built by decades of economic wishful thinking and political weakness. In addition, the document avoids the task of hard thinking about what comes after debt forgiveness. The long-term need is clearly for more capital to be made available in ways that will effectively meet the needs of people in Third World countries. Will it be possible for commercial lenders to make future loans when the prospects for repayment are dimmer than when the forgiven loans were made? Will Third World countries allow greater equity investment and ownership by for-

[36] Ibid. 61.

[37] Ibid. 11–13.

eign firms? Will First World governments be ready to increase foreign aid in ways that genuinely improve the economic prospects of the poor rather than advancing a particular political agenda? What will enable Third World countries to avoid a repetition of the cycle they have just gone through? These are, of course, very difficult questions to answer, though they may become somewhat easier if the East-West conflict continues to dissipate and if more resources become available for the development of both the East and the South. In the meantime the USCC document, though flawed and prone to use the categories of a moralistic radicalism, reminds us in a useful way that there is an urgent moral issue at the heart of the Third World debt problem and that recognition of this issue of justice and solidarity should influence business decisions.

A topic that gets considerably more attention in the financial pages of our newspapers, even though its impact on the world at large is considerably less than the debt issue, is the surge in mergers and acquisitions activity that began in the U.S. about five years ago and swelled in both the number and the size of the transactions being carried, reaching at least a temporary climax in the $25 billion battle for control of RJR Nabisco in 1988–89. Together with the closely related phenomenon of leveraged buyouts, which were often led by management and were intended in many cases as an alternative to hostile takeovers, mergers and acquisitions attracted the attention of enormous numbers of people. Shareholders, both individual and institutional, had to make decisions about whether to tender their shares in response to offers by raiders and counteroffers by management and rival groups. Employees from top management down to factory workers were deeply concerned about the future shape of the target firm and about their own prospects for continuing in their jobs. Communities were anxious about the impact of changes in corporate ownership on local business and charities and about the ripple effects of factory closings and job reductions. Bondholders were troubled by the negative effects of the issuance of large quantities of junk bonds on the standing and worth of their bonds. Regulators and investigators were anxious to know about trading based on inside information about these transactions and about other possible violations of securities laws. Customers and suppliers of the embattled firms were fearful over the threatened breakup of established business relationships and over possible neglect of product safety. Investment bankers, commercial bankers, and lawyers were keen for the larger fees and commissions that came to both attackers and defenders in these games. Financial journalists reveled in the opportunity to cover stories of dramatic conflict with uncertain outcomes. Economic analysts worried about the prospect of a decline in the corporate commitment to research and development, about the increased emphasis on short-term financial results, and about the prospects for firms with heavy burdens of debt in the event of a major recession. The public was fascinated and appalled. As is always the case in contemporary America, all parties were impressed by big numbers as bids went over $25 billion for RJR Nabisco, as Mr. Michael Milken received over $500 million for his labors in 1987, as Mr. Ivan Boesky turned in $100 million to the federal government for misusing insider information.

Dramatic though the battles were and unprecedented though they were in scale, many of the particular elements in these scenarios had been around for quite a while and were not regarded as problematic in themselves. Bonds that offered higher yields in return for higher risks, mergers, purchases and sales of subsidiary firms, conversion of a publicly owned corporation into a privately held firm were all recognized possibilities, but now they were put together in innovative and imaginative ways which left outside observers amazed and in some ways outraged. The entire phenomenon with its remaking of old firms and its making of lots of new money raised important public concerns. But critical questions were not easily raised in a critical or scholarly way because of the novelty, the complexity, and the uncertain outcomes of the transactions, the general optimism of a prolonged period of economic expansion, and the Reagan administration's commitment to deregulation of financial markets.

The atmosphere of the New York financial markets and the uneasy relationship of these markets to the larger society have been portrayed in an impressionistic but compulsively readable way in the best-selling novel by Tom Wolfe, *Bonfire of the Vanities*, and in the recent memoir, *Liar's Poker*, by Michael Lewis, a former trader for Salomon Brothers. Such volumes are an interesting indication of the high level of popular interest in the doings and the social lives of the financial elite, and they formulate impressions which are bound to have great influence on the general public and its assessments of the social value of what goes on in financial markets and of the moral character of participants in these activities. Main Street is not going to be reassured by these and similar accounts of what Wall Street has been doing. At the same time, such volumes cannot be the basis of a satisfactory moral analysis, though they may fuel an appropriate demand for explanations and justifications of outrageous and damaging behavior. Starting points for a more reflective moral analysis of what has been going on in the new financial world of the 80s can be found in three rather different works. The first, *Board Games: The Changing Shape of Corporate Power*, has an ambitious and comprehensive title but is actually a fairly specialized though quite readable treatise on the responsibilities of corporate directors by three experts in corporate law, Arthur Fleischer, Geoffrey Hazard of the Yale Law School, and Miriam Klipper. The book consists essentially of a series of cases explaining the principles of director responsibility as they developed from the *Charitable Corporation* case of 1742 and applying these to the current situation in which "the possibility of merger or acquisition is now a specter constantly hovering over every major corporation."[38] The conclusion from a series of cases from the 80s, as Fleischer, Hazard, and Klipper interpret them, is that the responsibility of directors of target companies is primarily to shareholders, though this responsibility need not be restricted to financial considerations. The shape of this responsibility depends on both legislation and the terms of the corporate charter. For instance, since November 1986 the GTE charter permits the board to consider the "social, legal, environmental and economic effects of the acquisition on employees, customers, suppliers, and other constituencies of GTE and its subsidiaries and geographical areas in which GTE and its subsidiaries are located."[39] This is a change which is welcome and indeed morally required if one accepts the understanding of the business firm that figures in contemporary Catholic social teaching. Directors can no longer assume that the market price of the corporation's stock represents its fair value, and they may find that their judgment on the value of the corporation is overturned by the courts. They cannot be complaisant if management makes a self-interested proposal that fails to give full value to shareholders.[40] In short, they are required to be more than "merely the parsley on the fish," in a metaphor borrowed from Irving Olds, a former chairman of U.S. Steel.[41] Instead, the legal responsibilities specific to their role have been clarified and made enforceable in the light of changed circumstance and in the light of broader moral considerations. The authors offer an instructive set of guidelines for directors as they consider buyout offers; the guidelines are intended to prevent conflicts of interest and to ensure due care and informed judgment.[42] This study does not raise fundamental questions of corporate governance, but it is valuable for the way in which it shows courts protecting interests and settling disputes in a manner that achieves higher levels of fairness and diligence within the continuing general framework of corporate law.

Guidelines for the moral assessment of mergers and acquisitions are

[38] Arthur Fleischer Jr., Geoffrey C. Hazard Jr., and Miriam Z. Klipper, *Board Games: The Changing Shape of Corporate Power* (Boston: Little, Brown, 1988) 194.

[39] Ibid. 196.

[40] Ibid. 186.

[41] Ibid. 3.

[42] Ibid. 186–88.

the primary concern of a recent project conducted by the Woodstock Theological Center of Georgetown University. The Woodstock report *Ethical Consideration in Corporate Takeovers* expresses a consensus of corporate leaders and ethicists. The ecumenical group of ethicists included Kenneth Goodpaster (Harvard Business School and College of St. Thomas), Ronald Green (Dartmouth), Donald Shriver (Union Theological Seminary), Patricia Werhane (Loyola University of Chicago), and Philip Wogaman (Wesley Theological Seminary), as well as the author of these notes. Corporations and firms represented included the Chase Manhattan Bank, the Chemical Bank, Arthur Andersen & Company, American Security Bank, Bank of America, and Salomon Brothers. Leaders of universities and research institutes, and persons with extensive regulatory and legislative experience, also participated in the discussions and approved the conclusions. Ambassador Henry Owen was the primary shaper of the project; Timothy Healy, S.J., then president of Georgetown University and now president of the New York Public Library, chaired the meetings, and Dr. Margaret Blair of the Brookings Institution prepared the final report. The report is of particular interest because it represents an effort to assess the phenomenon of mergers and acquisitions in a spirit that is both critical and affirming of free markets. The participants insist that "it is unrealistic to think that the transformation under way in the corporate sector can be carried out without acknowledging its ethical dimension."[43] The report reviews the key values of the corporation as a moral and social institution. In its most distinctive contribution it proposes a check list of questions which should be considered by decision-makers involved in mergers and acquisitions.[44] This includes procedural questions about conflicts of interest, information and property rights, and fairness, and substantive questions about costs vs. benefits, fairness, and social impact. The objective of the check list is to ensure that morally significant values are not overlooked in the affirmation of the general legitimacy of the transactions in principle, as well as to encourage decision-makers to make more discriminating ethical assessments that are not reducible to legal or economic or ideological considerations. The Woodstock report exemplifies an important way forward in the discussion of complex issues in contemporary business ethics, which is to draw together a group of business executives, professional and academic experts, and ethicists from diverse religious and philosophical traditions to work out a tentative resolution of a specific issue. It will then be important to have the conclusions of such a group

[43] Woodstock Seminar in Business Ethics, *Ethical Considerations in Corporate Takeovers*, ed. James L. Connor, S.J. (Washington, D.C.: Georgetown University, 1990) 8.

[44] Ibid. 13–16.

assessed and criticized in both academic and practical terms by scholars and business leaders who have not been involved in the discussions leading to the report.

A further interesting contribution to ethical reflection on the practices and dilemmas of Wall Street comes from a reflective participant in the financial wars, John Casey, who is a managing director of Scudder, Stevens & Clark, an investment advisory firm in New York. At the beginning of his recent book *Ethics in the Financial Marketplace* he offers an interesting description of our present situation, focusing on two of its key dilemmas:

> The antiethic of greed has reached headline proportions, inviting the knee-jerk response of ethical groups to outlaw overreaching by managements to pass a law. Yet laws can undercut ethics. They can bypass the exercise by responsible managers of discretion. Moreover, by drawing a line they imply that permissible conduct is ethical conduct. The long-term answer to future ethical questions must rather rest in the hands of informed professionals who are part of the industry on a day-to-day basis, professionals who have the analytical tools of bread-and-butter issues, a keen sense of the values involved, and a willingness to resolve ethical dilemmas. The problem is that few managers (financial or corporate) have any systematic ability to process the ethical dimension.[45]

Here Casey seems to point us back to the necessity of corporate ethics programs; and one way of using his book would be to take it as a text for such programs. His approach would be one way to find a practical solution for the problem of the gap between ethical experts and financial professionals. It would also get people beyond the common tendency in the business world to equate the legally permissible and the morally acceptable. It also recognizes the necessity for various segments of the financial services industry to achieve moral maturity and to set standards for themselves. The major contribution of Casey's book to this process is the careful way in which he sketches out various transactions and their likely effects on different parties. Throughout, Casey puts a steady emphasis on responsibility to the client. For most people in the financial marketplace are making their money by handling OPM (Other People's Money) and so their work rests fundamentally on moral relationships to others.

Interpretative Task of Business Ethics

As its fifth and most ambitious function, business ethics has the complex interpretative task of trying to understand the structure, the meaning, and the moral and religious worth of the various personal and social activities that taken together constitute business. This is a task

[45] John Casey, *Ethics in the Financial Marketplace* (New York: Scudder, Stevens & Clark, 1988) 6.

that goes beyond the scope of ethics understood as a body of norms intended to guide action. It draws on other branches of philosophy and theology, as well as on the social sciences. For instance, a comprehensive and fundamental interpretation of business activity should deal with the nature of causality in social organizations, the connections between causality and moral responsibility, the interweaving of individual and community in a philosophical or theological understanding of human personhood, the place of business activities in the long historical transformation of human society and in the different types of political systems and ideologies.

It would ultimately move toward a spirituality of work and business. Historically, the professions and human activities that have received such a comprehensive interpretation in philosophical or theological terms have been the clergy, political rulers, and the medical profession. But there can be little doubt that, unless there is such a comprehensive interpretation, business ethics will be confined to the honorable but subsidiary function of applying principles to cases.

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PARABLE AND NARRATIVE IN CHRISTIAN ETHICS

Should Scripture be as central to moral theology as it often is to Christian moral experience? Do biblical stories, symbols, parables, and proverbs address conscience equally as much as the Decalogue and other explicitly normative material? In Roman Catholic circles these questions arise in the debate over the distinctiveness of Christian ethics. Most Catholic moralists still agree with Thomas Aquinas that Scripture does not alter natural human ethics, at least on the level of rules, principles, and basic human values.[1] An increasing minority, however, hold that distinctive religious convictions shape the meaning of moral values and principles and that the New Testament commands certain practices (such as voluntary poverty and nonviolence) that might not be fully intelligible to non-Christians.[2]

Protestant ethicists whose work begins from Scripture rather than from a philosophical ethics are insisting that Scripture influences Christian moral experience primarily through literary forms rather than

[1] See Charles E. Curran and Richard A. McCormick, S.J., eds., *Readings in Moral Theology No. 2: The Distinctiveness of Christian Ethics* (New York: Paulist, 1980); John Langan, S.J., "The Christian Difference in Ethics," *TS* 49 (1988) 131–50.

[2] See Vincent MacNamara, *Faith and Ethics: Recent Roman Catholicism* (Washington, D.C.: Georgetown University, 1985) 103-14, 122-31; Richard M. Gula, S. S., *Reason Informed by Faith: Foundations for a Catholic Morality* (New York: Paulist, 1989) chap. 4.