

solidarity.”⁶¹ In this new era, they write, “it is urgent that American Catholics, as citizens of a powerful democracy and members of a universal church, reject the temptation to isolationism or indifference and take up the challenge of pursuing peace and securing justice both in our nation and in a new world. The people of far-off lands are not just abstract problems, but sisters and brothers. We are called to protect their lives, to preserve their dignity and to defend their rights. . . . [Such moral obligations as] building peace, securing democracy, confronting poverty and despair, and protecting human rights are not only moral imperatives but also wise national priorities.”⁶² It will not be possible to develop a wise strategic ethic for humanitarian intervention until we fashion a political ethic that articulates our goals for a new world order informed by a moral vision of solidarity.

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ETHICS, BUSINESS, AND THE ECONOMY

Normative discussion about what business should try to accomplish occurs on several different levels and is carried on by different kinds of participants for different audiences. On one level there is the debate of practitioners and ethicists (along with lawyers, regulators, and journalists) on how to resolve particular cases and how to elaborate principles that will resolve these cases and provide guidance in similar cases for firms, for public agencies, and for employees. This is a primary concern of business ethics as taught in business schools and in corporate seminars.

On a second, more abstract level, there is reflection, predominantly by philosophers, on the connections between these principles and the institutions and practices of the business world on the one side and the major themes and issues of philosophy and theology on the other. Business is a reality present in many different societies, and it relies on assumptions and practices which are often in dispute among philosophers and theologians. As a result, it inevitably raises questions about the justification of its ethical principles (metaethics and ethical theory), about their universal intelligibility and applicability (hermeneutics), about their dependence on ways of understanding the human person (philosophical and theological anthropology and social philos-

⁶¹ U.S. Catholic Conference International Policy Committee, “American Responsibilities in a Changing World,” *Origins* 22 (1992) 337, 339–341, at 340.

⁶² *Ibid.* 341.

ophy), and about the world in which the person and the business firm act (metaphysics and theology of history). There are also questions about how to understand the relationship of business ethics to law, to religion, and to other forms of normative discourse. This second level we may call the reflective self-understanding of business ethics.

A third level, prior to the other two and more fundamental, has to do with the choice of basic institutional patterns for economic life. This is the level which has drawn the attention of theologians from Walter Rauschenbusch and Reinhold Niebuhr to Michael Novak and the liberationist critics of capitalism. This overview will look at recent writings on all three levels, beginning with the third level, which is the most highly visible and the most politically charged.

The collapse of "real existing socialism" in the former Soviet Union and its satellites in the years from 1989 to 1991 and the improvised adoption of many capitalistic practices and values in China have left Cuba and North Korea as the main proponents of centralized bureaucratic socialism at the end of the twentieth century. It has also left many of the ideological defenders of both capitalism and socialism scrambling to redefine their positions and their tasks for the future, since their role as intellectual auxiliaries in the great strategic confrontation of the second half of the century, the Cold War, seems to be vanishing along with the Cold War itself. The winding down of the Cold War has also coincided with a period in which governments both in Europe and the Third World have moved to privatize activities and institutions which had previously been part of the public sector. The process of privatization was an essential part of ending the almost total state domination of economic life which was a defining feature of the old communist regimes. But well beyond the limits of communist rule peoples have been willing to consider redrawing the lines between public and private areas of competence in economic matters.

At the same time, thoughtful observers could notice that the actual records of performance in various parts of the world differed from the broad ideological sketches offered by theorists and apologists. Thus, one could find in the old communist world and in the cultures it molded abundant evidence of greed and privilege, of corruption and prejudice along with massive environmental damage. Simultaneously one could find in Western firms and economies patterns of bureaucratic infighting, subsidies and market restrictions, hostility to innovation and competition, and irresponsible use of the public treasury. Pointing out that the adversary systems were less unlike each other than many of their supporters thought does not, of course, imply that the differences between them were not profoundly significant.

Justification of Capitalism

Two recent books by prominent American Catholic neoconservatives, Richard John Neuhaus and Michael Novak, take advantage of the conjunction between the collapse of the Soviet empire and the centennial of Leo XIII's encyclical, *Rerum novarum* (1891), the first of the "social" encyclicals, to offer very similar interpretations of both the course of events in Eastern Europe and the development of the tradition of Catholic social teaching. In both cases, John Paul II emerges with a triple authority: as the bishop of Rome, as an intellectual diagnosing the ills of communist societies, and as a social leader with firsthand experience of struggling against the inhumane and antireligious practices of totalitarian regimes. He also serves as a constant foil to the liberal, leftist, secular, socialist, liberationist, and statist intellectuals who, according to Neuhaus and Novak, have persistently misread the good news about the effectiveness and moral superiority of capitalist societies. These people have also failed to understand the necessity of actively defending free and democratic societies against their communist adversaries.

At the same time both Neuhaus and Novak are anxious to distinguish the kind of capitalism they are commending from the sort of capitalism that relies on a radically individualistic anthropology or on libertarian principles. To their credit, it is also a matter of serious concern to them to show that capitalism, as they understand and recommend it, is the best way to make progress toward meeting the needs of the poor. Whether their arguments and proposals on this matter work or not, it is an important fact that they acknowledge the religious and moral demand that has been expressed in Catholic social teaching as "the option for the poor." This makes their position more complex and more vulnerable, even while it prevents it from becoming a mere defense of the status quo, which clearly has a very uneven record in meeting the basic needs of the poor and in involving them actively in the economy, whether we look at the United States or at most Third World countries.

At the same time it reminds us that most of the participants in recent debates over theological and ethical approaches to the economy have not differed all that much on the principles that they believe should be followed. Rather, they have friendships, affinities, and ideological alliances with different sets of partners; they tell different stories, in some cases featuring creative entrepreneurs and in others featuring grasping and demanding bosses; they accord priority to different values and principles in cases of conflict; they belong to different

communities of conviction and concern; they incline to give credence to different sources of information and ideas; they look for different kinds of solutions and make tradeoffs among conflicting values in different ways. In this situation, however, the contending parties find it difficult to believe that their opponents really draw on the same tradition, are not corrupted by their nonreligious allies, and are not blind to important and obvious aspects of socioeconomic reality.

The books to be considered are *The Catholic Ethic and the Spirit of Capitalism* by Michael Novak and *Doing Well and Doing Good* by Father Richard John Neuhaus. These books belong on what I have referred to as the third level of reflection; they are not concerned with the formulation and justification of specific norms for business, but with the justification of the capitalist economic system as a whole and with the moral and political attitudes that people should have toward such a system.

Michael Novak

In his preface, Novak observes that "the newest frontiers of capitalism today lie in two great regions of the globe—Eastern Europe and Latin America—whose cultures are Catholic (including Russian Orthodox) [sic] rather than Protestant." His book, he says, is "conceived and written for, and in solidarity with, the peoples of these regions."¹ At the same time he also wants to address "those in America who are trying to make a fresh start on the problems the United States now faces, such as those of race, ethnicity, and the urban 'underclass'."² So his work has both a missionary character and a political edge.

The general outline of Novak's view has not greatly changed since he wrote *The Spirit of Democratic Capitalism* in 1981. He takes as the fundamental pattern for a satisfactory modern society the division into three separate and distinct spheres: a democratic polity, a capitalist economy, and a moral-cultural system which includes "churches, schools, families, universities, and media of communication."³ After the events of 1989–1991, the world has come to understand that there are no viable alternatives to the first two members of Novak's triad; it is less clear what the proper way to conceive and organize the third sphere of social life is. Novak himself acknowledges that "no democratic capitalist system should pretend to be the kingdom of God"; and

¹ Michael Novak, *The Catholic Ethic and the Spirit of Capitalism* (New York: Free Press, 1993) xiii; see also *The Spirit of Democratic Capitalism* (New York: Simon and Schuster, 1982).

² Ibid.

³ Ibid. 195.

his dissatisfaction with the current state of U.S. culture is manifest.⁴ He reminds us that "redoubtable social thinkers such as Joseph Schumpeter and Daniel Bell have also seen that the weakest link in the threefold system of the democratic republic and the capitalist economy is its moral and cultural system."⁵ Even in a period of U.S. triumph, Novak voices his concern that "a people that does let go of the intellectual and moral habits that hold its social system together is quite likely to fly apart."⁶

There are three ways in which Novak identifies the source of the cultural problems that now afflict the United States. The first is the "adversary culture," a notion which he takes from the distinguished literary critic Lionel Trilling. In Novak's view, this culture "now governs the mainstream in the universities, the magazines, movies, and television." Its aim is "to perform a massive transvaluation of values, to turn the moral world upside down . . . to insinuate that what Jews and Christians have for centuries called sin is actually a high form of liberation."⁷ Novak also speaks of "the new adversary class" as well as of "modernist subversion"⁸ and seems to suggest that this is somehow equivalent to the critique of bourgeois culture proposed by Antonio Gramsci, the Italian communist theoretician who died in a fascist prison in 1937.

The second candidate that he proposes is "liberalism," or, as he rightly says, "a certain kind of liberalism," which in the United States "has come to be associated with a radical (and ultimately self-centered) individualism and with an insistence on doing not what one ought to do, but what one feels like doing."⁹ The examples he offers of this pattern of thought are the philosopher Richard Rorty and the historian Arthur Schlesinger. The central error that he finds in their work is "their reliance on preference rather than truth"¹⁰ when questions are raised about basic moral principles and about the justification of our major social institutions. The linkage they affirm between democracy and agnosticism and relativism finds no favor with Novak, with Pope John Paul II (as *Centesimus annus* makes clear),¹¹ or with such Catholic communitarians as David Hollenbach.¹² This second tendency is really a metaethical view, a denial that basic ethical propositions can have an ascertainable truth value; and it could be aligned with any

⁴ Ibid. 216.

⁵ Ibid. 203.

⁶ Ibid. 196.

⁷ Ibid. 212.

⁸ Ibid. 213.

⁹ Ibid. 197.

¹⁰ Ibid. 201.

¹¹ *Centesimus annus* (Rome: Libreria Editrice Vaticana, 1991) no. 46.

¹² See David Hollenbach's discussion of Rorty in "Notes on Moral Theology: Religion and Political Life," *TS* 52 (1991) 87-106, at 91-93.

number of different positions in ethical and political theory, though I would suggest that in the contemporary United States it is likely to have a close kinship with libertarianism.

The third candidate that Novak proposes is the erosion of the intellectual and moral habits of free citizens as a result of continuing dependence on the state. In his continuing polemic with thinkers and social critics to his left, he underlines his belief that his opponents suffer from a continuing statist bias so that, when they see the limitations and failures of a predominantly capitalist economy, they expect to find remedies and solutions in the policies of an activist government rather than in "the fundamental right of all persons to personal economic initiative."¹³ He chides the left for its somewhat grudging reaction to John Paul II's encyclical *Centesimus annus*. His indictment runs thus: "The left sees the poor and the vulnerable as passive, awaiting the ministrations of the state. The right and the center see the poor as capable, creative, and active. The left clings to its appeals to action by the state; it has become conservative in rhetoric, looking backward."¹⁴

Now one aspect of Novak's position here is admirable. As the third part of his book, on future policy, makes very clear, he is strongly interested in showing that the practices and attitudes of capitalism, especially small businesses based on knowledge of local needs, will benefit large numbers of poor people both here in the United States and in the developing countries of the Third World. This enables him to turn the debate between capitalism and socialism from a debate about ideals (a debate where the admittedly uneven performance of capitalism and the generous room that it allows to both self-interest and inequality do not enable it to shine) into a debate about means of reaching the morally compelling end of aiding the poor (a debate where capitalism can draw on its superior record in actually producing and delivering the goods, and where socialism can be assessed in terms of its performance rather than its aspirations). It also means that Novak shares a common end with John Paul II, the U.S. Catholic bishops, and many of the liberationist and new class of critics of capitalism that he denounces so assiduously.

But in making his argument that democratic capitalism will actually meet the enormous needs of the world's poor, Novak advances with an uneven gait. On the one side, there is the firm and steady tread of the advance, both impressive and incomplete, of actually existing capitalism. On the other side, there is the more rapid but largely hypo-

¹³ Novak, *The Catholic Ethic* 140.

¹⁴ *Ibid.* 142.

thetical progress afforded by "creativity," which Novak now sees as "the heart of the matter,"¹⁵ and as the major advance in his own thinking beyond his 1981 *The Spirit of Democratic Capitalism*.¹⁶ Creativity is not confined to the educated and the affluent in Novak's view; and he is eloquent in his denunciations of regulations and cultural attitudes, particularly in Latin America, that would deny the poor the opportunity to exercise their right of economic initiative. He also links his emphasis on creativity with John Paul II's denunciation of the error of socialism in holding that "the good of the individual can be realized without reference to his free choice, to the unique and exclusive responsibility he exercises in the face of good and evil"¹⁷ and with his emphasis on the creative subjectivity of the worker.¹⁸

Novak also argues that capital should be thought of primarily in terms of human creativity and invention and as "the possession of know-how, technology, and skill." This is indeed an important and instructive point, a point that was given its most extensive confirmation in the rebuilding of Germany and Japan after 1945. But it also serves to deflect our attention from developments that make financial capital and equipment much harder for Third World countries to obtain. It has the effect of putting the burden of proof on those who have not fared well in the race to development. The question becomes: Since what really matters is creativity, why have you failed to achieve a satisfactory level of economic development?

Novak would allow some excuses for individuals, such as a culture encouraging dependence on the state or regulations discouraging small enterprises. But these can only be temporary. What Novak calls people to is a hopeful cult of creativity, in which constraints on resources and opportunities are of secondary importance. It may well be that in the present state of humanity we cannot do better than to exhort people to apply themselves energetically to the disciplines and the opportunities of capitalism and that no comprehensive alternative is better. But let us keep in mind that humanity as a whole continues to live in difficult conditions of scarcity, that the moral catastrophes and perversions with which the history of capitalist economic life down to and including our own times is replete are not purely accidental and peripheral, and that providing the minimal access to opportunity which would satisfy the fundamental moral demand that the system leave the worst off in a somewhat better condition will in many cases require either basic changes in the way certain societies are organized

¹⁵ Ibid. 235.

¹⁷ Ibid. 117.

¹⁶ Ibid. xv.

¹⁸ Ibid. 236.

(e.g. land reform, equitable access to an effective judicial system) or a large-scale reallocation of resources (e.g. renewing inner-city education, providing a decent minimum of health care).

Novak, to his credit, does recognize that his invocation of creativity as a *deus ex machina* or, more accurately, as a *deus sine machina* (a god without a machine) could lead to a utopian understanding of democratic capitalism, which, he admits, actually has "many faults, liabilities, and worrisome tendencies."¹⁹ He also calls for a good deal of hard practical thinking about how to enable the poor here and in the Third World to participate creatively in the economy. Such thinking will, of course, be disciplined by the constraints and potential conflicts I have alluded to; otherwise it is doomed to ineffectiveness.

But my own sense is that there remains something very unbalanced in Novak's approach. It is all to the good for people to grasp the generally superior efficacy of capitalist means in solving humanity's economic problems and for all of us to affirm the moral legitimacy of capitalism and to be concerned for the renewal of its moral foundations. But it is also necessary for us to give serious care and thought to the renewal of the public sector and its institutions. Both Novak and Neuhaus trade in the antistatist rhetoric that has been the common currency of American and British politics over the last fifteen years. But the scale and the character of many of our problems (environmental, financial, educational, medical) are such that even in a society deeply committed to democratic capitalism there is a continuing need for government action. Sometimes this will take the form of regulation, sometimes it will involve direct assistance to those in need, sometimes it will involve funding demonstration projects, sometimes it will involve restructuring an industry so that a genuine competitive market can develop. In all cases, it will be necessary for informed observers to cast a vigilant and critical eye to ensure that government action is not unduly restrictive or expensive or centralized or insensitive to local and personal needs. But it will not really help matters in the long run for us to regard government action as inherently despotic or corrupt. Just as a certain leftist tendency to regard government action as occurring on the moral high ground needs critical examination, a comparable tendency on the part of the right to denigrate government action needs a similar skeptical scrutiny. In particular, it is important that, just as we do not think it right to draw sweeping general conclusions from horrendous examples of selfish and irresponsible corporate activity, so we should not draw similar conclusions about government activity on the basis of anecdotal evidence.

¹⁹ Ibid. 136.

Candor also requires that when we look at the sources for the malaise of our moral-cultural system, especially in its more popular manifestations, we consider the possibility that some of its problems originate in the economic system. For the institutions of the moral-cultural system are themselves economic entities; indeed in some cases (Time-Warner, Disney, CBS) they are very large and profitable economic entities. Novak's preference in discussing the ills of the moral-cultural system is to direct his critical fire at the intellectual workers of the new class who, he surmises, are alienated from family and religious values, rather than at the corporations for which they toil and which are inclined to regard intellectual products in terms of their profitability rather than in terms of their intrinsic value or their conformity to moral norms. Novak observes that "the fundamental reason behind the capacity for self-reform in democratic capitalism lies in the independence of its moral-cultural order and its political order alike."²⁰ One need not be a Marxist reductionist to have serious doubts about the extent to which the political order and the moral-cultural order are effectively independent of the economic order in the contemporary United States.

Richard Neuhaus

Neuhaus takes a position generally comparable to Novak's, but he adds certain distinctive emphases of his own. Thus he interprets the postcommunist periods in terms of "the Catholic moment," in which Catholicism under the leadership of John Paul II supersedes liberal Protestantism as the moral-cultural system giving the most adequate expression and criticism of social life. Catholicism, he admits, still needs to develop a spirituality of economic enterprise.²¹ He offers more explicit accounts than Novak does of the status of papal teaching in the social encyclicals and of the function of tradition. His comments on "Economic Justice for All," the 1986 pastoral letter of the U.S. bishops on the economy, are more balanced than in his previous writing; and he acknowledges the value of the distinctions they make in the "levels of authority" in different parts of the Church's social teaching²² and the care that they showed to avoid politicizing the gospel.

But he reserves his enthusiastic admiration for *Centesimus annus*, which he rightly presents as both a personal reflection by a participant in momentous events and an important repositioning of church teach-

²⁰ Ibid. 58.

²¹ Richard John Neuhaus, *Doing Well and Doing Good* (New York: Doubleday, 1993) 61-69.

²² Ibid. 114.

ing. He briefly alludes to the rather different emphases found in the social teaching of John XXIII and Paul VI,²³ but he studiously ignores possible connections between what they teach and the views of the left intellectuals and clerics whom he and Novak continually denounce. This omission greatly facilitates his exaltation of papal authority as exercised by John Paul II and his depreciation of ideas and policies outside the neoconservative fold (of which earlier popes endorsed many). But even John Paul II himself falls short when measured by Neuhaus's linguistic and policy demands. Thus, when John Paul II speaks in *Centesimus annus* of the state as "a community of a higher order,"²⁴ he is politely but firmly reminded by Neuhaus that the state "is in fact of a lower order."²⁵ Neuhaus admits the necessity of the state but makes the remarkable and scarcely credible proposal that John Paul II's view of the state "sounds very much like what political scientists call the 'night watchman' state or 'umpire' state."²⁶ This would fit with Neuhaus's long-standing and commendable concern for preserving the vigor of mediating structures²⁷ and for maintaining a distinction between society and state. It also fits with his strong emphasis on freedom and the subjectivity of society.

Neuhaus's desire to subordinate the state to the family is a not surprising response to the increasing tendency of the modern state to impose policies that contradict the Catholic and natural-law understanding of the family; and it also has some appeal as a reaction to contractarian conceptions of both state and family, which would make their essence radically dependent on the choices of participants. But it is hardly in accord with Thomistic and Aristotelian conceptions of the dignity and scope of the political order.

Neuhaus reiterates his desire to distinguish his position from libertarianism;²⁸ but he does not allow his adversaries a similar room for discrimination when he makes the outrageous suggestion that turning to the government as an employer of last resort will lead by the logic of totalitarianism to "mountains of corpses."²⁹ Neuhaus does, however, acknowledge the continuing need for "a safety net of care and an economic floor of decency" for the three to six per cent of the population who are "socially incompetent" and unable to care for themselves.³⁰ But this is about as far in the direction of egalitarianism as Neuhaus is willing to go. He has an inadvertently revealing discussion of wheth-

²³ Ibid. 137.

²⁴ John Paul II, *Centesimus annus* no. 48.

²⁵ Neuhaus, *Doing Well and Doing Good* 243.

²⁶ Ibid. 248.

²⁷ Ibid. 244.

²⁸ Ibid. 168-69, 195.

²⁹ Ibid. 263.

³⁰ Ibid. 252.

er Michael Milken was overpaid for his activities in the junk-bond market and of our society's "confusing" beliefs about what people should be paid. This is as close as Neuhaus gets to dealing with an actual case on the first level of reflection that we distinguished earlier. His treatment of it reflects the *Wall Street Journal's* editorial advocacy of Milken's cause and a disabling reluctance to engage in serious moral analysis of what takes place in the marketplace. In general, Neuhaus gives us a more rhetorically polished but less probing version of the Novak defense of democratic capitalism.

Internal Criticism of Capitalism

In the development of Catholic social teaching on the economy, we are probably at one end of a swinging pendulum. The neoconservative or, as many Latin Americans would prefer to call it, the neoliberal interpretation of *Centesimus annus* has considerable plausibility. The papal acceptance of a market economy and the strong affirmation of the right of persons to economic initiative require that we direct our attention to the actual processes and results of market economies and that we scrutinize more carefully the moral dilemmas and spiritual needs of those who work in the business world. We also need to reflect more extensively on the ways our forms of economic competition and cooperation affect our conceptions of ourselves, our society, and our religious destiny. At the same time, the neoconservative interpretation of Catholic social teaching as a whole is unlikely to provide much help as we confront a future of higher unemployment in developed countries, steady streams of immigration to these countries, increasing competitive pressures from newly industrializing countries, intense resistance to public expenditures, deteriorating urban centers, and unpaid bills left over from prior financial irresponsibility. Even while it offers little by way of positive response to these problems and the threat to social stability that they constitute, the neoconservative interpretation marginalizes too much that was important in the social teaching of John XXIII and Paul VI: the concern for international cooperation, the affirmation of social and economic rights, and a positive conception of state activity.

If something like this view is correct, then we can expect that external criticisms of capitalism, urging its replacement by some other type of economic organization, will decline and that internal criticisms, urging reform and modification of the surviving economic system, will continue. More radical challenges to capitalism will probably have to await the emergence of a new constellation of social and intellectual factors; but to suppose that this will not or cannot happen is to be guilty of inexcusable historical naiveté. The likelihood that cap-

italism has entered into a long period of ideological and practical dominance makes it all the more important that theologians and church leaders understand its internal problems, and opportunities and that it perform its tasks well in a way that truly benefits the bulk of the world's population. For these reasons, it would be very unfortunate if theologians were to conclude that they need only participate in what I have referred to as the third level of normative reflection, or if they were to conclude that there is not an important task for moral reason to perform in unfolding and evaluating the web of ideas and practices that connect the grand principles appealed to in the debate over economic systems and the considerations that guide us in working out solutions to particular cases.

Approaches to Management

Two provocative examples of how these intermediate themes can make a significant difference in the way we assess capitalism are found in articles appearing in *Business Ethics Quarterly*, a journal that has now completed its third volume. The first example is by Bill Shaw and Frances Zollers, specialists in business law who teach at Texas and Syracuse respectively. Their project is to apply the socioeconomics set forth by Etzioni,³¹ who argues for an alternative paradigm of the economic actor, an I-We paradigm, which involves an interaction of "rational, self-interested preferences" with "communitarian and moral values."³² This paradigm gives up some of the precision found in applications of the neoclassical economic paradigm, which relies on a rational, self-interested economic actor; but it includes factors (especially values and emotions) that clearly influence the choices that managers make. The rational-actor conception, as it is commonly used, produces tautologies when it is called on to account for altruistic actions; it fails to explain actions in appropriately differentiated ways; and it encourages the development of self-defeating business strategies.³³

Shaw and Zollers maintain that the four standard models of corporate organization and behavior (rational actor, bureaucratic process, bureaucratic politics, and organized anarchy) should be replaced by stakeholder-analysis and issues-management approaches which consider the impact of decisions on all affected groups or stakeholders (not

³¹ Amitai Etzioni, *The Moral Dimension: Towards a New Economics* (New York, Free Press, 1988).

³² Bill Shaw and Frances Zollers, "Managers in the Moral Dimension: What Etzioni Might Mean to Corporate Managers," *Business Ethics Quarterly* 3 (1993) 153-68, at 154.

³³ *Ibid.* 157-58.

merely the shareholders whose primary concern is the corporate bottom line) and on the corporation itself. They observe that "not all of those parties merit the fiduciary obligations owed to corporate investors, but they are deserving in some degree [sic] of the obligations of truth-telling, promise-keeping, loyalty, fairness, and beneficence."³⁴ They offer a list of proposals to guide managers, which includes such items as bringing groups into the decision-making process, recognizing the importance of "social bonds" in the workplace, and affirming the positive contribution of moral norms to efficiency. None of these things is surprising or controversial in itself; they are in fact realities widely acknowledged in the business world; but it is not easy to fit them into the neoclassical paradigm and into conceptions of business activity which are derived from that paradigm.

Etzioni, commenting on the article by Shaw and Zollers, makes it clear that he does not want to reject the neoclassical paradigm in its entirety.³⁵ What makes this interesting and important for theological observers of capitalism is not so much whether the conclusions of Etzioni and his followers are true, since most of us are, for other reasons, inclined to think that they must be true, but whether they can be integrated into a comprehensive paradigm of economic activity and business decisions. Their arguments require reconsideration of a core notion in capitalist thinking. The victory of capitalism in historic competition is not invalidated by points of this sort; but this victory does not guarantee to any particular conception of capitalism exemption from the critical questions that can prompt us to revision and reform.

A similar point holds, I would argue, for the position taken by the University of Tennessee philosopher, George Brenkert. Brenkert begins with an observation which is especially paradoxical given the preoccupation with freedom that most ideological defenders of capitalism have manifested: "It is one of the great ironies of our time that, although so many people value freedom very highly, they daily place themselves within the confines of organizations, and for our purposes large business corporations, within which their freedom is greatly, if not significantly, reduced, hemmed in, and confined."³⁶ The conclusion he wants to reach is that "corporate power is legitimately exercised within the corporation only when the right to participation of employees is respected."³⁷ Brenkert is looking for what he calls a "rich" sense

³⁴ Ibid. 160.

³⁵ Amitai Etzioni, "Comment on 'Managers in the Moral Dimension'," *Business Ethics Quarterly* 3 (1993) 169–70, at 169.

³⁶ George Brenkert, "Freedom, Participation and Corporations: The Issue of Corporate (Economic) Democracy," *Business Ethics Quarterly* 2 (1992) 251–69, at 251.

³⁷ Ibid. 266.

of participation; but he is not arguing for any specific way of reforming corporate structures.

In fact, one of the major limitations in his piece is that he does not distinguish the various possibilities for participation that might be attractive and helpful to employees and the specific arguments that might be brought against them. The heart of his argument is the need to keep corporate power accountable to the group over which it is most strongly exercised, which has the most knowledge of how to control it, and which has the most opportunity to "exercise various constraining forces over management."³⁸ It is unfortunate that Brenkert does not indicate here or elsewhere what weight he would give to the informal constraints that employee expectations and various cultural factors put on the power of management.

While his general claims about the autocratic character of typical American corporations are plausible, and while he is right to be concerned about this, since it is a threat both to the legitimacy and the efficiency of the corporation, he is unable to do more than remind us of the importance of the values of freedom and participation within the corporation. While this is not a small service, it does not give us much guidance in the task of redesigning our economic institutions. In fact, the overly general character of Brenkert's argument will invite dismissal from many of those who would benefit from adopting a more participatory approach. Participation can serve both to protect rights (in which function it may be obligatory) and to enhance the quality and the satisfactions of an activity (in which function it may be an important and useful instrument of management).

It is also unfortunate that Brenkert pays no attention to the tasks of the board of directors, to which management is accountable as a matter of law. While boards have often been passive tools or active accomplices of corrupt or inefficient managers, there are signs (some of them probably occurring after Brenkert wrote his article) that boards will in the future be more active in demanding better performance from corporate executives; certainly, the leadership changes at General Motors, American Express, and Westinghouse are significant indications of change in this regard. But even if boards become considerably more active in meeting their responsibilities, it may well be true that the typical corporate board will not be a good vehicle for advancing the concerns and interests of ordinary employees.

Development of various forms of employee participation is a promising way of making the corporate workplace a more just, more humane, and more efficient social environment. It can be a very impor-

³⁸ Ibid. 261.

tant way of bringing about a closer harmony between the ethos of our democratic institutions and the spirit of capitalism. But at the same time we need to remember that participation is not a good that is easily attained in a pluralistic society with many different levels of skill and styles of working, and that it is not cheap in the demands it makes on time and other scarce resources in the corporate world. The transformation of corporate life in a more participatory direction would, however, serve both as an example of the qualitative differences that can be brought about by values and ideas that are logically independent of capitalism, and as an illustration of the flexibility and plasticity that have enabled capitalism to survive by reforming and modifying itself.

Negotiation and Deception

More specific than such a broad social category as participation and directly related both to traditional casuistry and to the moral dilemmas that arise in business practice is the question of deception and honesty in negotiations. Negotiation is an activity that occurs in many settings outside the business world;³⁹ but most of the instances about which ordinary people have some firsthand experience and some concern occur in the business world (real estate transactions, car purchases, labor contracts, settlement of lawsuits) or at its fringes. Thomas Carson, a philosopher at Loyola University in Chicago, finds bluffing in negotiations morally problematic but justifiable under certain conditions. He opposes the view that bluffing is morally acceptable because it forms a part of current business practice.⁴⁰ Rather, he holds that it is possible to justify deception in stating one's bargaining position (which should be contrasted with unacceptable forms of deception about the condition of the goods being sold or relevant matters of fact). He offers two lines of justification: one drawing on the notion of prima facie duty elaborated by the British philosopher W. D. Ross, and the other being utilitarian. Carson affirms that bluffing is both economically and morally important and that it will normally include lies (false statements intended to deceive); so the problem both for him and for participants in negotiations is a serious one.

The moves that he makes to resolve the problem are three. First, he restricts the concept of lying by including in it a condition that the false statement "which the speaker does not believe to be true" is made

³⁹ See John Langan, S.J., and Harold Saunders, "Negotiation," in *The American Search for Peace*, ed. John Langan, S.J., and George Weigel (Washington: Georgetown University, 1991) 199–235.

⁴⁰ Thomas Carson, "Second Thoughts about Bluffing," *Business Ethics Quarterly* 3 (1993) 317–41, at 325.

"in a context in which the speaker warrants the truth of what he says."⁴¹ There is a general presumption in our linguistic community that the warrant of truth is in force, but in some contexts (works of fiction, games) it clearly is not. In others (jokes, polite expressions) its presence is ambiguous. Distinguishing contexts allows us to contain the damage to truth telling and to mutual trust that a facile authorization of deceptions would involve. Second, he sets out a general principle of self-defense which applies to harm beyond immediate threats to life and limb. He goes on to argue that defensive violations of a *prima facie* duty (in this case, to tell the truth) "are justified within certain limits."⁴² He also thinks that, in addition to cases of self-defense where another person has previously resorted to deception, bluffing may be justified in cases of urgent need (comparable to Aquinas's treatment of taking the property of another to prevent starvation).⁴³ Third, he concludes that misstating one's position in negotiations is justified if two conditions are met: (1) "the other person with whom one is negotiating is misstating her position," and (2) "she will thereby harm me unless I deceive her."

Carson goes on to make this general observation: "Given the prevalence of false claims about one's bargaining position in our society, a member of our society would be justified in assuming that statements about one's 'final' position are false in the absence of special reasons to the contrary. (Such reasons might include knowing, or having reason to believe that the other person is unusually scrupulous, honest, or naive.)"⁴⁴ Now this observation seems to me to be at odds with Carson's first condition, which requires a prior act of deception by the other party; for, in effect, it amounts to an admission that the bargaining situation is not one in which speakers warrant the truth of what they say. If this is true, then there is a lack of mutual trust between the parties; and one must proceed with extreme caution. This would not necessarily justify one's own resort to misstatements; one might be able to protect oneself by a policy of concealment. Alternatively, one might try to alter the context by various measures designed to build trust. Carson needs to consider more closely the question of whether an actual prior misstatement by the other party is required or whether the context itself might provide sufficient justification.

A second area where Carson's view needs further development has to do with refining the notion of "harm" in his second condition. In one place he writes about harm in financial terms with the expectations

⁴¹ Ibid. 320.

⁴³ Ibid. 329.

⁴² Ibid. 326.

⁴⁴ Ibid. 327.

appropriate to a zero-sum game: "Those who misstate their positions often obtain a more favorable agreement than they would have been able to obtain otherwise. This benefit is almost always the other person's loss. If deception benefits me by enabling me to obtain a higher price for something that I am selling, it thereby harms the buyer by causing her to pay a higher price than she would have paid otherwise."⁴⁵ Here, I think, Carson has been misled by the house-selling example that he relies on. The outcomes of many negotiations are or can be positive for all or most of the parties, even when there has been considerable mistrust and hostility in the past. (This is especially likely to be true when part of what each side "gives up" is hostile perceptions of the other and dreams of revenge for past injustices.) The second problem here is Carson's presentation of harm and benefit in financial terms. As he makes clear elsewhere,⁴⁶ he does recognize that consequences for persons' lives and well-being from similar transactions can be quite different. Despite the tendency of some economists to reduce harm to negative financial impact, we need to keep a clear distinction between financial gain and loss and the range of harms and benefits that people experience. For a rich person to lose a million dollars may, in fact, produce less harm than for the widow to lose her mite. Theologians should, however, be wary about dismissing financial losses as trivial or as irrelevant to human welfare, since the long-range effects of such losses, especially when borne by institutions, can be quite serious in their impact on large bodies of people. Despite these limitations, Carson's piece is a good example of careful thinking about how to elaborate more specific moral rules that will be applicable in business situations.

A more ambitious project on this same topic is an article coauthored by Peter Cramton, an economist at the University of Maryland, and J. Gregory Dees, a philosopher at the Harvard Business School.⁴⁷ They are interested in helping "ethically sensitive business people establish stable institutional arrangements that promote and protect ethically desirable conduct."⁴⁸ In contrast to the standard philosophical and theological concern for the justification of behavior that may have significant negative aspects, they proclaim that they want to narrow the gap between what the world does and what business should be doing. They recognize the importance of this gap in negotiating activity and in the problems of opportunism and desperation that lead peo-

⁴⁵ Ibid.

⁴⁶ Ibid. 329.

⁴⁷ Peter Cramton and J. Gregory Dees, "Promoting Honesty in Negotiation: An Exercise in Practical Ethics," *Business Ethics Quarterly* 3 (1993) 359-94.

⁴⁸ Ibid. 359.

ple to practice deception. Lying they treat as "only one tactic that may be used to deceive a negotiation partner"; and they define honesty as "the absence of deception."⁴⁹ They then examine the problem of deception in a fictional world called Metopia, which is populated "exclusively with rational, self-centered individuals." This world enables them to isolate the opportunities for deception and the factors inhibiting deception in a world that is designed to fit an economist's understanding of human motivation and that leaves out many real-world complications, such as generosity and ignorance. Their discussion of Metopia can serve as an illustration of the neoclassical paradigm that Etzioni wants to oppose.

Cramton and Dees provide a very useful listing of factors that make resort to deception in negotiating more likely. These include the fact that (1) information asymmetry is great; (2) verification is difficult; (3) the intention to deceive is difficult to establish; (4) the parties have insufficient resources to safeguard against deception; (5) interaction between the parties is infrequent; (6) redress is too costly; (7) reputational information is unavailable, unreliable, or very costly to communicate; (8) circumstances are unusual in a way that limits inferences about future behavior; (9) one party has little to lose (or much to gain) from attempting deception.⁵⁰ This is a list that can be examined profitably, whether we are reflecting on the problems of controlling nuclear weapons or thinking of purchasing a used car.

Cramton and Dees acknowledge that because of variations in individual character, "it is hard to develop strategies for promoting honesty that are robust."⁵¹ But they do review some of the main institutional arrangements that are already in place for supporting honesty, such as legal and regulatory protection, institutional sources of reputational information, independent rating and evaluation services, third-party professionals who will assist in negotiations, standardized contractual mechanisms; and affiliations and credentials affirming professional expertise and integrity. They also provide an inventory of tactics and strategies for persons who "wish to promote honesty in their negotiations."⁵² These are focused on achieving better knowledge of oneself and of the other parties and on building mutual trust. In contrast to the contractarian approaches of many philosophers and economists who seek to establish a system that will make honesty a rational requirement even for those parties that are motivated by self-interest, but also in contrast to those moralists who would confine their efforts to denunciations of evil and exhortations to do the right thing,

⁴⁹ *Ibid.* 362.

⁵¹ *Ibid.* 377.

⁵⁰ *Ibid.* 373–75.

⁵² *Ibid.* 380.

Cramton and Dees offer a careful and enlightening account of an approach to promoting honesty that relies heavily on rational analysis of the bargaining situation and its possibilities but that also takes the risk of assuming a desire to promote honesty and to do what justice requires. Their approach is disciplined and realistic; and it does not encourage the illusion that it is possible to grow moral flowers from amoral thistles.

Loyalty and Renewal

A sense of the overriding importance of moral dispositions in the marketplace and the workplace informs a recent article by John Haughey, S.J., a theologian at Loyola University in Chicago.⁵³ Haughey stresses the negative effects of both bureaucracy as understood by Max Weber and scientific management as preached and practiced by Frederick Taylor; and he realizes the toll that recent changes in American industry and the work force have taken on older forms of loyalty within the corporate setting. He does not understand loyalty in purely moral terms; it can be virtue or vice or a premoral attitude.⁵⁴ Haughey has done a great deal of discussion with people in the business world and has a keen sense of their spiritual aspirations and needs; his reading of the current situation is not that loyalty is dead in the workplace, but that a widespread naivete about loyalty has been overthrown. He foresees new loyalties in the workplace that will be less codependent, less tribal, less tied to place and persons, that will be more principled, more discriminating, and more oriented to the common good.⁵⁵

Shaping new forms of loyalty, building trust across negotiating tables, challenging the self-conceptions of economic decision makers, and renewing the sense of responsibility among corporate directors are all examples of morally significant changes that need to be promoted if capitalism is not to consume its own moral capital and not to leave those who live by it and from it in a condition of disappointment and moral apathy. The many moral struggles that have to be carried on within capitalism if it is not to become a hollow shell need the reflective scrutiny of theologians like Haughey more than they need the defensive celebrations of Neuhaus and Novak.

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⁵³ John Haughey, S.J., "Does Loyalty in the Workplace Have a Future?" *Business Ethics Quarterly* 3 (1993) 1-16.

⁵⁴ *Ibid.* 6.

⁵⁵ *Ibid.* 1-14.