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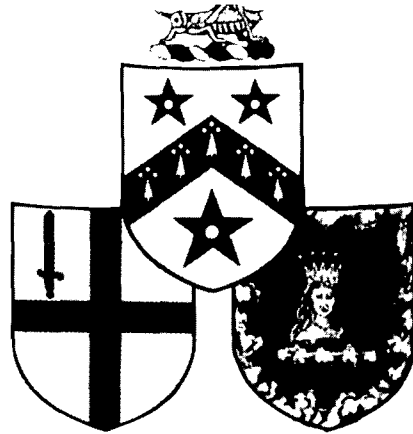
ETHICAL BUSINESS IN EUROPE

Three lectures given by

THE REVD.PROFESSOR JACK MAHONEY SJ MA DD FRSA
Mercers' School Memorial Professor of Commerce

Lecture 1 - 17 October 1991
MORAL ABSOLUTES AND CULTURAL RELATIVISM

Lecture 2 - 24 October 1991
THE SOCIAL CHARTER

Lecture 3 - 31 October 1991
FORTRESS EUROPE?

GRESHAM COLLEGE

Policy & Objectives

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- to continue the free public lectures which have been given for 400 years, and to reinterpret the 'new learning' of Sir Thomas Gresham's day in contemporary terms;

- to engage in study, teaching and research, particularly in those disciplines represented by the Gresham Professors;

- to foster academic consideration of contemporary problems;

- to challenge those who live or work in the City of London to engage in intellectual debate on those subjects in which the City has a proper concern; and to provide a window on the City for learned societies, both national and international.

GRESHAM COLLEGE

THREE PUBLIC LECTURES

on

ETHICAL BUSINESS IN EUROPE

by The Revd Professor Jack Mahoney SJ MA DD FRSA

Mercers' School Memorial Professor of Commerce at Gresham College

delivered at Gresham College, Barnard's Inn, London, October 1991

I. Moral Absolutes and Cultural Relativism

II. The Social Charter

III. Fortress Europe?

I

Moral Absolutes and Cultural Relativism

Welcome to this new series of Gresham lectures on business ethics, and let me introduce myself and, for some of you perhaps, Gresham College. I'm Jack Mahoney and my regular occupation is at King's College in the Strand as F D Maurice Professor of Moral and Social Theology, or more popularly, of Christian Ethics. I'm also Director of the Business Ethics Research Centre at King's College which I founded as a pioneering centre of business ethics in Britain five years ago. And it is in that capacity as a business ethicist that I was appointed four years ago to the Mercers' School Memorial Chair of Commerce at Gresham College with the remit to develop the subject of business ethics in the City and elsewhere. As a Gresham Professor I have now given seven series of lunchtime lectures on various aspects and topics in business ethics, six of which are still available as transcripts.

This autumn sees a major development in the work and activities of Gresham College with our settlement here – at last – in our new premises in Barnard's Inn; and the future of our existence as a City postgraduate institution was well expressed last Tuesday evening by our Provost, Prof Peter Nailor, in his Inaugurating Lecture, 'New Challenges for the New Century'. Apart from the satisfaction involved in giving Gresham College now a local habitation as well as a name which we hope will raise its profile in the City's awareness and interest, the move from the Church Hall of St Edmund the King where I have lectured for the past four years has for me two particular consequences. The first is that when people ask me what I do in the City I shall no longer be able to say that I lecture to the passing trade in Lombard Street; although I am delighted, and gratified, to see that some of the friends I made during those years have made the move to Barnard's Inn with me.

The other consequence for me is that, in a sense, I have come home, because the premises which we now occupy housed until the 1950s the Mercers' School, of which at least some Old Mercers visiting the premises this week still retain rather vivid memories – particularly, it seems, of the school dinners and the Headmaster's study! In this setting I now feel with more immediacy the important work which I am invited to undertake, consequent on the decision of the Old Mercers to perpetuate the academic tradition and contribution of their School in the City by founding a Memorial Chair in Commerce. And I am even further encouraged to explore, I hope with your help, the various ways, new as well as traditional, in which interest in, and concern for, the ethical quality of the conduct of

business, particularly in the City, may be stimulated and promoted.

I

Let me now turn to address the subject of this new series of Gresham Lectures, 'Ethical Business in Europe', and in particular of this first lecture in the series, 'Moral Absolutes and Cultural Relativism'. The title is a somewhat forbidding one, and perhaps the packaging of my product might have been improved. For what I really want to explore is how differing cultures may influence moral and ethical perceptions, attitudes and behaviour; and whether any conclusions on that question may throw some light on particular ethical challenges, and perhaps difficulties, which may be involved in conducting business on a European scale.

The issue of culture and ethics is seen at its most obvious on the international scene, and particularly by multinational and international companies, where the *mores* and culture of different parts of the globe appear to give rise to markedly different ways of doing things, or a marked difference in the things which are done, or not done. The problem is one which has occupied United States companies in particular, giving rise to questions of whether in requiring that business in some overseas markets be conducted according to the standards prevailing in the home market, or at head office or its equivalent, they are in fact guilty of some form of 'ethical imperialism', or of imposing their standards of conduct on other cultures without warrant. The problem is compounded if companies or individuals which adopt or conform more to the perceived standards prevailing in overseas markets are then spotlighted or accused or pressurised at home for behaviour which is considered at home downright immoral and unethical.

The most obvious group of such ethical dilemmas appears to be connected with bribery, commissions, special fees, or whatever other euphemisms one may come up with. And yet there are other topics which can give rise to serious concern. South Africa and apartheid has been until recently one of the most contentious. But one can think also of other local forms of cultural discrimination, whether of sex or caste or age, as well as of cultural lack of concern for environmental and ecological issues, working conditions, and consumers' and the public's health and safety. One can also think of traditions of governmental neglect or collusion in these and other areas.

The often bewildering disparity of concerns and interests which can be encountered between different cultures gives rise in the minds of many people to the conclusion that cultural relativism necessary entails ethical relativism, and that anything like absolute standards of behaviour or conduct is a myth or a chimera. What is right or wrong in a particular society is what that society decides, either explicitly or implicitly, is right and wrong for it. Consequently, other ethical standards cannot be imported, far less imposed, from outside. After all, isn't the maxim generally accepted, 'When in Rome, do as the Romans do'? (I shall return to Italy later).

Attractive and plausible as this view of outright ethical relativism may be as a matter of experience and resulting from reflection on that experience, it also suffers from various difficulties. For one thing, it makes a nonsense of any serious discussion of ethics or morality. It makes all ethical argumentation simply a matter of swapping reminiscences or experiences, with no possibility of arriving at common ground or trying to find a bedrock of shared ethical values, such as is implied, for instance, in the doctrine of human rights, which the Prime Minister was commending last week to such a disparate collection of cultures as the Commonwealth.

For another, it is important not to confuse ethical relativism with ethical tolerance. Many people rightly react to an attitude of moral dogmatism or ethical intransigence bordering on claims to infallibility, particularly today as even national societies become more pluralist, and as 'live and let live' is seen as the desirable order of the day. But note that such tolerance is itself an ethical value, which is prized at least by those who belong to liberal democracies, and note also that it is one which they would like to see other societies adopt. And this raises perhaps the most compelling argument against complete ethical relativism, that it implies that absolutely any form of human behaviour or any way of treating humans is conceivable as acceptable, including physical mutilation, infanticide, torture, and literally anything else you care to think of. Is there no place for moral revulsion other than as a manifestation of a different culture? Is it not possible to consider differing cultures as strong on some ethical values but weak on others? And finally, the theory that ethics is purely a manifestation of a particular society can find no place for moral rebels within a society, people like Wilberforce, Martin Luther King, Ghandi, and others who set about changing the prevailing culture and remedying certain features of it by appealing to the criteria of certain super-cultural values.

II

So much for the large-screen approach to the question of cultural relativism and moral absolutes. I do not suppose any of us would expect to find within the Continent of Europe or in the European Community such sharp disparities as I have identified. Yet perhaps it is worth drawing attention to the fact that Europe itself is becoming increasingly pluralist in the cultures which are developing there from other parts of the globe, partly by immigration and perhaps partly also by business transplants; and that this must have an increasing impact on any claims to cultural homogeneity within Europe as it has developed historically. However, not to make my task too difficult, is it possible to discern within the EC various cultural differences which would give rise to differing ethical perceptions and ways of doing business? And if so, how might one react to them?

A major survey of European value systems was undertaken in the 1980s, and has recently been repeated. And one study which resulted was that of Harding and Phillips, *Contrasting Values in Western Europe* (Macmillan 1986). The survey was of individuals and their attitudes to such areas of life as religion, politics, the family and work, and it did not address itself particularly to business practices or behaviour. Nevertheless, perhaps the general conclusions of Harding and Phillips are useful as being indicative of similarities and differences of general ethical attitudes between the different European countries. Their conclusion is that there is a notable level of agreement across Europe in perceptions of morality, and a high common level of acceptance of the broadly traditional moral values, but that there are also some comparatively slight national differences in the degree of strictness or tolerance with which those values are applied. Thus, the authors conclude that in Europe the greatest tolerance in the area of personal and sexual morality is shown by the Danes, followed by the Dutch and the French. They also conclude that the French and the Dutch show a greater tolerance than other European countries in matters to do with self-interest (including lying, cheating and dishonesty) and legal compliance. By contrast, Northern Ireland and Italy appear to take a stricter line on matters of self-interest and legality, Belgium and Spain show less strictness in the area of self-interest, and West Germany and Britain reflect the European average in their attitudes to behaviour in such areas.

Perhaps at this stage I should recall the observation of Sir Robin Day after taking a poll of his audience once at 'Question Time' on the BBC, 'It doesn't prove anything, but it's very interesting'! However, are national characteristics of the kind I have mentioned at play, or identifiable, in the attitudes of these various countries to developments in the European Community as a common market? I do not need to chronicle here the history and difficulties involved in developing and implementing the idea of a European market without internal frontiers in which there should be free passage for goods, services, capital and people. Nor the controversies over harmonising or recognising national standards on a Continental scale. What may be relevant to our consideration is the finding of *The Economist* of 22 June 1991 that of the 126 single-market laws to date, only 37 have been passed for implementation by all its members, with Denmark at the top with 107, France 103, Britain 99, Spain 83 and Italy 52.

But, of course, that is not the whole picture, because it is one thing to pass a European law at the national level and quite another to implement or enforce it, as the stream of complaints to the EC clearly indicates, and as another *Economist* study of the previous year had shown (23 June 1990) in presenting a European beauty-contest marked out of ten. For according to that, enthusiasm for developing the European community was not invariably accompanied by conscientiousness in carrying out EC decisions. Britain, for instance, was considered low on enthusiasm but higher in implementation than others professedly more enthusiastic. By contrast, Italy among the highest in favour of European development was lowest in actually putting it into practice. And other countries occupied varying positions between these two.

One commentator on the relative performance of the European partners (Alan Butt Philips, *Times* 5 Dec 1989) suggests various factors which should be taken into account, including a propensity of some states to rush their fences eagerly in Brussels, or not possessing the administrative and political resources at home to deliver on their undertakings, or perhaps most worryingly, not possessing the political will to carry through what they cheerfully undertake.

III

Does this necessarily mean that delinquent states are immoral, or just different in their ethical perceptions of right and wrong? What it might indicate is that they do subscribe to various individual moral values, as do all the others, but perhaps within a cluster of values or a list of priorities which differs from one country and culture to another. There is, for instance, a mostly anecdotal view – so

far as I am aware – that the attitude to law, and respect for law, in Northern European lands is more serious and more literally minded than it is in countries closer to the Mediterranean. If that is so, it can explain some disparities, not necessarily in terms of climate, but perhaps more in historical terms of Latin rather than Germanic influence. Perhaps also it might be seen as a manifestation of Catholic as contrasted with Protestant work ethic traditions, or at least of temperamental Northern earnestness compared with Southern nonchalance. And this may mean, if there is any truth in such cultural contrasts, not that Southern European countries are less moral in their attitude to law, but that they have a different understanding of the function and role of law in society. If so, then no wonder that Brussels has problems!

If such comparative differences or nuances do exist on the part of various nations in their attitude to the rules and regulations of a common market, the answer perhaps lies in a minimalising approach to such rules and regulations, not out of despair, but out of respect for differing cultures, histories and temperaments. In pluralist Britain we have come to this conclusion as a mark of social tolerance, and in a bid to identify what is, not the lowest common denominator, but the highest common factor among differing individual and group clusters of values, whether indigenous or immigrant, which can be found and given communal weight. And the same may well apply in the wider Europe.

In so doing we may perhaps take a lead from the marketing strategy which has developed, I understand, in successful European companies. At first, the idea of the 'Euro-consumer' or the 'PanEuropean customer' seemed to promise marvellous economies of mass production comparable to that of the United States for its internal market. But further thought and research have shown a certain sales resistance to 'consumer convergence' and a persistence of national diversities of wishes and expectations, with a resulting change in strategy to more precise targeting of different consumer groups and the closer tailoring of products to meet local preferences.

So perhaps ethical business in Europe should also recognise that ethically Europe is not entirely homogeneous, although sufficiently united in its adherence to ethical values – at least when it is on its best behaviour. And perhaps also it should not yearn for some unattainable ethical as well as cultural homogenisation. So far as ethics is concerned, perhaps we can learn from others that our cluster of values and our priorities are not the only ones which should be recognised, far less imposed. And that there is a certain amount to be said, even in the perception of morals, for the maxim *Vive la différence.*

In giving these Gresham talks on business ethics I have made it a practice not to deliver a full-blown lecture, but to aim only at introducing my subject as a pump-primer and a prelude for discussion on the part of, not my audience, but my experienced fellow-participants. So I have aimed only to open up this particular question of moral absolutes and cultural relativism, rather than presume to deliver the last word on the subject. And now I should be delighted to have your reactions to what I have said, or even to what I might not have, but should have, said.

II

The Social Charter

One of the most contentious areas of the whole project of the Single Market or the European Community, so far as the British government and British industrialists are concerned, is the social area, and in particular the idea of the Social Charter. And yet perhaps no other area in the changes projected for European business is more obviously concerned with ethical issues and values.

The idea of stakeholder theory has become standard in considering business and management ethics, and according to that theory not only those who have stocks or shares in a company but also those who have a stake in the activities of a company are entitled to have their interests taken into consideration in all the company's policy and decision-making. What the project of the Social Charter does is to focus that general stakeholder theory specifically on the interests of European employees in a market and in companies which are bidding to become panEuropean. For what the Social Charter aims to do is identify basic social rights and express those rights in European industrial relations.

I

The project of the Social Charter was eloquently outlined by M Jacques Delors at the British Trades Union Congress in 1988, to the strains of *Frère Jacques* from delegates, when he spoke of the 'social dimension' of the Common Market and called for a 'platform of guaranteed social rights'. And it was, of course, in a return match on the Continent in Bruges that Mrs Thatcher shortly afterwards roundly declared in favour of *de*regulation and observed that 'We have not successfuly rolled back the frontiers of the State in Britain only to see them reimposed at a European level'. It was not surprising, then, that the following year, December 1989, when heads of government at the Strasbourg Summit formally agreed to a non-binding set of European social principles the British government was the sole dissentient. Nor is it surprising that British opposition has since been the most marked among the European partners to the Social Action programme of 47 items which followed, as well as to various projected directives which have since been emanating from the office of the Social Affairs Commissioner, Mrs Vasso Papandreou. And this opposition will no doubt continue to be in evidence on 3rd December of this year when in the week preceding the Maastricht Summit ministers of labour will be invited to sign health and safety directives relating to the leave of pregnant employees, and to working time.

If the Dutch have their way, they will also be asked to agree to the setting up of workers' councils by panEuropean companies. Unlike health and safety directives, of course, this latter directive will require unanimous agreement, and it may be that if Britain predictably enters its veto against it, others may conclude that European laws in this and other areas are more likely to pass if a new treaty which is being considered extends majority voting to more than health and safety considerations. For the conference on political union is to consider three sets of treaty amendments: encouraging social partners to produce their own agreements on industrial relations, extending the EC's power to legislate by unanimity on minimum wages and social security, and also extending majority voting to cover equal opportunities, information and consultation of workers, and 'working conditions'.

Those who are promoting the Social Charter envisage it as harmonising industrial relations upwards, and as aimed at expressing common agreement on working hours, including young people and night work; a maximum working week and mandatory rest, equal working, employment and retirement conditions and protection for men and women, in-cluding pregnant women, with a change in the burden of proof relating to discrimination; vocational and professional initial and ongoing training; minimum pay and security for all workers including subcontracting foreign workers; provision of social security pro rata for part-time and temporary employees; the freedom (though not the requirement) to join unions, to engage in collective bargaining and to strike; and the setting up of workers' councils in panEuropean companies.

II

Various arguments are advanced in favour of such social legislation to protect the European workforce, including the need to reduce regional disparities and avoid the danger of the 'social dumping' of jobs in low-cost areas with poor pay and provisions, or the importing of cheaper labour. Such practices, if allowed to exist or continue, would result in the loss of plants and jobs in more prosperous areas and reinforce the poor conditions in less prosperous, but more attractive, regions. Competition, it is argued, requires a level playing field so that no one shall be at a competitive disadvantage through increased labour costs, or so that no country with existing high standards will be forced on economic grounds to lower them. It is scarcely surprising that the European Trade Union Confederation is firmly in favour of a Community Charter of Social Rights, including industrial democracy, cross-frontier union links, social protection, and employment conditions, guaranteed by legislation or collective agreements.

Not that the aims of all those advocating such social change are necessarily altruistic. For example, the projected stipulation that the minimum weekly rest period of 35 hours should in principle include Sunday, which has proved embarrassing to a disapproving M Delors, and has been greeted with derision in many quarters in a Britain wrestling with the complexities of Sunday trading, seems to be a product and a particular preoccupation of the Churches and Trade Unions in Germany (*The Economist* 19.10.91). Moreover, as well as endangering French minimum-wage laws, any move towards social dumping would undermine the high German standards in wages, working hours and worker-participation, if some German companies decided to re-locate or Europeanise in order to avoid them. And worker self-protection is an understandable reaction to the recognised fact that the implementation of the Single European Act will lead in the short term to reduction of employment by 1/2 million, and in the longer term to a consid-

erable collapse of vulnerable companies with their workforces.

Development of the Social Charter is objected to on other grounds, however, than simply national or trade union vested interests. British objections that making provision for rest and maternity under the heading of health is a subterfuge to avoid unanimous voting raises a procedural objection. But more typical of the British establishment attitude in government and industry are the remarks of the Director-General of the CBI a few days ago (*Times* 18.10.91) that the CBI will pressure the British government to veto any new treaty of Rome which envisages accepting qualified majority voting for EC social laws, on the grounds that the provisions of the Social Charter are a recipe for a mass increase in unemployment. Other objections spell this out in terms of the inevitable increased cost resulting for business and government, the resulting loss in productivity and competitiveness, increasing inflation, the difficulty of creating jobs in poorer countries, and the resurgence (for Britain) of trade union power, including a virtually unqualified right to strike.

In addition there is the whole body of complaints about Brussels bossiness in meddling in national and local matters, and in quite disregarding in practice the principle of subsidiarity which it has been trumpeting so widely. In fact, as variously alleged, what we are experiencing is typical French *dirigisme*, which even M Delors appears to suspect, as well as the entry of Socialism by the back door, with the European Commission being influenced by a left-wing majority of the European Parliament. And perhaps, more darkly, as Timothy Raison suggested (*Times* 8.12.89), 'In the background lurks a belief that the charter embodies the kind of corporatism found in traditional Catholic social doctrine, rather than that of the liberal Protestant tradition'. In any case, the whole idea of human rights, at least at a national level, is not one with which British political philosophy or governments are particularly comfortable, since Jeremy Bentham, the founder of Utilitarianism, termed them 'nonsense on stilts', or the height of nonsense. Better surely to rely on the simpler alternatives of market forces, or at least, if there must be regulation, to stress the need for flexibility at national levels, dependent on the experience and insight of national governments.

III

But perhaps to that alternative one might respond, if only it were so simple. Resistance to protection

ism can be very selective, and one is more readily inclined to accept it when it is exercised in one's own interests. European business, if all goes otherwise according to plan in the European Community, is going to possess immensely increased power, both economic and social, at national levels as well as at the panEuropean level. And while much may be hoped for from the 'social dialogue' recommended at European level betweeb the European employers' organization (UNICE) and the European trade unions Confederation (ETUC), it does appear that the balance of power, at present at least, lies with the former. The argument of the level playing field in European industrial relations, which is persuasive in such other European areas as the environment, may be considered as pointing to a necessary regulation of the exercise of such power on the part of business, to do something for workers as a counter to balance the benefits envisaged and anticipated for business people.

Moreover, the principle of subsidiarity is not just a principle of leaving application and action to the most appropriate lower level of decision-making. It can also be a principle of intervention when those lower levels are not measuring up to expectations, or to the undertakings which they may have given. And for all its appeals in favour of a national level of decision-making over against intrusion from Brussels, it does not appear that Britain is a shining example of the principle of subsidiarity, either in its own constitutional form of government, or more particularly in keeping its own house in order, or rather its own room in Europe in order.

The recent letter from the Environmental Commissioner requesting Britain to halt work on seven construction projects as allegedly in breach of the directive on Environmental Impacts Assessment, on which Britain agreed, has been greeted in some quarters with imprecations against Brussels meddling. But it may be worth considering that this was not a Brussels initiative; it was in response to appeals from various British groups and interests. And there is a parallel to be drawn from the increasing way in which British citizens find themselves forced to appeal to the European Court of Justice for redress which our own Government and legislation are not perceived as providing. Moreover, if today's *Times* report is correct (24.10.91), Britain is now facing prosecution for allowing some of its water companies to adopt standards of drinking water which are lower than those required by the EC directive – which somewhat dents Britain's claims to be more law-abiding in environmental, or even health, matters than some of its European partners.

To take another significant and topical area, there are continual reports of discriminatory practices at work in Britain in regard to sex. Only yesterday one of my former students told me of a horrendous one-to-one job interview to which she was subjected – anecdotal, to be sure, but not without confirmation from other quarters. According to the Low Pay Unit (*Times* 17.10.91) pay inequality in Britain is costing women £21 bn a year, in that the average gross weekly earnings of female manual workers are 62.9% of those of a similar male worker, as a result of men working longer hours and of discrimination in shift payments and job gradings. It looks as if what some would prefer as a local national approach to introducing social justice at work is not proving all that successful. As *The Economist* observed earlier this summer (29.6.91), in relation to pay for pregnant women, the benefits provided in Britain are 'among the EC's stingiest'.

From the point of view of business itself, for all its complaints about increased costs resulting from the Social Charter, it may not be cynical to recall similar strong complaints on the part of various industries when they were asked literally to clean up their act in terms of automobile pollution, waste disposal and public health considerations. And it may turn out that similar complaints on the part of British industry are simply a 'knee-jerk' reaction to anything which involves change and investment of time and money. It is commonly said, after all, that a company's best asset is its workforce, or its human resources, and that 'people-maintenance' should be at least as high a priority as plant and machinery maintenance. What the Social Charter is aiming at, in its spirit, is the promotion of work, and the quality of working conditions, as a human occupation in society.

This is what gives it the claim to be concerned with social rights as a counter-balance to market forces. Not just the creation of such rights in law, but their recognition by society and business as human rights. For all the difficulties involved in establishing a viable philosophical argument for the existence of human rights, it remains significant that the American thinker Richard Dworkin struck a chord when he coined the phrase that 'rights are trumps' over other, and particularly over utilitarian and pragmatic, considerations.

It may be significant, not only for British business but also for the Government, that popular sentiment may not be running entirely their way in their implacable opposition to a European Charter of Social Rights. According to a *Times*/Mori poll taken at the end of 1989 (4.12.89) a sizeable majority in Britain supported the 'social dimension' in Europe; with 51% agreeing that Europe-wide collective agreements would be advantageous to working people; and 70% agreeing that there should be European law for companies, with the same rules everywhere for workers' participation. Perhaps one does not need to inflate the ideas struggling for expression in the Social Charter by giving them the problematic title of social rights. Perhaps the idea of fair play on the part of business towards all its workers is just as effective in stressing this topical and important aspect of Stakeholder theory.

There remains, of course, the question of Continental ideology, corporatism, *dirigisme*, and so on. Perhaps the simplest argument *ad hominem* rejoinder to such easy charges is, happy is the country which has no ideology.

III

'Fortress Europe'?

In this third and last Gresham lecture in my series on 'Ethical Business in Europe', I want to consider from the ethical point of view some of the external implications of the Single European Market, and the charge, or the fear, that we are in process of creating Fortress Europe, a vast protected trading zone which is interested in regional, but not global, free trade.

I

In the summer of 1988, as preparations for the Sin-

gle European Market seemed to be getting into their stride, the notion spread abroad that it was only a matter of time before the portcullis came down, or the drawbridge was raised, cutting Europe off from free access on the part of other world trading blocks, notably the USA and Japan. After all, one of the economic motives for constructing a European Common Market appeared to be to offset the immense trading advantages which the USA and Japan had developed over the separate European countries, and it would not be surprising if a concerted European economic force would aim not

simply at competition abroad but also at protectionism at home.

In June 1988 the European summit at Hanover declared that 'the internal market should not close in on itself'; and later the same year the British Prime Minister, in her famous Bruges speech, observed that 'Europe should not be protectionist'. In neither case was it stated that Europe *would* not be protectionist or close in on itself, however. And although in October of that year the European Commission published a statement on the EC's trading intentions, including reciprocal access (whatever that might come to mean), fears continued to exist, and to increase, that the spirit of protectionism was already to be seen in various moves within Europe. There were increasing anti-dumping accusations of imports being sold at artificially low prices. There were various decisions and agreements about standards of products, 'rules of origin', and 'local content', to prevent the proliferation of foreign 'screwdriver plants' which concentrated simply on the assembly of imported components, thus avoiding tax on completed products. There was continual negotiation about quotas of some imports, notably automobiles. And there were pleas and manoeuvrings on the part of some European countries for the protection of some key national companies or industries.

Might it not be possible that Europe would, at least at first, wish to cushion the pain of internal adjustment by protecting the new market from external pressures, especially since many of the factors which would now decrease costs for European business of production and distribution could also be taken advantage of by foreign invaders? (cf *The Economist* 8.7.89). Hence the buying or setting up by US companies of subsidiaries in various EC countries, and the setting up of 'transplants' to create what *The Economist* (ibid) nicely called 'the Japanese investment diaspora': all in order to qualify as insiders before the doors clanged shut. And despite further protestations that the EC would not be protectionist, fears have recently been revived by the intractable problem for Europe of agreeing a Common Agricultural Policy, and by decisions, quotas and tariffs in the car and electronic industries.

So much have been the fears occasioned abroad by the prospect until recently of twelve partners comprising the Single European Market. Now with the announcement that the EC and EFTA have agreed to unite and create the European Economic Area from the end of 1992, as a trial run for enlarging the EC itself, it would scarcely be surprising if other major world trading blocks feared not only

the competitive power but also the protectionist potential of what will come to be what *The Times* (23.10.91) described as 'the world's richest open market'. Indeed, in welcoming this European development, *The Times* also saw an urgent need for it 'to show this agreement is compatible with global, not just regional, free trade' in the interests of 'world prosperity'.

II

What, if any, ethical comments might be offered on such developments? Perhaps little directly on the centuries-old debate between free trade and protectionism, except perhaps to venture the truism that long-term advantages can frequently entail more immediate sacrifices – which are, however, acceptable only in relation to the degree to which such sacrifices are justified, shared, and alleviated. But perhaps also to suggest that what we are now being forced to consider is the ethics of competition and of the market economy as played on a giant screen, not just by individual businesses or even multinationals, but now by regions of the globe, with correspondingly higher stakes not only for success but also for failure.

In an earlier Gresham lecture I considered the ethics of competition and the market economy, to conclude that not only were these ethically justifiable; they were also desirable as means of developing the earth's resources to satisfy the needs and aspirations of the increasing millions of its inhabitants. But that, at the same time, it was a duty laid on society as a whole that no members of it should suffer unduly from economic failure or from the lack of material resources or wellbeing as a result of the workings of the free market. And if even in national economies or continental economies there is a recognised, if reluctant, need for some form of regulation of business in the public interest, then perhaps one should conclude to the need for some form of global authority or international government to ensure and protect the common good at global level.

However, I do not want to proceed down that perhaps utopian or primrose path. I want rather to explore the thinking which underlies such a form of argument in favour of the regulation of business at such an international level. For it seems to find its roots, at least for some people, in the view of human nature and human behaviour which goes back to one of the most influential of English philosophers, Thomas Hobbes (1588–1679). Hobbes was writing, of course, about the behaviour of individuals in society, but some writers advance the view

that his philosophy is alive and well today in international relations and in international business.

Hobbes was of the belief that 'it is natural, and so reasonable, for each individual to aim solely at his own preservation or pleasure', and that 'the condition of man...is a condition of war of everyone against everyone'. If we had all remained in this condition of nature, then, he concludes, there would be 'no arts; no letters; no societies; and which is worst of all, continual fear and danger of violent death; and [in the famous phrase] the life of man, solitary, poor, nasty, brutish, and short'. Men come together in society, and surrender some of their rights to an absolute governing and protecting power, solely out of fear for their own safety; and this exclusive concern for self-interest is what motivates every single one of their actions.

How did Hobbes come to this melancholy conclusion on human nature? One answer is that he was what one historian described as 'a frightened Puritan', frightened, that is, by the events and consequences of the English Civil War and the Commonwealth – just as later Jeremy Bentham was to be influenced in his rejection of any idea of human rights by being frightened out of his wits by the French Revolution. Another influence on Hobbes was the fascination which the new science of mechanics had for him and many of his contemporaries; so much so, that he saw human life, too, in terms of matter and motion, and of the play of stronger and weaker forces, with the inevitable victory of the stronger over the weaker. Thus, not only one's mental activities, but also one's social activities, were a simple matter of competing and countervailing forces, and the jungle law of individual 'might is right' needed constraint and restraint in case one ran up against someone bigger than oneself.

Whatever might be objected against Hobbes in terms of his underlying religious views on human nature, and in terms of his simplistic acceptance of the laws of physics to explain human behaviour, it is generally agreed that he was not overly concerned with empirical proof of his doctrines on the nature of humanity and of human society: doctrines which led him to conclude, for instance, that laughter is no more that the sudden realisation of one's superiority over others; and that compassion at the distress of others is really fear that the same might happen to ourselves. And perhaps the most telling attack on his views came in the next century from Joseph Butler (1692–1752), who declared that Hobbes' explanation of human nature and human feelings simply did not square with the facts of experience. As Butler expressed it, 'there is such a

thing *in some degree* as *real* good-will in man towards man'. And many people would incline to agree with the then Bishop of Durham, at least in this regard.

For however attractive and proven by (perhaps selective) experience some people might find Hobbes' pessimism and his view that, in the words of the Roman playwright Plautus, 'man is a wolf to his fellows' (*homo homini lupus*), for others this seems altogether too bad to be true as a complete account of human behaviour. There are those, however, as I have said, who see it as a more appropriate description, not of how individuals behave towards each other, but of how various groups in society can behave, in a form of 'group egoism' and in the unrelenting pursuit of their own interests to the exclusion of all others. And for those of a religious turn of mind, as was Hobbes, this view has been powerfully reinforced this century by the writings of the influential American Protestant social thinker Reinhold Niebuhr, whose best known work is probably his *Moral Man and Immoral Society*, written (perhaps significantly) in 1932, of which he later said that if he had to entitle it again, he would call it 'Immoral Man and even more Immoral Society'. For one of Niebuhr's theses was that as individuals come together their ethical standards diminish and their destructive power increases as the expression of collective egoism in society. Perhaps this can be seen today as not only a powerful force in the new rise of nationalisms, but also at the level of international relations and, in our present context, of international business?

One modern commentator on the international business scene (Thomas Donaldson, *The Ethics of International Business*, OUP, 1989) analyses seventeenth-century Hobbesianism and the modern charges that it is all too present today in international business, as well as in the recent work *Morals by Agreement* of David Gauthier, whom Donaldson describes as neo-Hobbesian. But Donaldson too considers such a charge excessive, and like Bishop Butler he cites empirical evidence to the contrary, pointing to the considerable amount of cooperation which exists at international level, the Universal Declaration of Human Rights (1948), the fact that there are some shared values in society in addition to sheer self-preservation, that there can be rational discussion on the quality of the means which are considered as necessary to survival or security, and that there exists abroad in society a fair measure of what he calls 'moral common sense'. My own view inclines less to the reductionism of Hobbes and his modern supporters, and more to that of Donaldson and Butler, that individuals and groups are not

dominated purely by self-interest, but that we are all, both individually and collectively, a complex mixture of concern for ourselves and concern for others.

Foreign aid may be instanced as one example of this mixture, in which long-term self-interest may well be at work, but this does not necessarily conflict with a genuine desire to help others. It may be interesting to see, however, how and why the EC partners allocate and direct their aid now to what was formerly Eastern Europe and COMECON, and in particular how these policies will affect the aid and investment programmes which they have hitherto been directing to Third World countries and economies. For the ethical implications of the idea of 'Fortress Europe' concern not just the EC's relationships with other major trading blocks, but also its relationships from a position of greatly increased wealth and strength with other regions much less powerful and vastly less fortunate.

III

On a Hobbesian model there seems little future for such poor countries in the world economy, short of agreement (out of fear) on a central absolute world-government which can enforce its decisions. But if there is more to be said for individuals, and for groups, than Hobbes was prepared to concede, then perhaps the future may not be too overwhelmingly pessimistic, or some improvement not too unattainable. Perhaps this is a major challenge for business ethics in the international scene, especially if business ethics is viewed in a more positive light than it sometimes appears. On the whole, the subject tends to occupy itself with identifying harmful practices and exhorting business to avoid doing harm to its various stakeholders. But perhaps it could also usefully devote itself more to identifying the positive challenges for good which are within the reach and the grasp of the power of business. One way in which this could be explored is by giving more consideration to the idea of solidarity in human living, as a counter to the aggressive individualism which is, of course, central to the thinking of Hobbes, and to some degree of others in the British philosophical tradition.

Perhaps one method of promoting the idea of solidarity and this more positive agenda for business, and business ethics, can lie in what might be called the 'democratising' of business. Reinhold Niehbur,

to whom I have already referred for his gloomy view of the even greater harm which groups were likely to get up to in society than individuals, viewed the democratic form of government, in the words of one commentator (Gary J Dorrien, *Reconstructing the Common Good*, Orbis 1990) not 'as the form of polity that enlightened people deserve' but 'as the system which most fairly restrained human egoism'. In Niebhur's famous dictum, 'Man's capacity for justice makes democracy possible; but man's inclination to injustice makes democracy necessary'. It is in that light that I wonder whether more should be done to 'democratise' business, not only in the sense of worker-participation, but also in the sense of broadening the way in which many other individuals and groups of individuals share in shaping the aims and activities of business corporations, including individual, group, and institutional shareholders, directors, executive and non-executive, and consumers and clients.

For modern business has surely become one of the major formative agents in society and public life, alongside the state, the churches, educational institutions, and the media. This is not a bid to divert business from its primary purpose in society, which is to provide a service of value to society and to make its profit at the same time. Nor is it to turn businesses into good citizens in the sense of exhorting them to give generously to various causes, far less to make them evangelistic. But it is perhaps to suggest that business may be capable of providing a vision for society, insofar as its inherently expansionist tendency can offset what is often the stagnation or undue conservatism of other social agencies.

The conclusion to this would be to see Business in Europe as something to be warmly encouraged on ethical and social as well as economic grounds, and to encourage European business not to turn in on itself, either as regards its major competitors or as regards the Third World. It would also be to recognise that, while there is and must be a useful place for competition in business, there is also a place for cooperation and the recognition of at least some measure of solidarity, reflecting at the group, or even national and continental scale, that strange, but real, mixture of self-interest and other-interest which I have mentioned. At least it might be a challenge to discover to what extent even European business is capable of exemplifying the contention of Butler, that 'there is such a thing *in some degree* as *real* good-will in man towards man.'