

Editorial

Even as the global economy shows signs of recovery from the financial and economic shocks of the past two years, worrying questions remain. Just how robust is the recovery: is it possible we may yet face a ‘double dip’ recession? How long until economic growth translates into a fall in unemployment? How severe will be the social, as well as the economic, impact of governments having to deal with the public debt incurred in order to prevent a deeper recession?

More fundamental questions are also emerging. The word ‘recovery’ implies a return to a desired state. However, it is increasingly being argued that resumption of a consumption-driven and environmentally-damaging form of growth is neither feasible nor desirable. Commentators coming from very different starting points are drawing attention to the need for radical change in our thinking and policies if we are to achieve just and sustainable development.

Different aspects of this quest for alternatives are explored in this issue of *Working Notes*.

In ‘A New Economic Paradigm?’, Gerry O’Hanlon SJ points out that the notion that economic growth automatically represents human progress is increasingly being challenged. He notes various initiatives to devise measures of ‘growth’ that would take account of the damage caused by some economic activities but also recognise a range of factors that are integral to real progress.

He suggests that there is no technical solution to the current economic crisis, and so concern cannot be fixed solely on legislative and regulatory reform or specific social policy measures. Rather, there is need to focus on bringing about a change in culture and politics that will enable a radical reformulation of the goals and priorities of economic activity. Drawing attention to the potential contribution of religion to this process, he looks to the possibility that in Ireland we may even now find a space ‘where reformed Catholicism can join with other strands of Christianity, and other religions ... [and] all people of goodwill’ in a common search for more a holistic form of development.

In ‘Bad Business’, Séamus Murphy SJ argues that a critically important, though often overlooked, factor in the crisis was the failure of many people in business, financial institutions, government and regulatory bodies to act in an ethical manner. He argues that a lack of moral integrity was evident not just in behaviour that was outside the law but in actions that might not have been illegal but which displayed a disregard for the common good and were inspired by financial, sectional or political self-interest.

Challenging the excuse that ‘the system is to blame’, he points out that there is no such thing a perfect economic system, and says that resort to such an excuse removes the focus from where it should be – on individuals, corporations, and the state, in their specific roles. Precisely because no perfect economic system is possible, he says, ‘we are left with no option but ethics’, and our task is to develop an ethical understanding relevant to business, and to economic life in general, drawing on the great religious and philosophical traditions of the world.

The potential role of co-operative effort in addressing the economic and environmental crisis is the theme of the third article. Dermot McKenna SJ notes that co-operatives operate under values – such as self-help, democratic control, equity, social responsibility, solidarity – which mean their concerns and priorities go beyond a narrow focus on profit. He suggests that these values are central to the task of finding fairer and more sustainable ways of meeting economic and social needs.

Drawing attention to the fact that the United Nations has designated 2012 as the ‘International Year of Cooperatives’, he says that, as a UN Member State, Ireland is called on to respond to the opportunity presented by the ‘International Year’, and he expresses the hope that it will serve to inspire the government, the co-operative movement itself, and civil society organisations, including the churches, to seek ways of enhancing and expanding the role played by co-operatives in this country.

A New Economic Paradigm?

Gerry O'Hanlon SJ

Introduction

The virus of global recession, with its virulent manifestation in Ireland, has raised the question of what antidotes are possible. What lessons can we learn from the past, in order to plot a more secure way into the future? In particular, the question arises as to whether we need to consider a new, more socially responsible, economic model, and not just a reform of the old one, which arguably, despite its undoubted partial successes, has shown itself to be unsustainable.¹

The present crisis offers us an opportunity to move beyond solely technical solutions, and an attempted return to 'business as usual', and to instead reframe the debate more radically. It will be, of course, 'a real challenge to conceptualise and implement this more radical approach'.² As an 'awkward amateur',³ I would like here, and in a further article in the next issue of *Working Notes*, to take up this challenge, and without claim to technical expertise or detail, to at least focus the issue sufficiently so as to point in a different direction and to outline some elements of a more radical approach.

How Do We Measure Economic Success?

Our gross national product ... counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for those who break them. It counts the destruction of our redwoods and the loss of our natural wonder in chaotic sprawl.

... Yet the gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages; the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage; neither our wisdom nor our learning; neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile. (Robert Kennedy, 18 March 1968)

It will help if, first, we try to clarify what it is we mean by economic success, and how we might measure it. At a superficial level, certainly, most of us are instinctively heartened these days if we hear news of clear signs of stability and the possibility of renewed growth in the economy.⁴ We scan the news to see how house prices are doing and how Christmas sales went for retailers. But, given that our previous problems lay at least partly in a consumption-led and debt-fuelled economic model, are our instincts correct? Instead, 'is it time to ask if the traditional metrics of economic success – retail sales, house prices, even GDP growth – really point us in the right direction?'.⁵ There are two important underlying issues here. The first is the growing realisation that economic growth does not in itself constitute overall human progress; the second is the increasing effort to develop broader measures of human development.

Limitations of Growth

The 'heady' years of seemingly unstoppable economic growth as measured by GDP and GNP, both nationally and almost worldwide, have perhaps re-awakened us to the old truth that 'money isn't everything'. The 'good life', we can now understand better, is only very superficially understood as the life full of material possessions.

Instead, drawing on the ancient wisdom of, for instance, Aristotle when he spoke of happiness (*eudaimonia*) and virtue; of Aquinas; of that long philosophical and religious tradition which finds concrete expression in Catholic Social Teaching in the notion of 'integral human development',⁶ we can see, as Robert Kennedy expressed it so well in 1968, that human happiness and flourishing include, but go much deeper than, material possessions.

There is a growing recognition that when basic 'needs' are met, when a modest amount of 'wants' or desires can be satisfied, when there is an absence of glaring inequalities, then individuals and societies are likely to be happier than within any simple model of infinite economic growth. Our happiness involves not just prosperity but health, relationships, work, a cultural and social life which values beauty and gratuity, justice, equity and has a

special concern for the poor; a political life which encourages active and responsible citizenship; and a relationship with the earth and our environment which is sustainable and offers us and all living things a secure future.

We have lived through a particular phase of human history in which economic growth, understood in a primarily individualistic way, has become the dominant, obsessive, and ultimately false, index of human happiness and flourishing. Many other cultures – one thinks of the sense of community in Africa, the notion of harmony in many parts of Asia, the values of hospitality and gift-giving among Native Americans in the USA – can teach us how to renew forgotten human values, even if they too, of course, in a time of globalisation have been influenced negatively by the dominant tendency. The dominance of economic growth is such that it has become ‘a virtual axiom of orthodox economics that *more is always better*’.⁷ In religious terms, we can speak of this aberrant tendency as a form of idolatry.

In fact, viewed historically, ‘our recent fixation with the pursuit of individual gain as the route to happiness looks a curious anomaly’,⁸ and it is heartening that ‘there are growing calls for growth and the endless consumption of ever more material goods to be downgraded as political goals’.⁹

It is no pipe-dream, then, to suppose that now there is the opportunity to restore economics to its important, but subordinate, role within human life. In that context, it is also possible to begin replacing the vision of economic success as involving models of ‘infinite growth capitalism’ or ‘short-term shareholder value’ with notions such as ‘prosperity without growth’ (Professor Tim Jackson of the UK Sustainable Development Commission¹⁰) or ‘the richness of sufficiency’ (Bangkok Letter of Asian Churches to Churches in the North, 1999).

New Measures of Growth

The second underlying issue is that many serious attempts are already being made to measure economic success in a way which would more adequately take account of the hidden costs which GDP measurements up to now typically omit. These are the ‘externalities’ referred to by economists – we can think of, for example, the real price of goods if the cost to the planet of carbon emissions were to be built in, and, at a different level, the cost to family life of excessively long commutes.

These attempts – one thinks, for example, of the United Nations Human Development approach; the Commission on the Measurement of Economic Performance and Social Progress, initiated by President Sarkozy and co-chaired by economists Joseph Stiglitz and Amartya Sen, with its focus on human well-being; and the *National Accounts of Well-being* and *The Happy Planet Index* of the New Economics Foundation in Britain¹¹ – are respectful of the relative, if important, place of economic well-being within overall human flourishing.¹²

Society, then, is faced with a profound dilemma: to resist growth is, according to conventional thinking, to risk economic and social collapse, whereas to pursue it is to endanger the ecosystems on which we depend for long-term survival.¹³ However, given that a more integral notion of economic success seems to be putting down some roots in our public consciousness, what elements would be required for a corresponding new economic model?

Elements of a New Model

Leading central bankers believe a ‘progressive normalisation of the world economy’ has taken hold. (Jean-Claude Trichet, President of the European Central Bank, 11 January 2010)

There hasn’t been what I would, as a Christian, call repentance. We haven’t heard people saying: ‘Well actually, no, we got it wrong and the whole fundamental principle on which we worked was unreal, was empty’. (Archbishop Rowan Williams, on the behaviour of the City of London.¹⁴)

Banking and Finance

Given the debacle that occurred in banking and financial markets, ought we to be reassured when bankers tell us that a ‘progressive normalisation’ is taking place? After all, in this context what does ‘normal’ mean anymore?

We have gone through a period when banks were reckless in their lending and markets have been involved in mystifying, labyrinthine transactions whose complexity remained opaque even to insiders. All this involved high risk, in pursuit of short-term gain. While there were some good outcomes – one thinks in Ireland and elsewhere of gains in employment – we know, at least in hindsight, that the economic growth that followed was built on sand and is unsustainable into the future. What needs to be done?

We need to find a way to make banks and financial markets more socially responsible. A disconnect has arisen between the activities of many banks and financial traders and the 'real' economy.

Banks need to recognise that they have obligations not just to shareholders but also to all stakeholders – to private customers, businesses, employees, and society at large. For this to happen, several important requirements follow: there needs to be more effective regulation and oversight; probably a separation between utility and so-called 'shadow' or investment banks; perhaps a consideration of the desirability of having at least some major banking along nationalised or cooperative/credit union lines and not only plc lines; some kind of a cap on the salaries and bonuses of CEOs and senior management so as to model greater social equality as well as to encourage prudent, long-term behaviour rather than the reckless, short-term pursuit of profit; a reform of corporate governance which ensures that boards of directors function effectively, that board membership is no sinecure, that the practice of cross-directorships be examined, and that loans to directors or employees are regulated – and more ordinarily vetoed altogether – in strict observance of obvious clashes of interest.

With regard to financial markets, one notes the proliferation of innovative financial instruments and processes over the last twenty years or so, leading to the perception of a giant gambling casino, a spread-betting paradise, which almost constitutes a world unto itself, with scant positive relationship to the 'real' economy. Of course, profits were made, and GDP grew, but this often seemed more like the profits that might come from an activity like gambling, not the return from investment in sustainable businesses.

Hedge-funds, short-selling, securitisation and derivatives, collateralised debt obligations (CDOs, dating from 1987), contracts for difference (CFDs, dating from the early 1990s) – how much of this activity is healthy risk-taking which encourages the sustainable working of markets, and how much is the unhealthy speculation of a kind of independent, parallel universe of the modern alchemist that nonetheless has the perverse effect of distorting 'both the world economy and the moral values of contemporary society'?¹⁵ One recalls in this context the legendary investor Warren Buffett's famous remark in 2003 that derivatives were 'financial weapons of mass destruction'.¹⁶

We need, then, to ensure that financial markets are more transparent and fair, and that high-risk financial activity does not account for a disproportionate percentage of an economy that would aspire to be sustainable. We need to reduce the size and importance of the financial sector from where it is now and ensure that it functions in service of society and the economy.¹⁷ In this context too it may be timely to ask whether the publication of quarterly reports – in itself an exercise in transparency – does not often involve the perverse risk of accentuating short-term, high-risk profits at the expense of more sustainable growth.¹⁸



Stockmarket activities disconnected from the real economy?

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It may seem that the genie is already out of the bottle and that it is well-nigh impossible to return to a more socially-responsible model of financial market activity. Certainly, it is clear that in our globalised world a thorough reform of financial markets would require global agreement and intervention, with the involvement of bodies like the EU, the G20, even the UN, but most of all the IMF which has been asked to propose reforms of the world banking and financial systems.

It is important, then, that this task be done well, resulting in greater transparency and fairness. It highlights the reality that the market and even the science of economics cannot be completely autonomous: we require the dimension of political economy, and at a global level. We require urgent reform of the global financial architecture.¹⁹

One concrete way of ensuring more responsible financial activity is by introducing a transaction tax (commonly referred to as a Tobin tax and more recently as a Robin Hood tax²⁰) on international currency transactions, which might both discourage unnecessary currency speculation and provide

considerable additional revenues to help meet socially desirable ends like the realisation of the Millennium Development Goals. This proposal has gained more political support over the past year.²¹ Similarly, it would help greatly if there were concerted international action to eliminate those tax havens which are used to avoid the social responsibility that accrues to wealth.

We have seen in recent months, not least in the controversy over bonus payments to bankers, how difficult it will be to reform both banks and markets. One gets the sense from many top bankers and traders of life lived in a ‘bubble’, with a strong culture of entitlement.²² This has perhaps been reinforced by the nature of government, and hence taxpayer, bail-outs, which may have reinforced a state of moral hazard and seeming invincibility: ‘too big to fail’.²³ There is something deeply outrageous about this state of affairs, and it will require strong political leadership, supported by democratic pressure coming from conscientised citizens, to tackle this deep-seated resistance.

Economy

With regard to the economy itself, we must learn the lessons of the recent past. We must, therefore, resist the neo-liberal calls for a return to the notion of a market free from political influence, and instead pursue the notion of an appropriately free political economy.

It will be the task of politics, at both national and global levels, to ensure that banks, financial markets and all other sectors of the economy behave in a socially responsible way. This will mean, *inter alia*, a level of justice and equity, and in particular a care for people who are poor, so that, for example, world trade is structured in a way that does not disadvantage developing countries (the task of the WTO) and that within individual countries wealth and income are more evenly distributed – for example, by means of salary caps or redistributive tax policies – so as to avoid the glaring inequalities that blight people’s lives and lead to social unrest.²⁴

It surely cannot be right that in the US, for example, chief executives were paid 344 times the average worker’s wage in 2007, against 42 times in 1980!²⁵ A more equal society is desirable, of course, from a social justice point of view, but also because, ‘as Richard Wilkinson and Kate Pickett demonstrate in *The Spirit Level*, less equal societies have poorer outcomes in nearly every social domain’.²⁶

None of this means that the market itself needs to be eliminated, that a fair profit is wrong, and that entrepreneurship and prudent risk-taking are taboo. Rather, it means that they are to be exercised within a context which keeps our human proclivity to recklessness and selfishness – in Christian terms, to sin – in check.

It also means that we need to be careful about simply allowing the market to take care of all the needs of society. We in Ireland need little reminding that in our recent boom period there were vast areas of social need that remained unmet. In this context, the remark of Pope John Paul II is apt: ‘... there are collective and qualitative needs that cannot be satisfied by market mechanisms’.²⁷ One thinks of such basic needs as shelter, health care, education, transport, welfare provision, the justice system and so on.

We must resist the neo-liberal calls for a return to the notion of a market free from political influence ...

This does not in any way obviate the need in Ireland, and perhaps elsewhere, to find ways of incentivising and reforming the public service. At all points, it is the dignity and flourishing of every human being that we must keep at the centre of our attention, as well as the common good of our society.

In similar vein, we need to accord priority to labour over capital – a consistent theme of Catholic Social Teaching – as we seek this more radical reform of capitalism. This will involve the kinds of protection for workers’ rights with which the ILO has long been engaged, the attempt to ensure a ‘race to the top’ rather than ‘to the bottom’, to secure the mobility of labour as much as capital in our globalised world, and above all to accord priority to policies that favour job creation.

It will probably also involve the search for more institutional stakeholder, as opposed to shareholder, models of private ownership – perhaps along the lines of the co-operative movement referred to by Dermot McKenna in this issue of *Working Notes*. In this context, the late Jean-Yves Calvez judges that the breakthrough in changing the inequalities

of capitalism can only come ‘from a civic response, which spreads the ownership of capital and establishes new ways of controlling it, with greater concern for the interests of labour’.²⁸

Environmental sustainability

Finally, in terms of major changes required in economic activity, we need to plot a way forward that is environmentally sustainable. Most of us are familiar, at least notionally, with the scientific consensus on this issue. According to the IPCC (Intergovernmental Panel on Climate Change), the course of carbon emissions and global warming that we are currently set on threatens a rise in global average temperatures of up to 6 °C by 2100, which would destroy human society. We need instead to set a track which will limit the increase in temperature to less than 2 °C above the pre-industrial era levels. This track will involve, *inter alia*, a severe reduction of carbon emissions in developed countries, with financial compensation and the transfer of ‘clean’ technology to developing countries to enable them to make the necessary contribution.



Responsibility for environmental sustainability in our hands
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Despite the failure of the Copenhagen Summit of December 2009 to achieve a binding legal agreement to this effect, and despite the damage to the credibility of the scientific evidence by the sometimes excessive advocacy stance of some scientific bodies, not to mention the suppression of counter-evidence by others,²⁹ it is clear that governments and business are taking the issue seriously in a way that will have a profound influence on the course of economic development. Indeed, the Irish Government, in its December 2009 Budget, introduced a so-called carbon tax. And so, just as Roosevelt back in the 1930s, in the course of his response to the Great Depression, introduced his

‘New Deal’, there is nowadays common reference to the ‘New Green Deal’ that is required to tackle climate change and that will shape economic activity hugely in the coming decades.³⁰

Once again, we are reminded that conventional wisdom about ‘the need to return to growth’ – even, as in Ireland these days, the cry is for a more competitive, ‘export-led’ economy – has to be carefully considered in the light of what our planet can bear. It is estimated by the New Economics Foundation that ‘for everyone to live at the current European average level of consumption, we would need more than double the biocapacity actually available – the equivalent of 2.1 planet Earths – to sustain us. If everyone consumed at the US rate, we would require nearly five’.³¹ Clearly, these are not viable options – but do we have the political will to change course so radically?

Culture, Politics and Religion

Faced with the kind of enormous problems we have, it is always tempting to hope that new regulations or laws or social policies will be enough, and therefore the tendency is ‘to focus just on the practical issues – financial regulation, taxation and welfare policy, or reducing our carbon intensity’. However, ‘... we need to remember that... in a democracy, none of these changes will come about without the will and desire of the people’.³²

In the Western world, in particular, we have inhabited a cultural space, a combination of Modernity and Post-Modernity, which has allowed the neo-liberal economic model to flourish. This space has privileged the self-interest of the individual (in particular his or her economic status) over the good of society as a whole, and has relativised the notion of right and wrong.

We need to use our crisis to create a new cultural space in which what is good of Modernity and Post-Modernity is retained, but is integrated into the kind of vision, values and virtues outlined above. This will mean a focus on the notion of integral human development and the common good, with values such as solidarity, justice and concern for our environment coming to the fore. In the end ‘people are not like the passive automatons of economic textbooks. They have goals, beliefs and aspirations and they actively construct the world around them through the ways in which they talk, behave and make meaning’.³³

There is, then, an enormous but vital cultural task here, the replacement of a deficient cultural paradigm with something more humane: ‘Whilst it has become unfashionable to talk about values in arguments for socio-economic change, we cannot neglect this issue’.³⁴

The task is enormous, but perhaps it can begin with small but significant concrete steps. So, for example, I have already adverted to the resistance in the banking and financial sectors to caps on salaries and bonuses. We have experienced this resistance also in Ireland. One of the key arguments used to sustain this resistance is to cite market forces and competition – for example, in January 2010 Stephen Hester, appointed by the British Government to run the Royal Bank of Scotland, defended his own bank before a House of Commons Treasury Select Committee by saying that RBS was ‘prisoner of the market’ and that his bank’s policy was to pay ‘as little as we can get away with’ of these bonuses while retaining ‘good people’.³⁵

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The question arises: ‘What sort of person could be described as ‘good’ who would only get out of bed if he could thereby add millions of pounds to his already six-or-seven-figure salary?’ – and this in a context where: ‘Banking business is thriving. In effect they can take money from governments and lend it out at a vast profit, almost risk free’.³⁶ After all, how much intelligence does it take to make this kind of money? Do we want our smartest people to be in this sector? What about the work of research, of artists, of ordinary folk who contribute so much to sustaining the fabric of society?

If we begin to define our society along the lines of the common good and integral human development, can we not also begin to say, albeit reluctantly, to those who ask for inordinate salaries to do what is in reality quite ordinary work: ‘No, we are sorry, but perhaps you would be happier living elsewhere?’ And do we really think that there are not enough intelligent people, of sound values, to take the place of these high-flyers, who in the recent

past have proved themselves to be so egregiously fallible?

If our culture, our civil society, can develop along these lines, perhaps we will also find the way to sustain and institutionalise our recent and well-justified outrage into a more radical political form. The popular discourse tends to be somewhat apathetic, even cynical, about politics and politicians: there has been a breakdown in trust, as with so many other sectors of our society. And yet we have shown in the recent and more distant past – one thinks of the debates around the two referenda on the Lisbon Treaty, the consensus that emerged around Northern Ireland – that we are capable of being a vibrant democracy, and of responding to and giving political leadership.

Clearly, any attempt to fashion a more radical response to this recession will demand this kind of political investment – and not just at national level, but also at regional (for us, again, the EU) and global levels. Are we ready to think like this, even to give leadership in this direction?

Religion

It is in this context too that the role of religion needs to be re-considered. Before the Copenhagen Climate Summit, the Secretary General of the United Nations, Ban Ki-moon, told 200 religious leaders: ‘You can inspire, you can provide, you can challenge your political leaders through your wisdom and through your followers’.³⁷ In this, he was echoing the contention of political scientist Robert Putnam that: ‘religions remain one of the most reliable and impressive sources of social capital’ and Chief Rabbi Jonathan Sachs who remarked that: ‘Religion is an agent of social change, the most powerful there is’ and who proposed that religions in Britain come together to create a ‘covenant of the common good’.³⁸

Of course religion can be a force for evil and for mediocrity, as well for good and for excellence. Cinema-goers who got a chance to view Michael Haneke’s striking, if disturbing, *Das weisse Band* (*The White Ribbon* – 2009) will have understood, perhaps at a safe distance, the power of religion to terrorise and to reinforce the veneer of a certain bourgeois respectability, not to mention the more sinister aspects of patriarchy and near-feudalism. Arguably, the Catholic Church in Ireland, especially in the twentieth century, despite all the wonderful good it also did, promoted a certain mediocre social conservatism and a lack of public transparency and

accountability in economic and political issues. It was also, of course, itself guilty of enormous crimes against children, not least through its own deficient culture of authoritarian clericalism and failure to grapple honestly with issues of sexuality.

But Catholicism, Christianity, religions are not of their essence evil: on the contrary, they are liberating, and through their focus on transcendence they encourage that shift from egoism to concern for others that is so vital for the creation and nourishment of social capital. And so it makes sense that in Ireland we find a way – which, properly, will take time – to move beyond the anger and the ultimately sterile narrowness of mutual blame and recrimination, to a space where a reformed Catholicism can join with other strands of Christianity and other religions in our common search and struggle to become ‘artisans of a new humanity’ (Segundo), together with all people of goodwill.

It may seem that by introducing these other elements – the cultural, political, religious – into a complex economic crisis that one is simply complicating an already daunting task. However, the thrust of my argument has been that today we simply cannot ‘take one problem at a time’; in particular, there is no ‘technical solution’ to our crisis. Pope Benedict XVI is right in this respect when he asserts that today ‘the social question has become a radically anthropological question’³⁹ – in other words, we cannot respond to this global and interlocking crisis except by reconsidering what we understand by a properly human life.

However, given the complexity of our crisis, given the many elements as described above which must form part of a solution, it may help also to begin to look at, and evaluate, some samples of more holistic and concrete economic models which are being proposed in these days. It is to these issues I will turn in the second article of this series.

Notes

1. Gerry O’Hanlon SJ, *The Recession and God: Reading the Signs of the Times*, Dublin: Jesuit Centre for Faith and Justice and Messenger Publications, 2009, especially Part Four.
2. *Ibid.*, p. 23.
3. Dr Rowan Williams, Archbishop of Canterbury, who noted that ‘economics is too important to be left to the economists’, going on to say that there was a role for ‘awkward amateurs’ in examining the role of the City of London – see David Batty, ‘Archbishop of Canterbury hits out at bankers’ lack of ‘repentance’’, *The Guardian*, Thursday, 16 September 2009.
4. Address by An Taoiseach, Brian Cowen TD, to delegates at a Citigroup conference, Dublin, 11 January 2010, reported in Caroline Madden, ‘Clear signs’ of stability and growth’, *The Irish Times*, Tuesday, 12 January 2010.
5. Ashley Seager and Heather Stewart, ‘Economists start to consider that money can’t buy happiness’, *The Observer*, Sunday, 10 January 2010.
6. Pope Benedict XVI, *Caritas in Veritate*, Encyclical Letter on Integral Human Development, 29 June 2009 (www.vatican.va).
7. The New Economics Foundation, *The Great Transition: A Tale of How It Turned Out Right*, London: New Economics Foundation, 2009, p. 14.
8. *Ibid.*, p. 14.
9. Ashley Seager and Heather Stewart, *op. cit.*
10. Tim Jackson, *Prosperity without Growth: The Transition to a Sustainable Economy*, London: Sustainable Development Commission, 2009 (www.sd-commission.org.uk).
11. New Economics Foundation, *National Accounts of Well-being: Bringing Real Wealth onto the Balance Sheet*, London: New Economics Foundation, 2009; New Economics Foundation, *The Happy Planet Index: An Index of Human Well-being and Environmental Impact*, London: New Economics Foundation, 2009.
12. For one interesting account of these attempts see Brigid Reynolds SM and Sean Healy SMA (eds.), *Beyond GDP: What is Prosperity and How Should it be Measured?*, Dublin: Social Justice Ireland, 2009. See in particular, P.J. Drudy, ‘Problems with Economic Growth: Towards a Better Measure of Progress’, on the composite measure that is the Human Development Index (HDI), taking into account life expectancy at birth, educational attainment and income adjusted for different purchasing power in different countries (p. 8). See also: Helen Johnston, ‘Well-being Matters in Measuring Social Progress’, on the Sarkozy-appointed Commission on the Measurement of Economic Performance and Social Progress which indentified the limits of GDP as an indicator of economic performance and social progress, and suggested that social progress is better captured in a multi-dimensional measure such as well-being (pp. 130–131). See further: Nic Marks, ‘Beyond GDP: Creating Indicators of Sustainable Well-being’; Marks notes the two complementary reports on the topic by The New Economics Foundation (NEF) published in 2009 – *National Accounts of Well-being: Bringing Real Wealth onto the Balance Sheet* (in which people’s subjective well-being is measured) and the *The Happy Planet Index: An Index of Human Well-being and Environmental Impact*, which measures ‘the ecological, efficiency with which the world’s nations deliver long and happy lives for their citizens’. According to this index – effectively a measure of sustainable well-being – Costa Rica ranks first; the UK 74th; Ireland 78th; and the USA 114th – out of 143 nations! (p. 85). For similar perspectives, see also the website of TASC, an independent Irish think-tank (www.tascnet.ie).
13. Paula Clancy, Director of TASC, ‘Welcoming Remarks’, at TASC Autumn Conference, ‘Towards a Progressive Economics’, Dublin, 10 October 2009, citing Professor Tim Jackson (see www.tascnet.ie).
14. David Batty, ‘Archbishop of Canterbury hits out at bankers’ lack of ‘repentance’’, *The Guardian*, Thursday, 16 September 2009.
15. Duncan Campbell-Smith, review of Roger Bootle, ‘*The Trouble with Markets: Saving Capitalism from Itself*’, in *The Tablet*, 9 January 2010, pp. 22–23: ‘Large swathes of the financial services industry, built upon flawed assumptions and arcane mathematical models, have been worse than socially useless: they have distorted both the world economy and the moral values of contemporary society’ (p. 23). And Joe Gill, director of equity research with Bloxham Stockbrokers, draws attention to the explosion of commodity trading within global financial markets, which he contends requires urgent political and regulatory attention to eliminate the abuse of real supply and demand: ‘It is estimated that activity by financial players in commodity markets dwarfs the actual volume in the underlying product.’

In value terms, the amount of trade is over five times the value of the real commodity' (Joe Gill, 'Crackdown on commodity trading abuses needed', *The Irish Times*, Tuesday, 23 November 2009). Similarly, Bob Goudzwaard, Professor Emeritus of Economics and Social Philosophy at the Free University of Amsterdam, has noted that 'recent estimates suggest that the annual growth of credit-money in the last ten years was on average four times the growth of the real economy'. Goudzwaard notes further that, according to Herman Daly, the American economist, 'the amount of paper exchanging for paper is now twenty times greater than exchanges for real commodities' (*The Tablet*, 21 February 2009).

16. Andrew Ross Sorkin, *The New York Times*, Saturday, 13 June 2009. Sorkin goes on to relate the agreement of George Soros with this view and, in particular, his argument that one kind of derivative – credit default swaps (CDS) – should not be allowed at all: 'The more I've heard about them, the more I've realized they're truly toxic. It's like buying life insurance on someone else's life, and owning a license to kill'.
17. New Economics Foundation, *The Great Transition, op. cit.*, p. 97.
18. Jack Welch, former CEO of General Electric, the person most associated with the idea of maximising shareholder value, was reported in early 2009 as declaring that it was 'a dumb idea' for executives to focus so heavily 'on quarterly profits and share price gains' – see Francesco Guerrera, 'Welch condemns share price focus', *Financial Times*, Thursday, 12 March 2009. (Indeed, in the same article Welch was quoted as saying: 'shareholder value is the dumbest idea in the world'.)
19. In this context it is interesting that at the Davos meeting held in January 2010 some disquiet was expressed, by the IMF among others, that President Obama's planned banking reforms diverge from the notion of a coordinated, global fix-it plan agreed by the G20 in London in April 2009, potentially creating patchwork global regulation with foreseeable malign consequences – Simon Carswell, 'Fears rising of patchwork approach to bank reform', *The Irish Times*, Monday, 1 February 2010.
20. See www.robinhoodtax.org
21. cf Gerry O'Hanlon, *op. cit.*, p. 28. See also Paul Gillespie ('We can always get to Utopia – even from here', *The Irish Times*, Saturday, 12 December 2009) who quotes Adair Turner, chairman of the UK's Financial Services Authority, describing much of the short-term, speculative activity of the City of London as 'socially useless' and sees a Tobin-style tax as a 'nice, sensible revenue source for funding global public goods'.
22. According to a lead article in *The Tablet* (16 January 2010), it is estimated that bonuses amounting to 50 billion dollars are expected to be paid by British and American banks to their employees in 2010. Many of these bankers will, of course, be in the area of investment trading, and many of the banks involved will have benefited from government bail-outs. *The Tablet* leader goes on to say: 'Virtually everyone but the bankers themselves think this is utterly outrageous'. One notes the political attempts of President Obama, President Sarkozy and Prime Minister Brown, among others, to rein in the apparent culture of entitlement which predominates in the higher echelons of banking and finance. In this context, Madeleine Bunting observes how the economist, Amartya Sen, and the political philosopher, Michael Sandel, use the notion of outrage as the starting point for their respective works on justice ('Our speechless outrage demands a new language of the common good', *The Guardian*, Monday, 19 October 2009).
23. In this context one notes in particular the plans announced by President Obama in January 2010 for a far-reaching overhaul of Wall Street, involving a crackdown on banks' riskier activities, including speculative 'proprietary' trading and investing in private equity and hedge funds. This is said to be close to the thinking of influential economist, Paul Volcker, former Federal Reserve Chairman and current Chairman of President Obama's Economic Recovery Advisory Board, who has referred to 'unmanageable conflicts of interests' for banks as they made investments for clients and themselves simultaneously, and who has stated that: 'we ought to have some very large institutions whose primary purpose is a kind of fiduciary responsibility to service consumers, individuals, businesses and governments by providing outlets for their money and by providing credit ... those institutions should not engage in highly risky entrepreneurial activity' (David Cho and Binyamin Appelbaum, 'Obama breaks with Geithner's agenda', *The Irish Times*, Saturday, 23 January 2010). Of course, the 'highly risky entrepreneurial activity' of Irish banks in particular seems to have been related to dealings in the property market – 'the Irish problems relate to a very old-fashioned credit boom and not to financial innovation', and there was 'insufficient scepticism about this on the part of the Regulator' (Patrick Honohan, 'Resolving Ireland's Banking Crisis', *The Economic and Social Review*, 40, 2, 2009, p. 230).
24. Paula Clancy, Director of TASC, speaking of the situation in Ireland: 'Shouldn't public policy have a view on the desirable minimum level of income and resource inequality? For example, should the top 20% be limited to an income of 10 times or even 5 times that of the bottom 20%? Should the Irish Constitution include some such policy objective?' ('Welcoming Remarks', at TASC Autumn Conference, 'Towards a Progressive Economics', Dublin, 10 October 2009 – see www.tascnet.ie).
25. Madeleine Bunting, 'Our speechless outrage demands a new language of the common good', *The Guardian*, Monday, 19 October, 2009, quoting political philosopher Michael Sandel.
26. New Economics Foundation, *The Great Transition, op. cit.*, p. 23, referring to Richard Wilkinson and Kate Pickett, *The Spirit Level: Why More Equal Societies Almost Always Do Better*, London: Allen Lane, 2009.
27. Pope John Paul II, *Centesimus Annus* (On the Hundredth Anniversary), Encyclical Letter, 1 May 1991, n. 40 (www.vatican.va).
28. Paul H. Dembinski, review of Jean-Yves Calvez, *Changer le capitalisme*, in *Finance and the Common Good/Bien Commun*, 12, Autumn 2002, p. 85.
29. Richard Tol, 'Damaged credibility doesn't alter climate facts', *The Irish Times*, Monday, 18 January 2010.
30. See Comhar, *Towards a New Green Deal for Ireland*, Dublin: Comhar (Sustainable Development Council), 2009, for the background to the term 'New Green Deal', p. 15 (www.comharsdc.ie).
31. New Economics Foundation, *The Great Transition, op. cit.*, p. 20.
32. *Ibid.*, p. 15.
33. *Ibid.*
34. *Ibid.*
35. *The Tablet*, leader, 16 January 2010, p. 2.
36. *Ibid.*
37. cf Sean McDonagh, 'Earth's Last Chance', *The Tablet*, 14 November 2009, p. 16. I note in this context the 2009 document on climate change from the Irish Catholic Bishops: *The Cry of the Earth: A Pastoral Reflection on Climate Change by the Irish Catholic Bishops' Conference*, Dublin: Veritas, 2009.
38. O'Hanlon, *op. cit.*, p. 44.
39. Pope Benedict XVI, *Caritas in Veritate*, Encyclical Letter on Integral Human Development, 29 June 2009, n. 75 (www.vatican.va).

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Co-operatives and the Economic and Environmental Crisis

Dermot McKenna SJ

Introduction

The current economic and financial crisis has had an enormous impact across the world. Here in Ireland, we have experienced the harsh consequences of a sharp reversal of economic growth. During 2009, there was estimated fall of over 7 per cent in GDP, and of more than 10 per cent in GNP. Both measures had already shown a drop of 3 per cent in 2008.

A crisis in the Irish public finances has seen our national debt rise dramatically to well over €20 billion; the ratio of General Government Debt to GDP, calculated to have been just over 25 per cent in 2007, soared over the past two years to reach an estimated 65 per cent by the end of 2009.¹

The impact of the recession on employment has been particularly alarming. By January 2010, there were over 430,000 people on the Live Register as compared to 179,400 in January 2008.² Since the Live Register includes part-time workers, and seasonal and casual employees entitled to unemployment payments, it is not considered to be the official measure of unemployment. The official unemployment rate, as measured by the *Quarterly National Household Survey*, stood at well over 12 per cent by late 2009, compared to just over 4.5 per cent in 2007; in absolute terms, almost 280,000 people were without work, as against just over 100,000 two years previously.³

The widespread loss of jobs touches a deep and atavistic nerve in the Irish psyche. That thousands – hundreds of thousands – of Irish people should suffer what is one of the most shattering of human experiences is a matter of deep concern.

Just when we believed that our demon of unemployment, from which we had suffered since the Famine, had been exorcised by the extraordinary economic growth of the Celtic Tiger years, when Ireland was held up as example to the world (the numbers employed grew from one million to two million), it returns to torment us again. Many are deprived of hope, including people in middle age who have been made redundant

and young people who, despite good educational qualifications, are finding no openings for their talents. Emigration is once more an unwelcome reality for many people in Ireland – both for those forced to leave the country and for their families who remain behind.

Over and above the immediate economic and financial crisis, there looms the environmental, and in particular the climate change, crisis, which is already having significant impact in many parts of the world and which if unaddressed is projected to have a catastrophic consequences for our way of life and for the planet itself.

Co-operative Initiative

In the midst of the gloom and doom of the present situation, many people are looking beyond the immediate response to the crisis and are trying to explore the possibilities for more radical changes that would help bring about a more just and sustainable economic system. In this context, it is worthwhile to look at the potential offered by co-operative effort to contribute to a renewal of our economic and social life.

Definition of a Co-operative

The International Co-operative Alliance, which ‘unites, represents and serves co-operatives worldwide’,⁴ gives the following definition of a co-operative:

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

The distinguishing values of co-operatives are identified by the International Co-operative Alliance thus:

Co-operatives are based on the values of self-help, responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of

honesty, openness, social responsibility and caring for others.

The Alliance identifies seven ‘Co-operative Principles’ – guidelines by which co-operatives put their values into practice. These are:

Voluntary and Open Membership

(‘Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership ...’)

Democratic Member Control

(‘Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions.’)

Member Economic Participation

(‘Members contribute equitably to, and democratically control, the capital of their co-operative.’)

Autonomy and Independence

(‘Co-operatives are autonomous, self-help organisations controlled by their members.’)

Education, Training and Information

(‘Co-operatives provide education and training for their members, elected representatives, managers, and employees ... They inform the general public ... about the nature and benefits of co-operation.’)

Co-operation among Co-operatives

(‘Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.’)

Concern for Community

(‘Co-operatives work for the sustainable development of their communities through policies approved by their members.’)

Co-operatives, then, operate under a set of values very different to those associated with capitalism. These values require of co-operative enterprises, for example, that in their democratic decision-making, members (both individuals and groups) try to balance ‘the need for profitability with needs of their members and the wider interests of the community’.⁵ Only in the case of co-operatives are the three basic interests inherent in an enterprise – ownership, control and benefit – ‘vested in the hands of the user’.⁶

International Perspective

It is estimated that, worldwide, the co-operative sector has about 800 million members in more than 100 countries. The sector accounts for over 100 million jobs – 20 per cent more than the combined total of multinational enterprises.⁷ The scale of employment provision in some countries is striking: in France, for example, 21,000 co-operatives provide jobs for 700,000 people; in Germany, 106 co-operatives provide jobs for 440,000 people; in Kenya, 250,000 people are employed by co-operatives, and in Canada, co-operatives and credit unions employ over 160,000 people.⁸

An interesting case is Argentina where there are 12,670 co-operative societies with over 9.3 million members (around 23 per cent of the population). Argentina suffered a huge economic crisis in 2001, with devaluation of the currency and widespread unemployment. Since then, over 200 failing businesses have been occupied by their workers, expropriated more or less legally and re-opened as worker co-ops. Not one of these co-ops has gone out of business; they employ over 15,000 people.

A ‘world map’ of participation in co-operatives published by the International Co-operative Alliance shows, for example, that in Canada, one person in three is involved in a co-operative; in both the United States and in Norway, it is one person in four. In India, 236 million people are members of co-operatives; in China, 180 million; Brazil, 5.6 million; UK, 9.8 million.⁹ The ‘world map’ does not include a figure for Ireland, but the scale of membership of credit unions alone means that co-operative involvement in this country is extensive.

Worldwide, it is evident that the co-operative model can be applied across a wide range of activities. Co-operative enterprises are probably most commonly associated with areas such as agriculture, fisheries, financial services, industrial production, and retail, but co-operatives are also providers of housing; utilities (water, electricity and gas supply); health and social care services; transport; sport and recreational activities.¹⁰

It is noteworthy too that the co-operative movement is increasingly conscious of the need to formally address environmental questions, and in many countries co-ops are now engaged in initiatives with an environmental focus. The 2009 General Assembly of the International Co-operative

Alliance had, as one of its key themes, co-operative efforts to respond to questions of climate change and energy. In 2009 also, Cooperatives Europe (the European region of the International Co-operative Alliance) launched *ACT!*, a project designed to provide a European framework to encourage co-operatives to do more, by way of action, education and advocacy, to address the climate threat.¹¹

Co-operatives range from small-scale organisations to multi-million dollar enterprises. The Global 300 data base report for 2008 of the International Co-operative Alliance showed that the world's top 300 co-operatives alone were responsible for an aggregate turnover of 1.1 trillion US dollars, which 'is the size of the 10th economy of the world and is nearly the size of the Spanish economy'. Furthermore, co-operatives 'are major players in the national economies of developing countries ... [where they] play an important role in poverty reduction and job creation.'¹²

The Mondragon Experience

Probably the most successful co-operative system in existence is based in the small Spanish town of Mondragon in the Basque country in Spain. As is frequently the case in the development of co-operatives, the Mondragon co-operative was born of a great crisis, following the conclusion of the Spanish Civil War.

During the Spanish Civil War, the Basques, a very independent people with their own language and culture, took the side of the Republicans against Franco. When Franco captured the rest of Spain and advanced against the Basque country, the Basques put up a very spirited defence. They suffered greatly as a result, with Franco throwing the weight of his army against them, destroying their towns and imposing a very punitive regime. Many of the Basque army ended up in concentration camps; many fled to France but many were executed. The region's industry, which had been highly developed (and which dated back to the days of the Spanish empire) was destroyed.

Serving in the Basque army was a young priest, Fr. Jose Maria Arizmendi. He was captured, put in a concentration camp and narrowly escaped execution. When the situation had cooled down he was sent as a curate to the small town of Mondragon. He determined to do something about the high level of unemployment in the town. In

1943, he started a school for young apprentices and he made sure that they were highly qualified. He also taught them about the idea of worker co-operatives in which all members share in the ownership, the management and the profits of a concern. (The concept of co-operative initiative had been referred to in key social encyclicals of the Catholic Church.¹³)

When the students qualified they went to work in a local industry. Following the teaching of Fr. Arizmendi, they asked for a share in the management and the profits of the firm. When this was refused, a group of five left and, in 1956, established an enterprise of their own – an industrial co-operative making gas heaters and cookers. As Spain began to prosper, the demand for their products grew.

Co-operatives range from small-scale organisations to multi-million dollar enterprises.

In 1959, a co-operative bank, the 'People's Worker Bank' (*Caja Laboral Popular*), was set up and played key role in the expansion of Mondragon by facilitating access to capital and providing management training. Its 'Empresarial Division' provided direct support both to co-operatives in the process of development and to those already established. Groups of workers with a proposal for the establishment of a new co-operative enterprise could approach the Division and if accepted would be assigned an advisor and provided with expertise and support in order to establish the feasibility of the proposed project. If the initiative was able to proceed, the advisor would usually continue in that role until the enterprise had reached break-even point. This financial and managerial support enabled many new co-operatives to be set up and become successful.

In the 1980s, the 150 companies then in existence banded together as the Mondragon Co-operative Corporation. Mondragon is now regarded as the world's largest worker co-operative. It has been described as a co-operative multinational. Its supermarket arm, Eroski, is the largest Spanish-owned retail food chain. It runs co-operative schools for the children of the workers. In the 1990s, the original old village school was converted

into a co-operative technological college where students could work to help pay for their education.

For each individual business there is a workplace council, the elected President of which assists the manager. It is very important to note that the co-operative rules governing Mondragon allow the workers to have equity in the co-op which gives it a dynamism, making it possible for it to grow to its present impressive size.

The scale of the growth of Mondragon from its small beginnings over fifty years ago is evidenced in its Annual Report for 2008: this showed Mondragon to be the seventh largest business organisation in Spain and the foremost in the Basque region, with a turnover in 2008 of €15,584 million. It employed 92,773 people (77,835 in Spain) in 256 companies, the breakdown of employment by sector being: 51.8 per cent in retail; 44 per cent in industry; 3.1 per cent in finance and 1.1 in the knowledge economy.¹⁴

Co-operatives in Ireland

Credit Unions

As we attempt to find solutions to the problems of the current crisis, it may encourage us to remember that in middle of another recession, that of the 1950s, the initiative of ordinary citizens – not of government – led to the establishment of credit unions in Ireland. Today, credit union membership represents the most widespread form of co-operative involvement in this country.

The Irish credit union movement was founded as a result of the efforts of three dynamic, pioneering and entrepreneurial people – namely, Nora Herlihy, from Ballydesmond, a teacher based in Dublin; Sean Forde, an employee of Peter Kennedy Bakers, Dublin, and Séamus P. MacEoin from Kilkenny, a civil servant working in Dublin.

In Dublin in the 1950s, they witnessed the effects of high unemployment: sickness, malnutrition, money-lending, hunger, poor clothing, poor housing, and inevitably, emigration of one parent or of the whole family. State unemployment payments were low, leaving many of the families dependent on them in abject poverty.

The founders resolved to identify a system that would allow people on limited incomes to gain more control over their finances. In 1948, Séamus

MacEoin, together with Sean Forde, attended a course in Social and Economic Studies, organised by UCD and given by a Jesuit priest, Fr. Eddy Coyne. Fr Coyne had a good knowledge of co-operatives (he later became President of the Irish Agricultural Organisation Society) and during the course he spoke at some length about co-operatives as an instrument of development.

Numbers of his listeners were enthused and, following the example of the Folk Schools in Denmark, set up some discussion groups. After this course, Séamus MacEoin read a paper on the co-operative movement and it was on this occasion that he met Nora Herlihy for the first time. A meeting of minds took place at the Daonscoil (folkschool) in Red Island, Skerries in 1957. The theme was co-operation and the week-long event, organised by The National Co-Operative Council, was opened by the then Taoiseach, Eamon de Valera.



Nora Herlihy with President de Valera at the signing of the Credit Union Act, 1966

© Irish League of Credit Unions

The Daonscoil provided encouragement to the small band of credit union enthusiasts who now felt the time had come to turn theory into action. In September 1957, as a result of the Daonscoil, the Credit Union Extension Service (CUES) was set up within the structure of the Council. CUES was established to review and co-ordinate the various activities in progress and to stage promotional talks. CUES was the launch-pad for the credit union movement in Ireland. In the promotion of the credit union idea, CUES gained much knowledge from close association with Muintir na Tíre under Canon Hayes of Bansha.

The first credit union co-operative in Ireland was established in Dún Laoghaire in County Dublin,

and the second in Donore Avenue in Dublin city. These were followed by another, set up by a priest, Rev. Patrick Gallagher, in Clones, County Monaghan. It was important that one should prosper outside the capital to help the spread of the movement.

When the Government set up a committee to consider the issue of the legislation under which the credit union co-operatives should operate, Nora Herlihy was appointed to serve, alongside twelve men, as a member. Its deliberations were to form an important part of the process that led to the 1966 Credit Union Act, now the legal framework of the movement in the Republic of Ireland. The photograph of President de Valera signing the Credit Union Act, 1966 into law shows Nora Herlihy beside him. It was the crowning moment of her career.

The credit union movement grew rapidly: by the early 1960s there were one hundred credit unions throughout the country, and by the mid-1970s there were over 400. We now have over 500 credit unions in Ireland, North and South, with almost three million members.

Comparing credit unions and mainstream banks

Perhaps a good way to gain an understanding of the nature of co-operatives at this time when banks are at the centre of a great economic and social crisis is to compare the workings of credit unions or co-operative banks with their capitalist counterparts.

A key reason there are so many credit unions is that they are not in competition with one another: each of the credit unions in Ireland is totally independent and self-governing; each is rooted in a community and its *raison d'être* is to support that community.

A very important co-operative principle, which helps to explain this connection with community, is the principle of the 'common bond' which guides credit unions. The common bond is the factor which unites all the members of a credit union – it is what all members have in common. Because of the common bond, all members have the good of their credit union at heart; they know and trust each other. The common bond ensures that the savings of members are available to fellow members as loans at a fair rate of interest. It also enables credit judgements to be made on character and personal record as well as on commercial risk factors.

The most usual common bonds are:

- Community bond (where all the members live, and in some cases work, in a particular locality).
- Occupational bond (where all members are in the same profession or occupation, or work for the same employer).
- Associational bond (where all the members are in the same society or association).

Banks are in business to make money for their shareholders. They will, if necessary, withdraw from localities where their returns are diminishing. We have seen this happen in poor areas of Dublin, for example, and along the west coast of Ireland. Credit unions by contrast are democratic organisations and are run on the basis of one person one vote. They have no outside shareholders but are owned by the people who invest in them who are, in fact, their owners. Any 'profits' which are made by the credit union are returned to their members and by extension to the local community. So they can exist in the poorest of places, in both urban and rural areas.

It follows that if you join a credit union you are a member and part-owner of a democratic organisation which works for your benefit and by extension for your community. The organisation is yours with all the motivation and interest which that bestows. And you have the right once a year to vote in new members of the board and can go forward for election as a member of the board yourself. You can influence policy. It is therefore a fact that membership of a credit union can provide the opportunity for a deep learning experience which gives members a knowledge of business and business affairs.

Like a bank, each credit union is governed by a board of directors. But unlike banks, all of these directors are volunteers and are not paid for their services, though they give many hours of their time to their work each week. Compare this to the boards of the mainstream banks, whose directors receive handsome remuneration for their contribution.

Agricultural Co-operatives

Like credit unions, the agricultural co-operative movement in Ireland developed as a response to a crisis. Towards the end of the eighteenth century, the British Government in the person of the Prime Minister, Gladstone, began to buy out the Irish landlords and return the land to the

people. Sir Horace Plunkett, who was a landlord himself, decided to found a co-operative movement which would help the former tenants deal with the demands of their new status as independent farmers. After much effort, he got the first co-operative going in 1894 in County Limerick. The movement grew rapidly, and by 1904 there were 800 agricultural co-ops; by 1915 there were 1,000.

From the 1980s, significant changes occurred in the agricultural co-operative sector in Ireland, with many large dairy co-operatives establishing wholly or partly owned capital based subsidiaries or exchanging assets in the co-operative for shareholdings in public limited companies. Nonetheless, agricultural co-operatives remain highly significant in Ireland: they constitute 30 per cent of all co-operatives other than credit unions (and account for 65 per cent of the membership of such co-operatives) and their turnover represents a huge share of Ireland's important agricultural sector.

Other Co-operatives

More than 300 group water schemes, including almost all the larger schemes, are registered as co-operatives; these schemes, which exist to provide water to households not directly connected to a public water supply, represent around 30 per cent of all co-operatives outside the credit union sector in Ireland.¹⁵

Housing co-operatives exist to provide not-for-profit housing either on an owner-occupier or rental basis. The earliest home-ownership co-operatives in Ireland were established in the 1950s¹⁶ and in the 1970s and 1980s around 3,000 homes were built on this basis.¹⁷ Since the late 1980s, co-operatives have completed twenty-seven housing projects for rent, availing of the assistance of State-subsidised loan schemes.¹⁸

Despite the significant role and impact of co-operatives in the economic and social life of the country, the co-operative movement overall plays a more limited role in Ireland than it does in many other countries. A 2007 study by Forfás highlighted the fact that co-operative activity in Ireland was highly concentrated in particular sectors, so that many areas – such as industrial and craft enterprises, housing, health and social services, retail – which in other countries were the focus of significant co-operative activity were undeveloped in Ireland.¹⁹ There is, therefore, considerable scope for an expanded role for co-operatives in this

country, especially in the context of the economic and social challenges confronting us.

Co-operatives in the Search for a New Economic Order

The financial and economic crisis has exposed some critical fault-lines in the current profit-driven and multi-national dominated economic model. Many commentators and public figures are now raising the issue of what should happen beyond the immediate response to the crisis and the various attempts, at national and international level, to devise measures to try to prevent the re-occurrence of a financial collapse in the future. Increasingly, it is being pointed out that a return to a path of never-ending growth is neither realistic nor desirable.

the values that underpin co-operatives ... are central to the task of seeking more just and sustainable ways of meeting economic and social needs

The narrowness of existing measurements of 'growth', the limitations of increased wealth in itself to enhance human well-being, the need to take account of the importance of personal, community and social 'goods', are now being repeatedly highlighted. In particular, there is a growing acknowledgement that a model of economic 'progress' based on patterns of production and consumption that involve the depletion of natural resources and the emission of environmentally damaging levels of carbon, is simply not sustainable.

In this context, it is clear that the values and principles that underpin co-operatives – such as social responsibility, solidarity, equity, participation in democratic decision-making – are central to the task of seeking more just and sustainable ways of meeting economic and social needs and promoting development.

The co-operative movement, therefore, can see in the current crisis an opportunity for its distinctive approach to find new and diverse ways of expression, in order to meet the serious challenges of our time. In her acceptance speech as newly-elected President of the International Co-operative

Alliance in November 2009, Dame Pauline Green, said:

*Our model with its commitment to returning surplus to the business, members and the community, its unique ownership structure and democratic traditions ... has a real potential to build a more plural economy, a diversified economy that will ensure that such a corporate collapse should never again occur. Our model gives back to communities and individuals a sense of control and engagement with their own economic good health ...*²⁰

The values of the co-operative movement are also highly relevant to the task of addressing the environmental crisis and can find expression not just in specific initiatives in relation to the environment but in the educational role which the co-operative movement has specified as one of its functions.

Throughout the world, co-operatives have, of course, been affected by the current economic crisis but the overall picture appears to be one of co-operative enterprises showing themselves capable of surviving and even thriving in the face of the downturn.²¹ Furthermore, Iain Macdonald, Director General, International Co-operative Alliance, has pointed out that the resilience and adaptability of co-operatives is being increasingly recognised by key international organisations and media:

*The World Bank, the International Monetary Fund, the International Labour Organisation and the United Nations alongside international business and national media including the Economist, Wall Street Journal, the Financial Times, Le Monde, El Pais, the New York Times, and many more have started looking at the co-operative model and acknowledging its success – albeit reluctantly!*²²

UN International Year of Cooperatives

International recognition of the potential role of co-operatives in the current situation received a significant boost when, on 18 December 2009, the United Nations adopted a Resolution proclaiming 2012 to be the ‘International Year of Cooperatives’.²³

The UN Resolution recognises that, ‘in their various forms’, co-operatives ‘are becoming a major factor of economic and social development’.

It draws attention to their role throughout the world in reducing poverty, generating employment and income, providing opportunities for vulnerable and marginalised groups, and supporting sustainable development in both urban and rural areas.

The Resolution encourages United Nations Member States, international organisations and the co-operative movement itself to take advantage of the International Year to promote the growth of co-operatives and to foster public awareness of their contribution to social and economic development.

It mentions specifically promoting the growth of agricultural co-operatives; financial cooperatives (describing these as a means of ‘providing easy access to affordable financial services for all’); and co-operatives to meet social service needs. It urges governments, in collaboration with the co-operative movement, to take ‘appropriate measures’ to create ‘a supportive and enabling environment’ for the development of co-operatives. Specific reference is made to ‘promoting and implementing better legislation, research, sharing of good practices, training, technical assistance and capacity-building ...’.

As a Member State of the United Nations, Ireland is called on to respond to the challenge, and opportunity, presented by the designation of 2012 as the International Year of Cooperatives. It is to be hoped that the Irish government, Irish co-operatives, and Irish civil society generally, including the churches, will seize this opportunity reinvigorate interest and action in relation to the contribution which co-operatives can make to achieving economic and social development that is balanced, sustainable and equitable.

Notes

1. Department of Finance, *Monthly Economic Bulletin, February 2010* (www.finance.gov.ie).
2. Central Statistics Office, *Live Register January 2010*, 3 February 2010 (www.cso.ie).
3. Central Statistics Office, *Quarterly National Household Survey, Q3 2009*, 16 December 2009 (www.cso.ie).
4. The International Co-operative Alliance has its headquarters in Geneva. Founded in 1895, it now has 237 member organisations coming from 89 countries (see www.ica.coop).
5. ‘What is a Co-operative?’, Website of International Co-operative Alliance (www.ica.coop).
6. *Ibid.*
7. *Ibid.*
8. International Co-operative Alliance, ‘Statistical Information on the Co-operative Movement’ (www.ica.coop/members/members-stats.html).

9. *Ibid.*
10. *Ibid.*
11. See www.actonclimate.coop
12. See International Co-operative Alliance, *Global and Developing 300 Data base* (www.global300.coop).
13. Pope Leo XIII, *Rerum Novarum*, Encyclical Letter on Labour and Capital, 15 May 1891; Pope Pius XI, *Quadragesimo Anno*, Encyclical letter on Reconstruction of the Social Order, 15 May 1931. Support for 'intermediate' and collaborative bodies is also to be found in later social encyclicals, such as Pope John Paul II, *Laborem Exercens* (On Human Work) 14 September 1981 and Pope John Paul II, *Centesimus Annus* (On the Hundredth Anniversary), 1 May 1991 (www.vatican.va).
14. Mondragon Corporation, *2008 Annual Report* (www.mondragon-corporation.com).
15. Forfás, *Ireland's Co-operative Sector*, November 2007 (www.forfas.ie).
16. NABCO (National Association of Building Co-operatives) website (www.nabco.ie).
17. Forfás, *op.cit.*, p. 21.
18. NABCO (National Association of Building Co-operatives) website (www.nabco.ie).
19. Forfás, *op.cit.*
20. <http://www.ica.coop/calendar/ga2009/ga2009-green-acceptance.pdf>
21. Iain Macdonald, Director General, International Co-operative Alliance, 'Co-operatives and the World Economic Crisis – Co-operative Opportunity', Bangkok, 2 July 2009 (<http://www.ica.coop/directorpape/presentations/2009-crisisopportunity-bangkok-july.pdf>).
22. *Ibid.*
23. United Nations General Assembly, Sixty-fourth session, Resolution 64/136, *Cooperatives in Social Development*, 18 December 2009.

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Bad Business

Séamus Murphy SJ

Crisis

Much of the world is going through the biggest financial and economic crisis since the Great Depression of the 1920s and 1930s. While the crisis is not as severe as that of the Great Depression, its effects are more widespread, owing to globalisation and the interconnectedness of national economies. It is causing much suffering, as investments that were people's savings for the future are wiped out, jobs in both the private and public sectors are lost, and public finances come under severe strain.

In this, a follow-up on an earlier *Working Notes* article which was written before the current financial and economic crisis,¹ I explore some of the ethical issues that arise.

While ethics has hardly been mentioned in discussions of what went wrong, the moral note has been struck loudly. (In this article, I use 'morality' and 'moral' to refer to people's behaviour and attitudes, and 'ethics' and 'ethical' to refer to theory or talk about morality.)

Public disapproval of bankers, investors and credit agencies is high, reflected in the strong feeling that top figures in banks ought not be paid lavish bonuses. Were they just unlucky, prisoners of a financial and business system that swings from euphoria to gloom, from boom to bust? No doubt many of them would like to think so, and that the general public should think so as well. And it is true that, in a certain sense, many of them were unlucky.

But that would suggest that they did not really know what they were doing. And in the boom time, they told us that they were the experts, the whiz kids who knew exactly what they were doing – and so were entitled to huge bonuses. It will not wash: they cannot be experts in the good times, and just unlucky when the crash comes. The truth is somewhere in between: they were responsible for, and lucky in, the boom times, and they were both unlucky in, and responsible for, the collapse.

Sometimes what was done was just plain wrong,

and known to be so. Bankers used their banks' money to award themselves loans, without having to go through the usual credit worthiness tests. Irish builders and developers began charging people for houses far in excess of what it cost to build the house, in the full knowledge that their profiteering imposed a heavy burden of debt on individuals and couples struggling to pay the mortgage.

Why did they do it?

The only possible answer is that they did it because they were greedy, and they thought they could get away with it, either because it was not illegal or because nobody would query it. The ethics of it did not bother them, a fact reflected in the absence of public expression of regret by such people for their behaviour. They justified it to themselves by saying: 'that is the way the market works', implying that nobody could change it, and nobody ought to change it. In their view, moral considerations could not possibly weigh against the principle of making the most of the opportunities that the market puts in one's way.

Let it be remembered too that this all went on in a context of normal market risk (there are usually losers as well as winners), and the development of derivatives meant that the risks for wider society were extensive. Again, ethical concerns about such risks were rarely voiced.²

Judging by media reports, not merely was moral integrity in short supply in the banking, building and business world in general, but ethically educated intelligence seemed absent. Hardly any prominent figure from the worlds of banking or business was reported after the collapse as having raised questions about moral failures or ethical ignorance in their conduct of business.

My remarks in the previous paragraphs may seem harsh. It may be replied that such people generally did not intend to rob or harm others, and that there was no intentional malice in their behaviour. The problem with that answer is that it presents businesspeople, bankers, developers and financiers as ethically illiterate. Secondly, it assumes good

intentions are all that matter: since those people just did not realise that they were doing wrong, they are not to blame.

The implication is that while such people may be well educated about banking or building, buying or selling, they have the level of moral development and ethical education of a primary school child. If it were really the case that they did not realise they were doing wrong, that is almost worse than deliberately doing wrong. In a world that cannot do without business and banking, it is alarming to be told that businesspeople and bankers are ethical incompetents, who cannot tell right from wrong.

The Business Ethics Deficit

G.K. Chesterton once quipped that it was not true that Christianity had been found wanting, since it had never really been tried. Perhaps the same remark could be made about business ethics in recent events: it wasn't used. The only time business figures felt the need to say 'Sorry' was when they were on the way to indictment or prison. Alternatively, one could say that there *was* a morality at play, however unconsciously: it was the morality of the jungle, where one grabs what one can, regardless of others' needs or the common good.

Some companies are shining examples of self-consciously ethical policies and behaviour. But their example, unfortunately, does not seem to be catching. While, prior to the crisis, there was a fair amount of talk about business ethics, it tended to be just that: talk. Business ethics is always in danger of being mere window-dressing.

It is also disturbing to note that this attitude is not unique to the businesses themselves. It is also found in the business colleges, and among business students. My evidence for this claim is anecdotal and impressionistic, but I present it for what it is worth. A couple of years ago, I found, in one of the major bookshops in Dublin, some 500–700 books on business, finance, and management, but only three or four books on business ethics. Since bookshops too are market-driven, I take it that this state of affairs reflects a lack of demand for such books.

Irish business colleges' websites show an almost total absence of courses on business ethics. In my own experience of teaching business ethics

to post-graduate business students over a number of years, the students – with a few exceptions – were quite uninterested in the topic, regarding it as an idle distraction from the serious business of the programme. A colleague who taught ethics in a business college reported that his efforts at transmitting business ethics were regularly undermined by other lecturers who told the students that their only responsibility was to make a profit for the company.

Rules and Character

This state of affairs has much to do with the fact that many people in business and banking do not understand ethics.³ First, they think of it as just a set of rules, similar to laws on the statute book.

But it isn't just about rules, if for no other reason than that it isn't possible to have a rule book to cover every situation. Life is not like that. People must be able to make their own moral judgements, and to do that properly their moral character must be developed. It is disturbing that, to judge by the business students, so many of those going into business seem to be morally immature. They think that, because they 'mean well' in a vague general way, and are not deliberately out to 'do' anybody, they are not unethical. They seem not to realise that business and banking – as any walk of life – will test one morally. Business ethics says to the person going into that world:

The company you are applying to join doesn't have a bad name, so you have no specific reason for ethical concern. But expect that someday the company may be tempted or pressured (by investors, customers, or circumstances) to act unethically.

Have you decided what you will do when that happens? Will you be strong enough to resist? If you're a manager, will you be alert enough to see what's coming, and imaginative enough to seek honourable ways to forestall it? If all comes to all, are you prepared to say 'No', even if it costs your job?

If you are not ready for that challenge now, you have failed the ethics test. If you think you will develop ethical character on the job, you are fooling yourself: the job is not an ethics course but an ethics exam. If you're not ready, the company's ethical problems won't be just with the external

*pressure or temptation, but also with employees like you. The company would be better off without you.*⁴

That message is usually unwelcome. It sounds far too tough. And there is always a handy excuse: blame ‘the system’. It has become common (partly a residual effect of Marxism) to talk a great deal about the ‘system’ being to blame, as if people were somehow entitled to expect to live and work in a morally upright world where they would never be subject to temptation.

No doubt the various ‘systems’ involved in the economy could be reformed, but insofar as that kind of talk leads people to shift blame away from themselves it deludes them. As regards society’s moral health, teaching people to blame the system does serious social harm. It cannot be said strongly enough: it is the mark of ethical ignorance (and probably of moral weakness) to be surprised and indignant at the ‘system’ not being ‘perfect’, thereby forcing one to make moral choices where doing the right thing may be costly or unpopular.

There is no such thing – not just in practice, but in principle too – as the perfect economic system

There is no such thing – not just in practice, but in principle too – as the perfect economic system. Common sense tells us that, but we tend to want to deny it. It was a communist (and extreme capitalist) myth that if one only got the basics of the economic system right, whether in communist or capitalist fashion, everything else would fall into place.⁵ There would be no need for morals or ethics. There would be no individuals struggling with moral dilemmas or their conscience. That was a myth, of course, but it is dangerous and still surprisingly powerful. We have not yet exorcised it fully: it is too appealing to be able to blame something called ‘the system’, since doing so appears to let one off the hook.

A far better approach is to be found in the 2009 encyclical letter of Pope Benedict XVI, *Caritas in Veritate* (Charity in truth). In sections 43, 45 and 46, Pope Benedict discusses business ethics. But his main point is that business ethics, and our understanding of economic activity and life in general, has to be located within a larger humanist

and religious vision of life.

Business ethics sometimes can seem too narrowly legalistic, as though contracts and rights were its only concern. Drawing attention to something as unusual as the role of the gift in human life, Benedict uses it as a symbol for those large and important zones of human life that lie outside a narrowly contractual logic.

As many others before him have noted, the market and its logic tend to pervade ever more aspects of human existence, bringing with them a kind of cultural deadness and moral alienation from others. However, the Pope and Catholic social thought hold (though many others don’t) that we have a choice about that. The Pope holds that the market and the economy are not so all-embracing or so all-powerful (the current crisis shows they are not all-powerful) that human beings cannot maintain a vision of human dignity and of moral values that transcends the logic of the market.

Good and Competent Business

A second misunderstanding about ethics common in the business world is that ethics is only about things that, while important, are really *external* to business, with nothing to do with the business being successful (for example, rules about fairness and environmental standards). But ethics is also about rules that are *internal* to business, that is, rules that have to do with making a business good or successful.

Think of the rules for how to play soccer or chess. Cheating is unethical, of course. But more than that: widespread, unchecked cheating or fouling also makes the game unplayable. Certain kinds of rules are not just about personal behaviour, but about how you must play the game, and ignoring them means failing to play at all. Soccer, like chess, is a rule-structured game: no rules, no game.

The same applies in a slightly different way to building, carpentry, plumbing or electrical work: there are good ways and bad ways to do it. What makes them good or bad is whether the outcome is successful – whether the carpenter has produced a beautifully crafted piece of furniture or a rough but serviceable table, or whether he has produced something that is shoddy and will fall apart very quickly. It violates the ‘natural law’ of soccer or carpentry to deliver something that is ‘no good’ – hopeless soccer play, a falling-apart table.

So too with finance and industry. Some of the practitioners in these arts did things on a widespread scale that were ultimately destructive of the very nature of the business. And they should have known that. Or perhaps they did, and did not care.

Bad business practices, even if not strictly illegal, undermine the businesses and the banks themselves, along with the financial system of which they are part. That kind of behaviour violated the 'natural law' of business. It is irrational and unethical to violate the natural law, subverting the good in the activity or practice in which you participate.



Ethics essential in the ups and downs of economic life © istock

It is disturbing that the policies and actions of financial experts should do such damage to the financial system, with serious consequences for so many ordinary people. Perhaps there is something in wider culture that encourages that, particularly the short-termism that fails to take long-term consequences seriously and focuses only on making a 'quick buck'. If so, we need to hear people in finance and business speak publicly about it.

Big Brother

Where was the state in all this? The answer is complex. First, we must distinguish between three crises: the global financial and banking crisis, the global economic downturn (related to the financial crisis, but still distinct from it), and crises in government finances in certain countries, including Ireland, Greece and Spain.

In relation to public finances, Irish and other governments allowed housing bubbles to balloon out of control, and created social entitlements paid

for out of stamp duty and other taxes dependent on the balloon's existence. Nobody denies now that such governments acted wrongly and irresponsibly.

In the case of Ireland, the government attempted some years earlier to deflate the housing bubble, only to give way to shrill pressure from developers, builders, and bankers. The Irish government clearly failed to protect the common good against sectional interests, and failed to give moral leadership to Irish society. Members of the government let the logic of the market dominate them, even when they had good reasons for thinking that in that particular instance the logic was likely to lead to disaster.

As regards the global financial and banking crisis, the general consensus on left and right was that the major banks could not be allowed fail, lest it lead to economic collapse. There was disagreement on how precisely to intervene, but nobody argued that the state should not intervene at all.

It is important to note that the case for intervention had nothing to do with ethical failures on the part of financiers and bankers. Banks were propped up or nationalised, not because civil servants might be more ethical than bankers, or because capitalism was seen as having 'failed', but simply to keep the banks afloat. The ethical duty of the state to minimise the negative effect of the financial crisis on ordinary people did not arise from governments being ethically superior to bankers or investors. It arose from the state having particular responsibility for the common good.

Nor can the business or banking failures be leveraged into generating an ethical case for heavy regulation. The moral case for regulation of banks, markets and businesses is no stronger after the crash than it was before. The idea that the present crisis is all due to financial deregulation from the Thatcher and Reagan years, and that the solution is heavy regulation, is half-true, at most. It may even be simply false.

In 2002, the US Congress passed, and President Bush signed, the Sarbanes-Oxley Act, one of the most heavily regulatory pieces of legislation of finance and accounting firms in any jurisdiction. Nevertheless, that did not guarantee competence or integrity in those firms. Many of the regulatory agencies sometimes failed to stop or even to sound the alarm over dangerous financial policies: ethical failures occurred there too.

In some cases, well-intentioned public policy also unintentionally (though not unforeseeably) contributed to the debacle, as when the US government under the Clinton administration put pressure on financial agencies to be more flexible in lending money to poorer people to help them take out mortgages. That generated a number of bad loans which added to the subsequent financial crisis.

State regulation is needed: the idea of business and banking being able to function without regulation is impractical as well as unethical. But that does not imply that the state knows better or is more ethical, or that such regulation will eliminate unethical practices. Regulation won't make any company ethical.

So there must be regulation, but it will not substitute for financial and industrial companies reviewing their own performance and internal culture, with a view to improving it. They will need to acknowledge the pressures that led to unsustainable financial practices, and seek to generate a better ethical culture. That may involve telling investors that there are certain things that must change, and may encounter resistance.

Conclusion

Where does all that leave the rest of us, particularly Christian or other public interest groups, concerned about recent developments and their impact on the poor, and seeking to contribute to a positive way forward?

First, it requires that we educate ourselves away from simplistic answers and slogans that are no help, and belong to another era. In a way, that is partly what Pope Benedict has in mind in his encyclical, *Caritas in Veritate*. With its theme of truth, it is a reflection on the fact that our moral thinking on the nature of human social and economic existence is disorganised, weak, unimaginative, and often rather slavishly tied to ideologies long past their sell-by date. The encyclical is a call to us to face up to the truths of our situation, and learn from the world's experience over the last century. One might talk about the crisis of capitalism, or wonder whether Marx was right after all, but to do so is a kind of self-indulgent escapism. Capitalism regularly goes into crisis, since it cannot guide or regulate itself, and is regularly rescued, since the alternative (see

North Korea) is far worse. Even the nominally communist China, which has embraced capitalist economics while holding on to communist one-party politics, has not, as a result of the crisis, pulled back from capitalism. At the other end of the spectrum, the dramatic interventions by the US government to prop up US banks led Chinese wits to claim that the world was witnessing the phenomenon of 'socialism with American characteristics'. With Red China avidly practising capitalism, and a US Republican administration nationalising banks in all but name, capitalism vs. socialism debates are irrelevant and 'end of capitalism' theses are disconnected from reality.

State regulation is needed ... But that does not imply that the state knows better or is more ethical...

Second, the preceding paragraph should underline the point reiterated in this article: it is idle to denounce the (capitalist) system, since it is largely meaningless as a target of ethical criticism. It is also destructive to do so, since it removes the focus from where it should be, i.e., on economic agents: individuals, businesses, corporations, banks, and the state, in their specific roles. On the ethical level, blaming 'the system' is irresponsible, since it simply gives all of them an 'out'.

Third, there is no perfect socio-economic system to be had. (This was a point developed and argued at length by the late Leszek Kolakowski, Polish philosopher and former Marxist, particularly in his classic work, *Main Currents of Marxism*⁶). By all means, the state should regulate business and finance. But nobody should dream for an instant that such regulation will preserve business and finance from ethical failure. In addition, loud demands for regulation often reflect a failure to realise that it is often not easy to see what to regulate, how to regulate it, or how much regulation to apply. Excessive or inappropriate regulation can do its own damage to the common good.

Fourth, precisely because no perfect system is possible, we are left with no option but ethics. That is the underlying constant theme behind Catholic social thought, including Pope Benedict's *Caritas in Veritate*. There he speaks of truth, charity, justice, and integral human development. He emphasises the importance of 'responsible freedom' (n. 17), as

something without which there can be no integral human development. A human life condemned to long hours and years of drudgery is not good; neither is one whose goal does not extend beyond an insatiable accumulation of wealth. The task for a pluralist society is thus to develop an appropriate vision, using the insights of the great religious and philosophical traditions of the world, that can support and correct economic development and the important world of business.

Notes

1. Séamus Murphy, 'Doing Business and Doing Good: The Role of Business Ethics', *Working Notes*, 51, April 2006, pp. 16–20 (www.jcfj.ie/our-journal-working-notes/wn-archive.html).
2. Warren Buffett was one of the few to do so, when he branded derivatives 'financial instruments of mass destruction'. Ethical concerns about derivatives were also raised in Catherine Cowley, 'Public Goods and Economic Risk', in Patrick Riordan (ed.), *Values in Public Life*, Berlin: Lit Verlag, 2007.
3. People in other walks of life often do not understand it either, but that does not excuse.
4. These paragraphs are adapted from James G. Murphy, 'People in Business: Context and Character', in Gabriel Flynn (ed.), *Leadership and Business Ethics*, New York/Berlin: Springer, 2008, p. 125.
5. A major theme in Catholic social thought is critique of extreme capitalism and communism for talking as though there could be a perfect system, perfect economically and perfect morally.
6. Leszek Kolakowski, *Main Currents of Marxism: the Founders, the Golden Age, the Breakdown*, London: Oxford University Press, 1978.

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