

Compartmentalization of Ethics: Unrealistic and Harmful

“Dividing the demands of one’s faith from one’s work in business is a fundamental error.” This warning from the Pontifical Council of Justice and Peace¹ highlights the dangers linked to the compartmentalisation of ethics according to which business is to be separated from ethical considerations. According to this theory, business decisions have no moral content and are neutral as far as ethics is concerned. At most, ethical guidance can be added to a business decision, but always as an external add-on. However, the writings of recent Popes built on classic Aristotelian ethics, not only warn us, in the light of our present course of action, against the dangers of this logic of separation but propose a more holistic approach which integrates that which should never be separated, not only in the field of business but also in other fundamental spheres of human activity such as technology.

In this first part, we will look at some of the dangers to society which derive from the compartmentalization of ethics. According to the Friedman doctrine, businesses should be trying to “make as much money as possible, whilst conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom”². Seen within this framework, laws and ethics are, at best, a kind of limitation which is codified in rules and regulations. However, “a society that is held together just by compliance to rules is inherently fragile, open to further abuses which will be met by a further expansion of regulation.”³ In the absence of intrinsic ethical considerations, and if ethical behaviour only depends on external authorities and laws, loopholes will always be found and there will always be room for abuse⁴. If we want to encourage a business culture in which every person – employee, customer, community member directly or indirectly impacted by the business activity – is treated with respect, and the natural environment is not just treated as an “externality”, rules and their enforcement are necessary, but certainly not sufficient. Besides, if compliance to ethical considerations is left in the hands of external authorities, experience – in Malta and abroad⁵ – shows us that these authorities are nearly always one-step behind and under resourced when compared to the vast business interests they are supposed to be monitoring and regulating.

Another negative offshoot of the separation theory is the creation of a false dichotomy which pits stakeholders against shareholders. If the primary objective of a business is that of increasing shareholder value, the impact of any business activity on customers, communities, the environment will always be less important. Even though it is generally accepted that the long-term business interests of a company go hand in hand with the interests of the wider stakeholder

¹ PONTIFICAL COUNCIL OF JUSTICE AND PEACE, *Vocation of the Business Leader: A Reflection*, 2012, para 10.

² M. FRIEDMAN, *A Friedman doctrine-- The Social Responsibility of Business Is to Increase Its Profit* <https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html> (accessed 15/06/2022)

³ BISHOPS’ CONFERENCE OF ENGLAND AND WALES, *Choosing the common good*, 2010, 12.

⁴ Cf. W. SUN, L. BELLAMY, *Who Is Responsible for the Financial Crisis? Lessons from a Separation Thesis*, in W. SUN, J. STEWART, D. POLLARD, (Eds), *Reframing Corporate Social responsibility: Lessons from the Global Financial Crisis*, Vol. 1, pp. 101-124, Bingley-Emerald, 2010.

⁵ *The Rise and Fall of Londongrad*, <https://www.economist.com/britain/2022/03/05/the-rise-and-fall-of-londongrad> (accessed 15/06/2022)

community, in the short-term a hierarchy of objectives which assigns more importance to value over values is thus automatically assumed to be true.

What is true of the business sphere is also true of other fundamental spheres of human activity. When it comes to the use of technology for example, Pope Francis in the encyclical *Laudato si* warns us that “our immense technological development has not been accompanied by a development in human responsibility, values and conscience.”⁶ According to the Pope, “when technology disregards the great ethical principles, it ends up considering any practice whatsoever as licit. [...] A technology severed from ethics will not easily be able to limit its own power.”⁷

Like never before, humankind has at its disposal immense power which gives it the possibility of unprecedented dominance over the whole of humanity and the entire creation. But it’s one thing to possess this power and another to use it wisely. Unfortunately, unconstrained by intrinsic ethical considerations, mankind can end up using this power to destroy itself and our “common home”. “Never has humanity had such power over itself, yet nothing ensures that it will be used wisely, particularly when we consider how it is currently being used.”⁸

Operating within the technocratic paradigm, human beings attempt to control nature and assert power over it, “frequently ignoring or forgetting the reality in front of us. Human beings and material objects no longer extend a friendly hand to one another; the relationship has become confrontational. This has made it easy to accept the idea of infinite or unlimited growth, which proves so attractive to economists, financiers, and experts in technology. It is based on the lie that there is an infinite supply of the earth’s goods, and this leads to the planet being squeezed dry beyond every limit.”⁹ Once again, the issue of limits and the absence of them, is a central consideration in these reflections.

But whilst the reality of near-infinite power might give us the impression that we are in absolute control of our lives on an individual and communitarian level, Pope Francis also warns us that contrary to underlying assumption of the separation thesis, “technological products are not neutral, for they create a framework which ends up conditioning lifestyles and shaping social possibilities along the lines dictated by the interests of certain powerful groups. Decisions which may seem purely instrumental are in reality decisions about the kind of society we want to build.”¹⁰ The inflexible logic of technology “moves forward in the final analysis neither for profit nor for the well-being of the human race”¹¹. Power is its motive – a lordship over all¹². Relying solely on technological approaches devoid of those inherent ethical considerations which solely can resist the all-powerful assault of the technocratic logic and paradigm, we end up surrendering our freedom to the “blind forces of the unconscious, of immediate needs, of self-interest, and of violence.”¹³

In fact, the counter-narrative to the one proposed by the compartmentalization of ethics outlined above comes to us from the realm of virtue ethics, whose revival owes a great deal to philosophers

⁶ POPE FRANCIS, *Laudato Si*, 105.

⁷ Ibid, 136.

⁸ Ibid, 104.

⁹ Ibid, 105.

¹⁰ Ibid, 107.

¹¹ CATECHISM OF THE CATHOLIC CHURCH, 2415.

¹² Cf. Ibid.

¹³ POPE FRANCIS, *Laudato Si*, 105.

such as Elizabeth Anscombe¹⁴ and Alasdair MacIntyre¹⁵. More specifically in the business sphere, authors such as Abela¹⁶ are proponents of integrating ethical values with business values, not as an after-thought but as an integral part of every business decision, give that whilst it's true that businesses are not people, they are, in fact, run by people. By integrating morality into the very heart of the curriculum at the Busch School of Business instead of just adding ethics to business studies, the emphasise is put on the intrinsic moral dimension of any economic enterprise.

Reference to values in business and political spheres, can of course be hypocritical and lead to accusations of whitewashing and greenwashing. However, virtue ethics goes beyond the necessary reference to values which every individual and organization is called to have. It is only when these values are put into practice that they become virtues. Devoid of these habits of excellence, not only individuals but an entire culture quickly becomes corrupted.

The practice of virtues also provides an answer to one of the fundamental questions of our existence: How do I become a good person? As underlined by the Bishops' Conference of England and Wales in its 2010 pre-election statement "Choosing the Common Good": "The practice of virtue helps to shape us as people. By the pursuit of virtue, we act well not because of external constraint but because it has become natural for us to do so."¹⁷

The moment we reject the compartmentalization of ethics, it becomes clear that every decision – including in the business, technological and political sphere – is a moral decision and all our moral decisions have a social and environmental impact. Moreover, in the framework of virtue ethics, as well as shaping the kind of society we are, our concrete daily choices also determine the kind of persons we are growing into.

At stake here, is the flourishing of us as human beings and of our communities. As seen above, without virtue, at best, we get compliance, but not the creativity, generosity, courage, enthusiasm and mutual trust which are necessary to build a business and political environment which contribute to the common good.

If the aim of a business enterprise, for example, is that of creating value, we should ask ourselves for whom is that value being created and what is the kind of value are we talking about. If the value sought is only monetary, and the beneficiaries of the value created are only the shareholders, then we are forgetting that in actual fact, shareholders and stakeholders are interdependent and inextricable. Moreover, while Catholic Social Teaching recognizes the legitimacy and importance of the search for profit, not all profit is legitimate. In fact, the "purpose of a business firm is not simply to make a profit but is to be found in its very existence as a community of persons who in various ways are endeavouring to satisfy their basic needs, and who form a particular group at the service of the whole of society. Profit is a regulator of the life of a business, but it is not the only one; other human and moral factors must also be considered which, in the long term, are at least equally important for the life of a business."¹⁸

¹⁴ Cf. G.E.M. ANSCOMBE (1958), "Modern Moral Philosophy", *Philosophy*, 53, 1-19,

¹⁵ Cf. A. MACINTYRE, *After Virtue* (2nd edition), Notre Dame, University of Notre Dame Press, 1984.

¹⁶ Cf. A. ABELA (2002), "Adam Smith and the separation thesis", *Business and Society Review*, 106(3), 187–199.

¹⁷ BISHOP'S CONFERENCE OF ENGLAND AND WALES, *Choosing the Common Good*, 2010, 11.

¹⁸ POPE JOHN PAUL II, *Centesimus Annus*, 35.

In the encyclical *Caritas in veritate* Pope Benedict XVI proposed the radical paradigm of the Civil Economy, anchored on the reciprocal assistance in market exchange relationships. This concept, which has its origins in the writings of Giovanni Genovesi (1713-1769), represents a middle position between an exclusively religious and a strictly secular perspective. Faith can lead to strong notions of the common good and a belief that human behaviour, when disciplined and directed, can start to act more charitably.

The concept of the civil economy, as further explored in the works of Bruni and Zamagni¹⁹ advocates the importance of well-being, public happiness and good social life which surpasses GDP.

The Beyond GDP²⁰ initiative which in Malta brought together the Justice and Peace Commission, the Focolare Movement and the Centesimus Annus Pro Pontifice Foundation was a step in the direction of this new kind of economy which does not depend solely on Gross Domestic Product to measure its success. By promoting a more holistic measurement of economic growth to include dimensions such as housing, education, health and environmental quality, this report rejects the idea that business and morality are independent of each other and seeks to remind all stakeholders that every economic effort is either contributing to the common good – by producing useful good and service, offering dignified employment, respecting the environment – or else harming it.

Moreover, whenever we seek to present business considerations as value neutral and separate them from “ethical considerations, we are denying reality. Even when unacknowledged, these sets of values exist, lurking beneath the surface. “That business decisions have moral content is inescapable; pretending the two are divisible at best obscures important considerations and at worst paradoxically encourages a particular set of ethical norms that may be unintended.”²¹

When for example, we defend a hands-off economic approach, believing that unhindered “market forces” alone will, though the “trickle-down” effect, bring greater justice and inclusiveness in the world, we end up defending an economy that “kills”.²² Such an economy of exclusion and inequality which fails to take into sufficient consideration the Beyond GDP indicators mentioned above without which our quality of life would be eroded, is however, not an inevitable reality. As opposed to the separation of private interest and public interest, of economic interest and social interest, the holistic vision proposed by Catholic Social Teaching focuses on the need both of persons with virtues who take ethical responsibility for their decisions and for a change of those economic and political structures which undermine justice and hinder the poor and marginalized from becoming full participants in society. This transformation, or “conversion” cannot be left to invisible market forces. It doesn’t just happen. It is rather the result of those who *act* on the belief that value and values are not in conflict and that the ultimate aim of our good and virtuous lives is the promotion of the common good. And when the separation thesis is replaced by a connection thesis, the role of the state becomes that of tilting the playing field in the direction that is good

¹⁹ Bruni L., Zamagni S, *Civil Economy*, 2016

²⁰ Cf. JUSTICE AND PEACE COMMISSION (MALTA), *Beyond GDP*, 2020.

²¹ J. D. HARRIS, R. E. FREEMAN (2008), “The impossibility of the separation thesis. A response to Joakim Sandberg”, *Business Ethics Quarterly*, 18(4), 543.

²² POPE FRANCIS, *Evangelii Gaudium*, 53.

for society as a whole²³, in its responsibility of caring and promoting the common good of society, based on the principles of subsidiarity and solidarity²⁴.

In conclusion, this brief analysis has shown that the compartmentalization of ethics not only fails to reflect our lived reality. It also leads to the degradation of our common home and of our social fabric in the form of a loss of trust, disregard of the common good and growing injustices and inequalities. In the context of the separation thesis, even compliance with ESG standards can just become a box-ticking exercise imposed from the outside which does nothing to transform the nature of doing business. In this paper, our main focus was the business world. But the references to the world of technology showed that the harmful effects of the compartmentalization of ethics are not limited to the business world. After all the opposite of the assumption which underpins the separation theory is true. As repeatedly pointed out by Pope Francis throughout his pontificate, “everything is connected”²⁵, particularly in the age of globalisation. Business and ethics are not in conflict. Ethics is not a constraint. We shouldn’t just develop businesses, technology and policies independent of ethics and then try to fix them by adding a sprinkle of ethics. If we truly want to safeguard the common good and build a future on the solid foundations of the respect for each other and our common home, no area of human action can legitimately claim to be “either outside of or impermeable to ethical principles based on liberty, truth, justice and solidarity”²⁶

The tragic, dangerous and false separation between ethics and economics will only be overcome once we recognise the reality of our relational nature: We are all connected, and everything is connected. In our interconnectedness, all our actions - business or otherwise - are ethical insofar as they are either the result of a myopic and individualist culture indifferent to the “cry of the poor and the earth” which leads to the exclusion of the common good. Or else the actions of a virtuous person, who acts virtuously and continuously to promote the universal destination of goods, the preferential option for the poor integral wellbeing of the entire person and of every person.

²³ Cf. M. MAZZUCATO, *Mission Economy : a Moonshot Guide to Changing Capitalism*, London, Allen Lane, 2021.

²⁴ Cf. POPE FRANCIS, *Evangelii Gaudium*, 240.

²⁵ POPE FRANCIS, *Laudato si*, 91; 117.

²⁶ CONGREGATION FOR THE DOCTRINE OF THE FAITH; DICASTERY FOR PROMOTING INTEGRAL HUMAN DEVELOPMENT, *Oeconomicae et pecuniariae quaestiones, Considerations for an Ethical Discernment Regarding Some Aspects of the Present Economic-Financial System*, 4