The Challenges of Capitalism for the Common Good
The merchant and the common good in history

Professor Agustín González Enciso, Department of History & Institute of Enterprise and Humanism, University of Navarre
Asian virtue ethics: how different a perspective?

Professor Daryl Koehn, Opus College of Business, University of St Thomas, Minneapolis, Minnesota
Asian virtue ethics: how different a perspective?

Daryl Koehn
University of St. Thomas, Minneapolis, Minnesota
Virtue as an excellence of humanity

• Aristotle: human beings have a function and a thing’s excellence/arête consists in performing or fulfilling its specific proper function well. This excellence belongs to human being as such.

• Confucius: ren/humaneness consists in realizing a humanity potentially shared by all human beings.
Chinese Word “Ren”
The Acquisition of Virtue

• Aristotle: Virtue as neither by nature nor against nature—virtue acquired through practice and habits (that we all naturally have the ability to form). Perfect practice makes perfect. Shame is a quasi-virtue.

• Confucius: Natural propensity among children toward beneficence but this propensity must be educated in order to extend outward beyond the family. The good person is driven to avoid shame.
Exercise of Virtue Requires Practical Intelligence

- Aristotle: Moral virtues require phronesis or practical wisdom
- Confucius: Ren requires discernment. He rejects a fixed “repertoire of behavior”
Virtue Requires Familial Instruction

- Appropriate friendship between parent and child in Aristotle
- Filial piety in Confucius
  - There are five basic relationships for humans: father-son, emperor-subject, husband-wife, elder-younger, friend-friend. Three out of five bases of these relations occur in the family (Chang & Holt, 1991).
Virtue Ethics’ View of Commercial Life

• For Confucius, profit-seeking if done for its own sake is antithetical to ren.

• But if wealth is acquired in a virtuous way, then wealth can actually be quite a good thing (e.g., enables philanthropy)
Break
Medieval man, accounting, economic rationalism and the common good

Dr Alisdair Dobie, University of Stirling
Medieval Man, Rationalism, Morality, Accounting and the Common Good

Alisdair Dobie
University of Stirling
Objectives

• Preconceptions of the Medieval
• Reason and Rationalism
• Aristotle and Aquinas: ethical considerations
• Implications for economic activity
• A case study of ecclesiastical accounting
‘Medievalism’

- ‘Ignorance, decay, chaos, confusion, anarchy and unreason’ (Arnold, 2012: 9-10)
- ‘Faith’ then versus ‘reason’ today
- ‘Chronological snobbery’: an unconscious bias which informs our analysis, conclusions and judgements.
Irrationality of Medieval Man?

• A believer in miracles and magic
• ‘Shared many ignorances with the savage’
• Rationality?
• Context
A Medieval Panorama

• Fall of Rome and collapse of political structures
• Invasions: Germanic, Viking, Magyar, Islamic
• Renascences: Northumbrian, Carolingian, 12th Century
• Population and economic growth, expansion of agricultural output and trade: the ‘long 13th century’
• Natural disasters: flood, famine, disease, the Black Death
The Spread of Logic

• Its appeal: reconciliation of contradictory authorities

• Anselm, Archbishop of Canterbury (1093-1109)

• Abelard, scholar and Benedictine monk (1079-1141)

• Aquinas, philosopher and Dominican Friar (1225-74)
## Aristotle and Aquinas: some ethical considerations

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<td>Trade, pricing and profit maximisation</td>
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Medieval Accounting

• Poorly laid out, disorganized
• Conservative, rigid, inflexible
• Infrequent and irregular
• Careless and inaccurate
• Single entry necessarily inferior to DEBK
Multiplicity of record types

- Indentures
- Compoti/rationes
- Status
- Rentals
- Lists of debtors (rent arrears)
- Lists of creditors
- Subsidiary schedules
- Weekly summaries
Indentures

Hec testat qd dns Johes de Neuton burs Dunelm recepit de dns Rico vicarie et procur de Norham die mercur px post fm sci Oswaldi Regis et martiris xxxi li vis viiid …. (8 August 1352)
Rental of 1340/41
Holy Island Status of 1326
Form of receipts and expenses

• Receipts are shown thus:
  ‘Et de lxxii li xxd receptis de toto alteragio de Norham’.
  (And for £72 20d received from the altar-dues of Norham).

• Expenses are shown thus:
  ‘In ii doliis vini emptis apud hertilpole ciisviiid’.
  (In two casks of wine bought at Hartlepool 102s 8d).
  (DCA, bursar, 1310/11(A), varie recepte and empcio vini sections.)
Form: The head of the bursar’s account of 1278/9
Form:
The head of the bursar’s account of 1390/1 (B)
Flexibility: Bursar’s summary account of 1313/14
### Table 1
The Bursars' Accounts of Durham Cathedral Priory 1278-1417: Income

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Source: Durham Cathedral Archives, bursars accounts, years as indicated at the head of each column.
Table 2 The Bursars' Accounts of Durham Cathedral Priory 1278-1417: Expenses

The Components of Expenditure

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Source: Durham Cathedral Archives, bursars' accounts, years as indicated at the head of each column.
### Table 3

**The Bursars’ Accounts of Durham cathedral Priory 1278-1417: Overall Income and Expenditure**

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Source: Durham Cathedral Archives, bursars’ accounts, years as indicated at the head of each column.
Table 4

The Bursars’ Accounts of Durham Cathedral Priory 1278-1417: Receipts and Expenditure before Financing

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<td>-46</td>
<td>23</td>
<td>80</td>
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</tbody>
</table>

Total Revenue

Received | 1086   | 2154   | 1267   | 2614    | 1124    | 1834    | 1562    | 1002    | 1629    | 1745    | 1720    | 1520    | 1540    | 1465    | 1435    |
Less borrowings | 0      | 344    | 0      | 158     | 21      | 351     | 141     | 20      | 126     | 0       | 274     | 158     | 0       | 0       | 0       |
Less advanced sales | 0      | 0      | 0      | 0       | 0       | 342     | 48      | 4       | 0       | 0       | 0       | 0       | 0       | 0       | 0       |

Total Revenue

1086   | 1810   | 1267   | 2456   | 1103    | 1141    | 1373    | 978     | 1503    | 1745    | 1446    | 1362    | 1540    | 1465    | 1435    |

Total Expenses

1048   | 2145   | 1263   | 2610    | 1124    | 1833    | 1561    | 927     | 1487    | 1701    | 1719    | 1566    | 1517    | 1385    | 1435    |
Less debt repayments | 20     | 378    | 103    | 694     | 386     | 384     | 286     | 50      | 169     | 138     | 100     | 152     | 101     | 173     | 0       |

1028   | 1767   | 1160   | 1916    | 738     | 1449    | 1275    | 877     | 1318    | 1563    | 1619    | 1414    | 1416    | 1212    | 1435    |
Pre-financing surplus/deficit | 58     | 43     | 107     | 540     | 365     | -308    | 98      | 101     | 185     | 182     | -173    | -52     | 124     | 253     | 0       |

Source: Durham Cathedral Archives, bursars’ accounts, years as indicated at the head of each column.
Conclusions

• Medieval experience
• The virtuous mean
• Accountability: property and stewardship
  fair prices
  alms giving
‘If his reckoning be not clear when he doth come, God will say: “Ite, maledicti, in ignem eternum.”’¹
And he that hath his account whole and sound, High in heaven he shall be crowned’.²

¹‘Go cursed ones into the eternal fire’.
The ethics of the entrepreneur and profits: self-interest and morality

Professor Dr H H Hoppe, Economics Department, University of Nevada, Las Vegas
Distinguished Fellow, Ludwig von Mises Institute; Founder Property and Freedom Society
Part one: Discussant, Professor Joel Felix
Lunch
The common good in its political dimension and the common good of the firm

Professor Alejo José G. Sison, University of Navarre
The Common Good in its Political dimension and the Common Good of the Firm in the Aristotelian-Thomistic Tradition

Alejo José G. Sison and Joan Fontrodona
I. Introduction

II. What is the Common Good (CG)?

III. What is the CG of the Firm? How can the Firm contribute to the CG of the polis?

IV. Participation in the CG of the Firm
I. Introduction

1. Transaction Cost Theory of the Firm +
   Agency Theory +
   Shareholder Theory

Premise: utility-maximizing individual
(individualism + utilitarianism/hedonism)
Common good?
Common good?
II. What is the Common Good?

1. Aristotle: CG of the *polis*
   
   a. CG of the *polis* & each citizen
   
   b. *eudaimonia*: supreme good because of social nature
   
   c. True/just/constitutional regimes
   
   d. citizenship: share in governance
II. What is the Common Good?

2. Aquinas and God as CG

extrinsic/ontological/speculative cg: God (potential whole)

intrinsic/social/practical cg: *eudaimonia* (integral whole)

formal/actual parts: citizens

material/potential parts: *bona communia* (eg water)

*children as cg of spouses and the family*
II. What is the Common Good?

3. Catholic Social Teaching (CST): historical CG

   a. “sum total of social conditions” (potential, material)

   “the good of all people and of the whole person” (actual, formal)

   b. historical awareness: forms of social life (state, civil society); fundamental rights of the human person
III. What is the CG of the Firm? How can the Firm contribute to the CG of the polis?

1. Firm: artificial and imperfect society

2. Firm: intermediate body with economic end
   
   Non-natural acquisition/provision of material goods

3. CG of Firm
   
   a. “production of goods & services in which human beings participate through their work”
   
   b. Work: doing/praxis/subjective dimension

   making/poiesis/objective dimension
III. What is the CG of the Firm? How can the Firm contribute to the CG of the polis?

3. CG of the Firm and Subsidiarity

   subsidiarity: promote private initiative, pluralism, diversity

   subordination to the political community:

   goods & services (objective dimension)

   work in common (subjective dimension)
IV. Participation in the CG of the Firm

A. Shareholders: providers of financial capital (investment is work and financial capital is accumulated work)

   rights to residual equity//investment as a moral decision

   Not only provide capital, but responsible investing

B. Clients/Consumers: buy & consume products

   consumer rights//participate in governance, product design (co-production)

   Not only satisfy needs & wants, but responsible consumption
IV. Participation in the CG of the Firm

C. Competitors/Suppliers: provide materials & resources
   rights to fair play//ethical supply chain, fair trade
   Not only fair play, but concern over supply chain and fair trade conditions.

D. Gov’t: regulate (restrict/enable) corporate activity
   grant charters, collect taxes, grant subsidies//
   middle ground between statism and laissez faire
   Not only grant licences & collect taxes, but subsidiarity.
IV. Participation in the CG of the Firm

E. Workers/Managers: organized work/production rights & duties in employment contract // loyalty, OCBs

Not only fulfill employment contract, but OCBs (practice of the virtues).

*Continuous improvement in poieisis and praxis
Common Good!
Corporate character and agency

Professor Geoff Moore, Durham University Business School, Durham University
Corporate Character and Agency

Geoff Moore
Professor of Business Ethics
Durham University Business School, U.K.
Inter-disciplinary Symposium on Business Ethics
University of Reading, 17 June 2014
Contents

- A MacIntyrean critique of the common good of the firm
- Corporate Character
- Agency
A MacIntyrean critique of the common good of the firm

- Common good of the firm:

  “the production of goods and services in which human beings participate through work”.

  “the goods and services produced should be truly useful and satisfy the legitimate needs and wants of people”

Sison & Fontrodona (2012)
Subjective dimensions:
- “such as knowledge or skills acquired, habits and virtues developed, meaning”
- “technical or artistic skills and intellectual and moral virtues”

Objective dimensions:
- “such as the goods and services in themselves, or profits earned”
Subjective dimension = MacIntyre’s internal goods
Objective dimension = MacIntyre’s external goods

MacIntyre:
- internal goods include *both* the perfection of the individual *and* the excellence of products or services (linked to practices)
- external goods “such goods as prestige, status and money” (linked to institutions)
Relative priority of subjective over objective dimensions:

“... the common good of the firm is the work in common that allows human beings not only to produce goods and services (the objective dimension), but more importantly, to develop technical or artistic skills and intellectual and moral virtues (the subjective dimension)” (my emphasis)

High view of work (hence CST’s commitment to full employment)
But leads to a prioritisation of work over the product / service

Problematic identification of virtues with the subjective dimension whereas MacIntyre’s perspective allows virtue to be exercised just as much in the production of goods and services and in the making and sustaining of institutions

The good purpose of the firm in MacIntyrean terms is “the extent to which the internal goods of the practice at the core of the organization (the excellence of the product or service and the perfection of the practitioners in the process) contribute to the overriding good of the community” (Moore, 2012)
Apple I-phone
Customers – quality of product or moral perfection of individuals who made it?

Purpose of a school – education and development of pupils

Hospitals – good of patients
Corporate Character

- Firms as intermediate bodies, “situated between individuals and families, on the one hand, and the political community, on the other”

- Characterised as artificial and imperfect societies:
  - artificial: the firm “does not arise directly from human nature in the same necessary way that families or political communities do”;
  - imperfect because, as societies, “they are not self-sufficing; instead they depend on families and the polity”

- Virtuous corporations and corporate character: “personal virtues facilitate institutional or corporate virtues in the same way that institutional or corporate virtues facilitate personal virtues” (Sison & Fontrodona, 2012)
But move from individual level needs justifying

Debate similar to contested nature of corporate moral agency

Common approach, not ontological but metaphorical position
But problematic – corporations only have characteristics ‘like’ this or that virtue
Whereas classically, virtues have causal powers
Positive organisational psychology literature:

“virtuousness in organizations” referring to the behaviour of the organisation’s members, and “virtuousness enabled by organizations” referring to “the features of the organization that engender virtuousness on the part of members” (Cameron et al., 2004)

Team-level virtues such as transparency, behavioural integrity, trust, performance empirically verified (Palanski et al., 2011)
Synergistic hypothesis that an organisation “is not merely a passive container that holds the virtues of its members, but rather it provides a more generative (or perhaps deleterious) context in which organizational members interact in ways that prompt, enable and/or enhance (or perhaps diminish or inhibit) virtue” (Winn & Bright, 2013)

Organisational-level virtues as properties or features of the organisation which have causal effect

Ascribe virtues and vices and summarise as a description of character
Corporate character:
“the summary of characteristics that develop over time in response to an organization’s challenges and opportunities, [and] can be characterized by virtue in promoting morally laudable attributes and behaviors or it can be characterised by vice in promoting immoral behaviour or behaviour that runs contrary to or corrupts virtue” (Neubert et al., 2009)

Corporate character as major determinant of whether firm contributes to common good
Agency

- Individuals under normal circumstances are moral agents.
- Virtues as feature of organisations which have causal effect leaves open status of corporate moral agency.
- Accept ‘methodological individualism’.
- But acknowledge that notions of corporate virtues and corporate character serve an important expressive function.
“The language of corporate moral responsibility can serve an important expressive function. By allowing us to speak as though moral agency can be predicated on indefinite collections of loosely related and constantly changing individuals, it facilitates people’s efforts to express moral condemnation of both the behavior of corporate employees and a corporation’s ethical culture [character]. Such language is much more efficient at mobilizing public sentiment than are the cumbersome statements required to identify the interactions among an amorphous group of people that produce morally unacceptable results. One might say that the language of corporate moral responsibility reduces communicative transaction costs.” (Hasnas, 2012)
Do agents have the ability to exercise their agency?

“in his capacity of corporate executive, the manager not only has no need to take account of, but must not take account of certain types of considerations which he might feel obliged to recognize were he acting as parent, as consumer, or as citizen” (MacIntyre, 1979)

Paradox of embedded agency

But agency sufficiently dis-embedded to allow an actor the “ability to operate somewhat independently of the determining constraints of social structure” (cited in Battilana & D’Aunno, 2009)

Organisational level embedded and dis-embedded agency and possibility of exercising agency so as to lead to common good of firm and society
Conclusion

- MacIntyrean corrective to the Aristotelian-Thomistic tradition as incorporated in CST
- Explored and justified notion of corporate character
- Nuanced account of agency

- Suggestive of possibility of even capitalist businesses contributing to common good
Break
Individual virtues and organisational virtues

Professor Ron Beadle, Northumbria University, Faculty of Business and Law
Institutional and Organizational Virtues
Professor Ron Beadle

Presented to: ‘The Challenges of Capitalism for the Common Good’ Henley Business School, June 2014
Integrated Habitus for the common good of the firm

Kleio Akrivou
Overview of this paper

- Virtue Theory Assumptions
- The common good of the firm... implies the moral good
- Moral habits and *habitus* (Aristotle and Bourdieu)
- Critique of current firm habitus
- An integrated habitus - Two normative requirements for an integrated habitus
  - a dialogical conception of habitus
  +
  - a processual self, kind of integrity
- An integrated habitus for the common good of the firm
- Implications
Virtue Ethics theory assumptions

- emphasizes the overall character, moral sentiments and conduct of the agent including outcomes/consequences, acts, and intention behind these (Koehn, 1995).

- virtuous agents rely *primarily* on their own judgments, emotions and intuitions (Koehn, 1998; Sison, Hartman and Fontrodona, 2012: 208), while also taking into account external “particulars”
The common good of the firm...

- MacIntyre’s critique of moral challenges of the economic and social order (MacIntyre, 1984) in modernity. Excludes the possibility for genuinely ethical (virtuous) firm.

- Sison sees the common good of the firm possible (principle of subsidiarity)
  - Common good as collaborative work defined (Sison and Fontrodona, 2013: 611).
... implies the moral good

- Ethical superiority of the praxis over poiesis (objective, external tangible work outputs) in Aristotle (Sison, 013)
  - not a mechanistic alignment of praxis to support poiesis
    - praxis* = subjective + immanent or reflexive which originates from person and ends there + result of which allows self worth, growth, excellence, virtue

- The moral good essential (sine-qua-non) process for the common good of the firm
Habits and Habitus

- **Aristotle** first utilized the concept of habit(s) as central to virtue - stems from the verb “to possess”: habits (hexis) originating in inner character choices of which moral virtues to engage with.

- Moral habits differs from externally located forms of action, such as activities and operations (Aristotle’s *energeia*).

- Importance of **inner choice**, “in virtue of which the thing which is disposed is disposed well or badly (emphasis mine), and either independently or in relation to something else.” (Aristotle, 1941 Met.5. 1022b)
Critique of current firm habitus

- Inconsistent with virtue ethics assumptions – more compatible with rule and principles ethics (e.g., utilitarianist)

- Not able to embody the possibility for the common good of the firm for mainly two reasons:
  - (1) it fails to assume the subsidiarity relation between the political community and firms, as intermediate associations,
  - (2) fails to come up with / catalyze "morally mature" habitus
An integrated habitus

- Integrated in ethical theory terms emphasizes a holistic ethical context, genuinely mindful for an ethos of virtue; an altogether different conception of a firm

- Binds interdependent and personal foundation of virtue
  - personal commitment to moral habits for excellence /virtue : virtue belonging to a person him/herself (koehn, 2014), not dictated or imposed by third parties.
  - and a shared social action space which develops moral habitus grounding virtue character virtue capacity (Aristotle’s notion).
An integrated habitus normative requirements (1)

- An integrated habitus conception (Akrivou & Bradbury, 2014) satisfies the common good of the firm, based on a dual foundation:

  - (a) **a dialogical habitus conception**
    - Ethics of dialogue grounding organisational context ethics which enable the development and the practice of virtue and related moral habits,

  - (b) **processual self capacity grounds virtue**
    - PS: the kind of character integrity which enable virtuous agency in the firm and commercial sphere of agency.
PS effects: virtue in the context of a commercial firm

- Agency which systematically reflects on, develops and practices moral habits of virtue, where “we therefore have a three-fold scheme in which human-nature-as-it-happens-to-be (in its untutored state) is initially discrepant and discordant with the precepts of ethics and needs to be transformed by the instruction of practical reason and an experience into human-nature-as-it-could-be-if-it-realised-its-telos” (MacIntyre, 1984: 53).
An integrated habitus (2)

- This dual foundation of an integrated habitus requires that **virtue grounds dialogue, while also dialogue grounds virtue.**

- **An integrated habitus effects:** The common good of the firm which systematically achieves the ethical superiority of the *praxis* (subjective dimension of work) over *poiesis*
  
  - combination of these two may be the basis of an integrated habitus- communal and social locus of virtue (McIntyre’s emphasis on practice) while it maintains virtue belonging on individual character (Koehn)

- can **help re-humanize business** (Moore, 2005).
Implications and Conclusion

- Lacking its grounding dialogue in virtue and virtue in dialogic ethics, the firm ontologically is not much beyond a legal abstract entity, since it is denied of a moral status (McMahon, 1994; 1995).

- Instead, I argue on normative conditions which restore a moral locus of conscience (an integrated habitus) grounding moral habits for a shared humanity foundation for excellence which does not threaten shareholder capitalism field (realistic proposition).
An Integrated Habitus for the common good of the firm

K.akrivou@henley.reading.ac.uk
Break
A synthesis drawing from insights of the Day’s

Professor Mark Casson, Henley Business School and School of Economics, University of Reading
Two Comments, Two Suggestions

Comments

• History and geography of capitalism
• The common good. How is it defined?

Suggestions

• More explanation (hypotheses)
• More evidence (case studies)
Capitalism – Western European Evolution

- Fight
- Work
- Pray
- Trade
-Invest
Theoretical Frameworks

- Philosophy
- Sociology
- Economics
Institutional Framework

- Any organisation
- The (for-profit) Firm
- The State

Case Studies

- Railways
- Universities
Part two: Discussant, Dr Lucy Newton
Acknowledgements