

**ETHICAL ASPECTS
OF THE GLOBAL FINANCIAL CRISIS:
THE THINKING OF STEPHEN GREEN
AND
CATHERINE COWLEY**

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Dedication

To My Parents & My Wife

For Integrity & Prudence

Dissertation Statement

Since 2007, the public-standing of bankers has reached one of its lowest levels. The banking sector has become ever more synonymous with greed, corruption and lack of ethics. Many banks have also been accused of criminal activities.

Scandals vary from LIBOR fixing, to money laundering, and even strong links by major international banks with drug traffickers and terrorist movements.

Several top bank executives of major international banks have resigned. Quite a few of these bank executives had their extravagant bonuses clawed back.

In January 2012, former Royal Bank of Scotland boss, Fred Goodwin, was even stripped of his 2004 knighthood. On 05 April 2013 the B.B.C. reported that, in an unprecedented move, British MPs and peers recommended that a group of British senior bankers should be banned from ever working again in the City of London.¹

Banking and bankers need to regain the trust of their customers. A culture of values gives more value to banking.

Oversight and regulation do not suffice because good judgement cannot be regulated.

¹ BBC 05 April 2013, *HBOS Collapse: Ex-bosses face calls for City bans*. On-Line: <http://www.bbc.co.uk/news/business-22027664> Accessed 06 April 2013

Dissertation Abstract.

The past three decades witnessed a trend towards successive deregulation, especially in the Anglo-Saxon financial services sector. As a result, speculation and higher levels of risk-taking became the norm for many banks. The lack of oversight from governments, often acting within an under-regulated framework, combined with a crave for short-term-profits and with the false pretext that markets can regulate themselves, contributed to the unprecedented market meltdown of 2008.

Consequently we started to witness more government intervention, especially in the United States and in the United Kingdom. Profits had been privatized whilst losses were being socialized. The need for better government has never been so apparent. The state and the market are being valued higher than society and the common good.

Intelligent and limited government intervention, enshrined in virtue ethics, can act as "shock absorbers" for entire societies. There is a need to mitigate the greed of unbridled capitalism and to dampen down the socio-political turmoil ushered in by the financial crisis.

Catherine Cowley and Stephen Green are not the only believers that, especially in the world of finance, value needs values.

Declaration

The undersigned, Anthony Micallef, hereby declares that the research presented in this dissertation is his own and has never been submitted for any degree in any other institution.

ANTHONY MICALLEF

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Preface and Acknowledgements

This dissertation analyses the cause and effect of the 2007/2008 financial crisis mainly through the lenses of Catherine Cowley and Stephen Green. The primary emphasis will be on the importance of restoring virtue to the banking sector not only because it's the right thing to do, but because by doing so, the economy becomes even more efficient. When bankers increase their focus on lending, whilst at the same time they keep in mind the common good rather merely than their own personal enrichment, than our society becomes wealthier.

I would like to thank all my lecturers and my fellow students who, by openly sharing their knowledge, thoroughly enhanced my learning experience at the University. A big thank you goes to Mary, my wife and my best friend, for her constant support.

Special thanks go to Rev. Prof. George Grima, my supervisor, for his constant assistance and invaluable advice.

Introduction

The 2007/2008 financial crisis, which originated in the United States, was the catalyst of a global economic meltdown which caused tremors and earthquakes in many of the world's major financial centres. It triggered off a socio-economic and political crisis secondary only to the 1929 Great Depression.

In this dissertation I shall be focussing on the need that today, more than ever, in business, but especially in banking, oversight and regulation must be accompanied by virtue. Ethical wrongdoing goes much further than criminal transgression.

Although regulation ought to define that which is regulated, but it can often create gross opportunities and loop-holes for what is unregulated. More often than not, regulation focuses on the protection of the stability of the financial system and on the interests of the consumers. But this crisis has clearly depicted the huge social costs of systematic financial failures and the helplessness of society at large.

Banking needs to resuscitate the pre-1980's British Big Bang epoch, namely the orthodoxy of doing what is right.

The Anglo-Saxon shareholder model which believed and practiced Milton Friedman's dictum that "the business of business is business" has now been shattered.

My focus on Stephen Green and Catherine Cowley, both of them very much conversant with ethics and with the world of finance, will be corroborating my thesis that values add value. They will also be facilitating an otherwise very vast viewpoint of the global financial crisis.

Cowley and Green in perspective

Stephen Green and Catherine Cowley both worked in Britain's financial sector. Both of them have now quit the sector and both of them studied theology late in their lives.

After a career as an investment banker in the City of London, Cowley joined the Roman Catholic congregation of the Religious of the Assumption. She studied theology at the Gregorian University of Rome. After spending some years in pastoral ministry, she obtained a Masters degree in Philosophy and Religion and then a Doctorate at Heythrop College, London. Her thesis was entitled "The Application of Catholic Social Teaching to

Business Ethics with particular reference to the Finance Sector." She taught Christian Ethics and was also the assistant director of Heythrop's Institute for Religion, Ethics and Public Life. In 2006, in her book "The Value of Money. Ethics and the World of Finance", Cowley predicted the financial crisis.

Green is currently U.K.'s Minister of Trade and Investment in an unpaid capacity.² In 1982 he joined the Hong Kong and Shanghai Banking Corporation. He studied theology while working in Hong Kong. In 1988 he was ordained a non-stipendiary minister of the Church of England. Green had an illustrious career with HSBC's global treasury and capital markets business. In June 2003 he was appointed Group Chief Executive of HSBC Holdings plc whilst between 2006 and 2010 Green served as Group Chairman. In 1996, he published his first book, "Serving God? Serving Mammon? Christians and the Financial Markets." This genuine dilemma, for Green became more acute as the financial crisis started to unfurl. In 2009, Green published another book, "Good Value. Reflections on money, morality and an uncertain world". In his book Green grapples with the demands of one's own responsibilities in the midst of the markets.

In the aftermath of the crisis, both Cowley and Green have been regular guests and speakers in many prestigious conferences and on many radio and television programmes. On 12 March 2010 Stephen Green, whilst on a visit to Malta, introduced his book at The Palace in Valletta.

At this stage it is pertinent to mention that, as from the summer of 2012, heavy clouds have fallen on Stephen Green due to HSBC's failures on both sides of the Atlantic. On the 17 July 2012 the US Senate published a report detailing how HSBC exposed the U.S. Financial system to money laundering, drugs and terrorist financing risks.

This is

the third time in a decade that HSBC has been penalized for lax controls and ordered by U.S. authorities to improve its monitoring of suspicious transactions. Previous directives by regulators to improve oversight came in 2003 and in 2010.³

This time HSBC agreed

² Cabinet Office, *List of Government departments and ministers, 20 October 2012*. On-Line: <http://www.cabinetoffice.gov.uk/content/list-government-departments-and-ministers> Accessed 22Nov2012.

³ Reuters, *HSBC to pay \$1.9 billion U.S. fine in money laundering case, 11Dec12*, On-Line: <http://www.reuters.com/article/2012/12/11/us-hsbc-probe-idUSBRE8BA05M20121211> Accessed 13Dec12

to pay a record \$1.92 billion in fines to U.S. authorities for allowing itself to be used to launder a river of drug money flowing out of Mexico and other banking lapses.⁴

Simultaneously in the U.K; together with some twenty other major banks, HSBC is being investigated for its alleged involvement in a huge global conspiracy in manipulating the key inter-borrowing rate, better known as LIBOR. Incidentally during this period, Green was not only at the helm of HSBC, but he was also the Chairman of the British Bankers Association. In 2012 HSBC was investigated in Mexico, Jersey and India for alleged violation of safety compliance and money laundering⁵. Following the publication of the US Senate report, the South Korean financial regulators also decided to investigate HSBC's operations in Seoul.⁶ And in March 2013, HSBC was again facing new money laundering claims, this time in Argentina.⁷

According to a BBC report, Green "said he 'regrets' the conduct of HSBC and acknowledges there were 'failures'."⁸ In the same BBC interview, he declared that

HSBC have always sought to do the right thing and, when things go wrong, worked hard to put them right. I have sought to embody these values in my own work and to react appropriately to emerging issues both as CEO and chairman of HSBC.⁹

During the advent and in the heat of the financial crisis, whilst Cowley was an articulate, albeit active spectator, Green was one of the major players.

Back to 1996 where Green, by now an HSBC senior executive, was already a banker with a mission

We live in the world as it is now and we have to go and work in it. That means that we need to find the kingdom of God in the midst of the markets. To do this Christians need to understand them, and accept involvement.¹⁰

⁴ Reuters, *HSBC to pay \$1.9 billion U.S. fine in money laundering case, 11Dec12*, On-Line: <http://www.reuters.com/article/2012/12/11/us-hsbc-probe-idUSBRE8BA05M20121211> Accessed 13Dec12

⁵ Wikipedia, *HSBC, Controversies*, <http://en.wikipedia.org/wiki/HSBC>, Accessed 27Feb2013

⁶ Financial Times, 09 August 2012, *Korea to investigate StanChart and HSBC*, by Simon Mundy, On-Line: <http://www.ft.com/intl/cms/s/0/a1f6d2b4-e1ed-11e1-b3ff-00144feab49a.html#axzz2M88gm700> Accessed 27Feb2013.

⁷ BBC News, 19 March 2013. *HSBC faces new money laundering claims in Argentina*, On-Line: <http://www.bbc.co.uk/news/business-21840052> Accessed 20 March 2013.

⁸ BBC News, 24 July 2012. *Ex-HSBC boss Lord Green regrets bank conduct*, On-Line: <http://www.bbc.co.uk/news/business-18970710> Accessed 31Oct2012

⁹ Ibid.

¹⁰ Stephen Green, *Serving God? Serving Mammon? Christians and the Financial Markets*, London 1996, 42.

Green's vision of banking is imbued with Biblical imagery and this is understandable, because Green's traceable writings all date back to his post-ordination as a minister of the Church of England. By 1996, when Green published his first book, the world of finance was already witnessing scandals, speculative bubbles and even sporadic financial crises. At the dawn of the great technological revolution of the nineties, which saw the world of finance moving from legacy computer systems, to more powerful, intricate and highly sophisticated and networked systems, Green was witnessing a massive transformation and expansion of the City Of London. Green portrays major financial centres to the likes of London, as an on-line, real-time "*Global Bazaar*", a place where traders and financiers from every corner of the world, meet in order to do their business. Although such trading had been taking place for ages, but the technology of the late eighties ushered in a tremendous increase in trading volumes and an unprecedented speed in transaction processing. When market volatility became the norm, Green was already very much aware of the immediate direct impact that the finance sector, much more than other sector, could have on the economy. (Cowley is even more categorical on what she calls the "specialness" of the finance sector.) Green's cautious and humane vision towards financial-market activity was apparent.

The market, to justify its existence, has to show directly, or at least indirectly, that it enables more of the human necessities for life to be produced and distributed to those who need them, not just to those who have an abundance of everything and yet still feel in want. Trading money has to produce bread for the hungry.¹¹

Through his vast experience in financial markets Green does not hesitate to articulate on the risks that are associated with market activity and especially on how prone to enticement, dealers and traders are. "The temptations created by the potential for gain or loss are legion."¹²

Green acknowledges that there is a real risk that Christians working in the finance sector may succumb to enticement and go along with the tide. But Green, like Cowley, believes that there is no better alternative to the markets. Therefore

Christians are surely called to be there. That being the case, we have to go on to look more closely at the strains and stress of life in that world, which the church has

¹¹ Stephen Green, *Serving God? Serving Mammon? Christians and the Financial Markets*, London 1996, 60.

¹² *Ibid.* 13.

historically known too little about, as a basis for identifying what Jesus' teachings means for Christian ethics and behaviour in the markets.¹³

Cowley and Green know quite well that a Christian working in the financial sector is constantly faced with moral dilemmas. It is certainly not an easy option. But Christian options have never been easy. We cannot ignore the possibility of getting caught up in some very negative aspects of a corporate culture. We are all influenced by the context of our corporate environment. Green believes that it is still possible for Christians working in the financial sector to get their priorities right and to make correct decisions. For him "compartmentalization - dividing life up into different realms, with different ends and subject to different rules- is a besetting sin of human beings"¹⁴

He even acknowledges that "Christians could be called to sacrifice their career because of the requirements of integrity"¹⁵ because Green, in harmony with Matthew 6:24 firmly believes that no one can serve two masters: "You cannot serve God and mammon".¹⁶

Although Cowley affirms that "the values of the organization shape the expectations of managers and staff and their views about 'right' or 'wrong' behaviour in a corporate context",¹⁷ but she doesn't stop there because "morally and religiously serious people are interested in transforming the world, making it better".¹⁸ Like Green she believes that "unless you bring the whole of yourself into your work environment you cannot hope to have anything remotely like integrity."¹⁹ True Christians should not be of the divided-self type.

For Cowley, faith in God is not merely a personal matter. It has also a social dimension. She advocates active Christian participation in all spheres of life, including the world of finance. Cowley does not favour a reductionist approach because she believes that:

The task of ethics is not limited to establishing the criteria for right actions or to defining the context of obligation. A personalist ethics insists that ethics must examine questions which deal with the problem of what makes a life meaningful and explore what it is to be a human agent, a person, a self"²⁰

¹³ Stephen Green, *Serving God? Serving Mammon? Christians and the Financial Markets*, London 1996,81.

¹⁴ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,18.

¹⁵ Stephen Green, *Serving God? Serving Mammon? Christians and the Financial Markets*, London 1996,134

¹⁶ Ibid. 137.

¹⁷ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 12.

¹⁸ Ibid. 67

¹⁹ Catherine Cowley, *BBC Business Daily, In The Balance: The Divided Self*, 22Sep2012, On-Line: <http://tunein.com/topic/?TopicId=41464100> Accessed 02Oct2012

²⁰ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 70.

She looks at business practitioners in a holistic way. This is in line with the Christian tradition which perceives God's active and constant presence in our world. Practising the faith is not restricted to Sunday services. It ought to be a way of life. According to Cowley, integrating the individual dimension of life with its social dimension, through personalist ethics, "enables moral reflection to begin from a positive stance".²¹

Cowley, as we shall be seeing in later chapters, whilst acknowledging the problems of moral differences, elicits dialogue with other traditions. Her courage, conviction, dedication and enthusiasm are evident in many of her writings. Although common ground and consensus in morality is not an easy task, but "moral particularity is not something to be afraid of; rather it is the place where we must begin our moral and ethical reasoning".²² Notwithstanding her tolerance to diversity she does not hesitate to take a stance.

Like Charles Taylor, Cowley considers it a myth the fact that modernity regards a moral good merely as a matter of choice and as an exercise on objective reasoning.

Reading her literature and hearing her talks, not only enlightens you, but above all, fills you with hope and optimism for the future. Her pragmatic approach to the free market, enshrined as it is, in its neo-classical economic ideology, stems from her "hands on" experience in the world of finance which is intermingled with her philosophical and theological formation.

Cowley strongly believes and insists that it is paramount to understand the "multi-layered complexity" of certain financial instruments and the high risk associated with them, because she argues that such a high risk "should no longer be seen as a professional issue but as a public one"²³. Knowledge of what happens in this arena field should not be restricted to the experts of finance, but even to ethicists, because what is at stake is the common-good.

²¹ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006,71.

²² Ibid. 68.

²³ Ibid. 150.

One of the principal tasks of ethics is to identify the questions and bring them to public attention. It is to struggle to disentangle technical and economic complexity, and assert that narrowly conceived economic criteria alone are inadequate as rules for evaluation.²⁴

With regards to the financial crisis, Cowley believes that the "seeds for the disaster that followed were sown"²⁵ by the fact that so many financiers failed to understand what they were actually doing in the derivatives market. In Chapter One we will be dwelling in more details on derivatives. Some of these financial instruments were so complex and dangerous that it was practically impossible for dealers to

know who was bearing or buying this risk and therefore their own positions were unstable. If you don't know who the counter-party is and the risk that counter-party is bearing, how can you possibly assess how much risk there is in the system, in your little slice of the pie?"²⁶

Cowley opines that this excessive risk-taking has put into jeopardy the very existence of the global financial system.

Cowley could not find a better timing to promulgate her ideas than this post-Great Recession era. Her clear, albeit not exclusive, Catholic views are being heard and echoed, together with other free-market proponents, even in many secular sources.

Although she lives in a convent, she believes that "Engagement, not retreat, is the real possibility and demand of faith."²⁷

And she really practices what she preaches. She has certainly not retired from the world of finance. She only changed her role from one of a practitioner to that of a "mover and shaker."

²⁴ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 152.

²⁵ Catherine Cowley, *The Tablet, The nun who knew first*, 11 April 2009, 13.

²⁶ Ibid.

²⁷ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 69.

Chapter 1: The Global Financial Crisis

(i) The Technical Aspect

Volumes have been written about the Global Financial Crisis. Many more will be written. Even movies and documentary films have been made. And this comes as no surprise. Everyone agrees about the magnitude of this event and on its consequences.

But one of the most extensive analysis of the crisis was made in the United States of America, the country from where the crisis had its origins. I'll be taking this 650 page U.S. Senate report as the rationale of what really caused this calamity. When doing so, the element of "high risk" immediately comes out in two out of the four main causes of the crisis.

This report, which took two years to compile, was published in 2011. In it we read how the Permanent Subcommittee on Investigations concluded that

the crisis was not a natural disaster, but the result of high risk, complex financial products; undisclosed conflicts of interest; and the failure of regulators, the credit rating agencies, and the market itself to rein in the excesses of Wall Street.²⁸

Using several case studies encompassing thousands of pages of documents and several hearings, the Subcommittee presented and examined evidence showing how (i) high risk lending by U.S. financial institutions (ii) regulatory failures (iii) inflated credit ratings and (iv) Investment Bank abuses in selling high risk poor quality products, all of these fuelled a "devastating economic collapse"²⁹

Without underestimating the importance of the cause and effect of "inflated credit ratings" in connection with this crisis, this facet of the tragedy will not be treated in this work. The reason being, that the attributes of Cowley and Green on the financial crisis focus mainly on risk and regulatory failures. We shall be seeing how Cowley and Green identified and emphasised the need to inculcate virtue in the financial sector. Cowley articulates much more emphatically than Green, on the need to re-evaluate current risk

²⁸ U.S. Senate Permanent Subcommittee On Investigations, *Wall Street and the Financial Crisis, Anatomy of a financial collapse*, 13 April 2011, 1. On-Line:

<http://www.hsgac.senate.gov/subcommittees/investigations/media/senate-investigations-subcommittee-releases-levin-coburn-report-on-the-financial-crisis> Accessed 10 October 2012

²⁹ Ibid.

management practices and on the need to have not only virtuous individuals but above all virtuous institutions.

According to Green, "The global economic crisis that began in 2007 has been the deepest, broadest and most dangerous financial crisis since 1929."³⁰

Throughout the history of mankind, several events have occurred which were truly of a "seismic" nature. Such events can be a defining moment between one epoch and the next. For Green the crisis "may even come to rank as one of the great turning points in the history of the modern world."³¹

The early 2007 sub-prime worries of the U.S.A. ushered in a crisis of such a great scale that, in some countries, its dramatic financial, economic, social and political woes are still being felt.

The past years have clearly shown that this financial crisis ignored national boundaries. It hit both developed as well as developing countries. Economic mayhem effected not only national and global institutions, but even by so many families and individuals in every corner of the world. Many were and are still bewildered by the severity and, especially, by the great speed of how this crisis has unfolded. But bewilderment soon turned into anger when family lives were financially shattered. So many individuals lost all their life-time savings including several pension schemes. All of a sudden millions have become unemployed and even homeless. In later chapters we will be focussing on how the rich got richer and the poor became poorer and how important is the leverage of inequality.

In the financial sector, even in those institutions which were bailed out by taxpayer's money, "bad" bankers, oblivious and totally disconnected from the events which were and are still unfolding, continue to receive extravagant bonuses and even golden handshakes. At the same time governments are incurring unprecedented costs and debts, the effect of which will have to be borne by future generations.

Many seem to have forgotten Franklin D. Roosevelt's bid in the post-depression era to check and balance private incentives with public responsibilities. In 1999, after heavy lobbying by the American Financial Services Industry, the Glass-Steagall Act of 1933,

³⁰ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,109.

³¹ *Ibid.*109.

which prohibited commercial banks from participating in investment banking activities, was effectively repealed.

Consequently, retail banks could own investments banks and, as a result, huge "too big to fail" financial services conglomerates were born. But by the end of 2012, *The Economist*, was commenting that "the idea of running a genuinely global network, let alone doing it frugally, is on trial."³²

Here is another official reflection on the causes of the financial meltdown, issued with hindsight by the American government in 2011:

We conclude this financial crisis was avoidable. The crisis was the result of human action and inaction, not of Mother Nature or computer models gone haywire. The captains of finance and the public stewards of our financial system ignored warnings and failed to question, understand, and manage evolving risks within a system essential to the well-being of the American public. Theirs was a big miss, not a stumble. While the business cycle cannot be repealed, a crisis of this magnitude need not have occurred. To paraphrase Shakespeare, the fault lies not in the stars, but in us.³³

The future of Capitalism was, and for many still is, at the cross-roads. As a sequel to the tragic market meltdown of 2008, free-market capitalism was discredited by many. The huge government bail-outs which had to be enacted for the survival of major international banks and large corporations reversed the neo-liberal trend of the past three decades with regards to less government intervention. Stephen Green, himself a truly active advocate of large global banks, does admit however that "the older, simpler Friedmanite idea that the sole job of a business is to create profit has proved insufficient to sustain value and -in the end- a bad deal for shareholders".³⁴

The Financial Crisis Inquiry Commission extrapolated how during the three decades preceding the crisis

There was an explosion in risky subprime lending and securitization, an unsustainable rise in housing prices, widespread reports of egregious and predatory lending practices, dramatic increases in household mortgage debt, and exponential growth in financial firms' trading activities, unregulated derivatives, and short-term "repo" lending markets,

³² *The Economist*, 15 December 2012, *HSBC and Standard Chartered, Too big to jail, Two big British banks reach controversial settlements*, On-Line: <http://www.economist.com/news/finance-and-economics/21568403-two-big-british-banks-reach-controversial-settlements-too-big-jail> Accessed:20Dec12

³³ The Financial Crisis Inquiry Commission, *Final Report Of The National Commission On The Causes Of The Financial And Economic Crisis In The United States*, Official Government Edition, January 2011, 17. On-Line : <http://www.gpo.gov/fdsys/pkg/GPO-FCIC> Accessed 18Sep2012

³⁴ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,157.

among many other red flags. Yet there was pervasive permissiveness; little meaningful action was taken to quell the threats in a timely manner.³⁵

From his banking experience during the eighties, Green was already much aware of the "pump and dump" and "short and distort" mentalities which prevailed even in the eighties, and which were immortalized by Michael Douglas in his 1987 Oscar -winning performance in that famous reality movie "Wall Street". In fact Green states that the term "Casino Capitalism", popularized by Susan Strange in 1986,

brought other, less purely economic, troubles in its wake. The fraudster has always been drawn to the casino, and the liberalized financial markets, with their ability to create sudden geysers of cash inevitably attracted the manipulators and crooks.³⁶

Green has no doubt that "Even then, the barbarians were at the gates; in the twenty years or so since then, the gates seem to have been opened wide."³⁷ On the other hand in 1981, Alasdair MacIntyre had already similarly, but more forcefully, declared that "This time however the barbarians are not waiting beyond the frontiers; they have already been **governing us** (*my emphasis*) for quite some time."³⁸

In 1996, Green had already warned that "Making money out of speculating on price movements is making money out of nothing".³⁹ In 2009, Green wrote that the financial crisis did not come merely out of the blues. In fact, according to him, "there were warning signs, and the first breezes of the oncoming hurricane were perhaps detectable as early as 2005"⁴⁰

He came to this conclusion because leading economists were reiterating that America was living beyond its means and was becoming the world's biggest debtor with US consumers ending up saving virtually nothing. On the other hand, countries like Japan and especially China were investing heavily in the economies of U.S.A, U.K. and even the E.U. These

³⁵ The Financial Crisis Inquiry Commission, *Final Report Of The National Commission On The Causes Of The Financial And Economic Crisis In The United States*, Official Government Edition, January 2011, 17. On-Line : <http://www.gpo.gov/fdsys/pkg/GPO-FCIC> Accessed 18Sep2012

³⁶ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 108-109.

³⁷ Ibid. 109.

³⁸ Alasdair MacIntyre , *After Virtue a study in moral theory, Second Edition*, London 2004, 263.

³⁹ Stephen Green, *Serving God? Serving Mammon? Christians and the Financial Markets*, London 1996, 16

⁴⁰ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 110.

countries believed that "they could go on eating the porridge produced by China forever....business cycles were a thing of the past, it seemed."⁴¹

In other words, a surplus of savings was being generated in one side of the globe and was being absorbed by large deficits in other developed countries. And this fact aggravated and accelerated the financial meltdown.

Ironically, in April 2007, the International Monetary Fund published an official forecast where it stated that

the recent bout of financial volatility, the world economy still looks well set for continued robust growth in 2007 and 2008.....The risks to the growth outlook are less threatening than at the time of the September 2006 World Economic Outlook.⁴²

Yet only within five months of its publication, the unthinkable started to happen. In September of 2007 the world was shocked by the grim pictures of people queuing outside branches of the British bank Northern Rock.

In retrospect, Green identified several negative forces which "simultaneously fed into the same destructive vortex"⁴³.

By 2007 Green was already considering the world's finances, even though underpinned by several Asian and Middle Eastern sovereign wealth funds, as being

Overstretched - not just mortgages, but other financial markets such as those in leveraged loans. Property markets were slowing down in the US, Britain and elsewhere, and fears of an end to the end of the Goldilocks economy were rising.⁴⁴

All this was the lull before "*the perfect storm.*"

And as often with storms, there was something of a heavy calm before it. False calm, certainly; and followed by a series of events of breathtaking savagery.⁴⁵

And we all know how by mid-2008, the news of the world were being thoroughly dominated by bailouts, bankruptcies and re-capitalization of banks. And as recent as March 2013 the island of Cyprus hit the world news as another casualty with unprecedented bail-out conditions from the E.U. The sad saga has not ended yet.

⁴¹ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,114.

⁴² International Monetary Fund, *World Economic Outlook, Spillovers and Cycles in the Global Economy, April 2007*, On-Line:<http://www.imf.org/external/Pubs/FT/WEO/2007/01/pdf/exesum.pdf> Accessed 12Dec12

⁴³ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,115.

⁴⁴ Ibid. 115.

⁴⁵ Ibid. 115.

We have to mention here that in March 2003, HSBC had acquired Household Finance Corporation, a U.S. credit card issuer and sub-prime lender. This deal was a disaster for HSBC. Although this acquisition was made before Green was running HSBC, but at the time, he was already a member of its board. And under his tenure, "The bank had defended the deal publicly since the end of 2006 when rising mortgage defaults alerted the market to the oncoming sub-prime crisis."⁴⁶ To their credit, in February 2007 due to the deterioration of the mortgage business in the U.S.A., HSBC increased by 20 % its provisions for bad debts.⁴⁷ But it was only in 2009 that Green, then still HSBC's Group chairman, stated that "With the benefit of hindsight, this is an acquisition we wish we had not undertaken".⁴⁸

In the aftermath of the financial crisis, Cowley attributed the unsustainable growth of the financial sector as a major contributor to the recession. Such growth made it very difficult to nurture in these large organizations a culture of corporate responsibility enshrined within a set of values. She also discovered, from her own personal experience, that in Investment Banking, exploitation of young people was rampant due to incorrect recruitment policies and to very stressful and competitive working environments. Cowley claims, that

It takes time to develop moral and emotional maturity....If you put young people in a stressful situation with ever increasing targets and where important decisions have to be made extremely quickly it becomes too difficult to keep powerful emotions on track with rationality. Moral maturity comes with life experience.⁴⁹

However she also points out that

⁴⁶ The Independent, Sean Farrell, Financial Editor, Tuesday 03March 2009, *HSBC rues Household deal as it raises £12.5bn Bank writes off \$10.6bn and shuts US sub-prime unit*, On-Line: <http://www.independent.co.uk/news/business/news/hsbc-rues-household-deal-as-it-raises-163125bn-1636008.html> Accessed: 12Dec2012.

⁴⁷ Bloomberg, Christine Harper and Chia-Peck Wong, 08 Feb 2007, *HSBC to Boost Loan-Loss Provisions on Bad Mortgages (Update8)*. On-Line: <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a7g02U2ZC54E&refer=home> Accessed: 12Dec12

⁴⁸ The Independent, Sean Farrell, Financial Editor, Tuesday 03March 2009, *HSBC rues Household deal as it raises £12.5bn Bank writes off \$10.6bn and shuts US sub-prime unit*, On-Line: <http://www.independent.co.uk/news/business/news/hsbc-rues-household-deal-as-it-raises-163125bn-1636008.html> Accessed: 12Dec2012

⁴⁹ Catherine Cowley, *We're all partly to blame for the recession*, Institute of Social Enterprise, News from SCA Group, 30Nov2009. On-Line: <http://www.port.ac.uk/research/cei/events/pastevents/eventresources3file,99872,en.pdf> Accessed 27Oct12

Banks acted irresponsibly but a lot of the problems they are facing come from the insatiable demands of a consumer society determined to live beyond its means.... Businesses in the whole service sector should perhaps be more aware of what they are selling and who they are selling it to. It is not just the financial sector that sells things to people that they can't afford and don't need.⁵⁰

How true her statement is.

(ii) Excessive Risk as the Crisis unfolds

Only a few months before the financial crisis started to unfold, Cowley was warning that "Risk should cease to be seen as a professional issue and become instead a public issue."⁵¹

Hedge-Fund Managers and Private Equity firms were heavily trading in high risk financial "derivative" products. These de-regulated products lack transparency. They are also very complex because their value is based on one or more underlying assets. Normally these assets include, but are not limited to, interest rates, commodities, currencies, bonds and stocks.

Even seasoned market-participants find it almost impossible to gauge their true exposure to the risk involved in such derivative instruments. Cowley argues that "transparency is seen as virtue in any activity. It is needed so that others may know what I, the moral agent, have done."⁵² But in the derivative markets Corporate Treasurers, as moral agents, very often, do not have a clear understanding of the actual instruments they hold and hence they would be unable to come up with the necessary proper risk profile of the transactions being carried out. As an example, she quotes from Jonathan Kelly, who wrote that, paradoxically:

Even those issuing new financial instruments may only learn the true nature of their products in the pages of a High Court judgement, as, for example, Morgan Stanley discovered to its cost.⁵³

⁵⁰ Catherine Cowley, *We're all partly to blame for the recession*, Institute of Social Enterprise, News from SCA Group, 30Nov2009. On-Line:

<http://www.port.ac.uk/research/cei/events/pastevents/eventresources3file,99872,en.pdf> Accessed 27Oct12

⁵¹ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 151.

⁵² Ibid 114.

⁵³ Jonathan Kelly, 'New Products Open Banks to New Risk', *International Financial Law Review*, 24 June 1998, 24-25, quoted in Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 114.

On the basis of her own personal experience, in 2006 Catherine Cowley had already written that "derivatives have quantifiable benefits but unquantifiable risks".⁵⁴

And as a consequence of the already mentioned de-regulation, banks started to associate prosperity, if not survival, with the potential to embrace even higher level of risks. Credit was even offered to many consumers who were not credit-worthy. This in turn created a huge bubble of over-valued real estate assets. Short-term profit became the norm.

For Catherine Cowley, in 2006, the writing was on the wall; "Even a cursory examination of the consequences of how global finance operates reveals features which are potentially destructive."⁵⁵ She went even further:

"Whole economies can be destabilized by speculative cross-border capital flows, often in the form of derivatives."⁵⁶

How right was this voice in the wilderness!

But notwithstanding all this, Cowley believes that derivatives have a rightful place in financial markets, since she is a firm believer that these instruments can even contribute towards the common good. She states that

Derivatives are one of the most flexible and efficient means of transforming unwanted financial risks through the transfer of exposures among counterparties. They can facilitate investment which might otherwise be too expensive or cumbersome to undertake. The popular perception that derivatives have little merit, often fostered by newspapers, is erroneous. This is not to say, however, that they are without defects, defects which can seriously undermine their contribution to the common good.⁵⁷

In other words Cowley realistically concludes that "derivatives have their legitimate place in finance, and that derivatives are not unique in being risky forms of investment. Neither is speculation per se a bad thing. Most major economic developments were at one time speculative."⁵⁸ Her important question is "Do the benefits outweigh the dangers"?⁵⁹

Cowley warns however that risk benefit analysis is not merely a "factual, objective and scientific" process. Such an exercise can never be "value" free. She goes into great detail to show that "Different people can (within limits) appraise identical risk differently,

⁵⁴ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 136.

⁵⁵ Ibid. 109.

⁵⁶ Ibid. 137.

⁵⁷ Ibid. 125.

⁵⁸ Ibid. 131.

⁵⁹ Ibid. 131.

because appraisal will depend crucially on the structure of beliefs, anticipations, and expectations regarding the case in hand."⁶⁰

In a 2009 speech, Stephen Green said that

Nearly thirty years on, we have seen exactly how, at their worst, financial markets can be engines of unprecedented destructive excess. We had become obsessed with growth projections and persuaded ourselves that the good times would keep on rolling forever. This misguided belief allowed consumption to grow faster than income and asset bubbles to froth, underpinned by ephemeral trading and financial instruments, much of which in the end served no real economic purpose.⁶¹

In this 2009 conference Green identified that, amongst the underlying causes of the crisis, there was

the search for yield without incremental risk and the market efficiency hypothesis which told us that there would always be a price for anything and that market arbitrage would ensure the price would always reflect value.⁶²

Just like Cowley, Green, whilst admitting that certain financial instruments have a higher element of risk than others, falls short of taking a blanket approach. Green gives the example of securitization, that practice in financial markets which, in simple terms, allows the pooling of different debts such as house loans, car loans, business loans and even credit cards commitments, which are then consolidated and sold out as, for example, bonds.

Repeatedly Green resonates on the fact that there was "a financial system which was over-confident in its own risk-management techniques; the globalizing of the bubble through securitization and the widespread dispersion of risk."⁶³

Although he admits that a reformation in the securitisation market is required in order to mitigate risk and to a better modus operandi of these instruments, "It would simply not be

⁶⁰ Kriston Shrader-Frechette, *Risk Analysis and Scientific Method*, 1985, quoted in Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 137.

⁶¹ Stephen Green, *Promoting a sustainable financial system*, Hermes Fund Managers and the Corporation of London Conference, London 24 November 2009, 1. On-Line: http://www.hsbc.com/1/PA_esf-ca-app-content/content/assets/newsroom/091124_skg_speech.pdf Accessed 16Dec2012

⁶² Ibid. 2

⁶³ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 115.

desirable to regulate securitization-or the innovation that flows from it- out of existence."⁶⁴

Cowley and Green both agree that it all boils down to the fact that risk, which is inherent in financial markets, needs to be adequately measured and distributed. It can never be totally eliminated.

We have already mentioned how the U.S. Senate report highlighted the fact that there were several excessive deficiencies in risk management practices. Many still believed that markets could regulate themselves. But reality proved otherwise. The collapse of Lehman Brothers, which was the largest bankruptcy filing in US history, triggered off a domino effect on the American financial system that almost led to an "Armageddon". To avoid such a catastrophe, in 2008, the U.S.A. sanctioned the creation of the "Troubled Asset Relief Program" in order to help with the stabilization of the economy.

As a consequence of the dire straits through which the financial systems of many countries had to navigate,

In 2009 the global economy entered into an uncharted territory. During that year "the global economic crisis sparked a 12.2% contraction in the volume of global trade — the largest such decline since World War II."⁶⁵

The global financial crisis was the catalyst of many a sovereign debt crisis causing a turmoil of civil and political unrest after the introduction of austerity measures which had to be imposed in certain debt-ridden countries. It is no surprise that many governments began to re-discover one of John Maynard Keynes radical tenets, namely that governments should not hesitate to spend money they don't have in order to re-energise their economy, albeit with great caution, I dare add. And this is also being done on an international level. Later on we will be looking into Cowley's perspective on how the Roman Catholic Church lacked systematic reflection on the sovereign debt crisis.

⁶⁴ Stephen Green, *Promoting a sustainable financial system*, Hermes Fund Managers and the Corporation of London Conference, London 24 November 2009, 2. On-Line: http://www.hsbc.com/1/PA_esf-ca-app-content/content/assets/newsroom/091124_skg_speech.pdf Accessed 16Dec2012

⁶⁵ World Trade Organization Press Release, *Press/598 26March 2010*, On Line: http://www.wto.org/english/news_e/pres10_e/pr598_e.htm, Accessed: 19Sep2012.

During the last one hundred years, history has shown that in countries where economic relations went wrong, calamity ensued. And in today's globalized environment we must remember that we're all in it together.

In November 2009, in a London conference, Green quoted Keynes

We are, if you like, in analogous situation to that in which John Maynard Keynes found himself in the 1930's, when he observed: "*The decadent international but individualistic capitalism, in the hands of which we found ourselves after the War, is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous - and it doesn't deliver the goods. In short, we dislike it and we are beginning to despise it. But when we wonder what to put in its place, we are extremely perplexed.*"⁶⁶

As the crisis continued to unfurl, and as we shall be seeing in the coming chapters, Green and Cowley were two dominant voices urging for an immediate and responsible action. For them rectification was still possible because "again and again, amid disappointment and in the teeth of the evidence, hope shows its face".⁶⁷

⁶⁶ Stephen Green, *Promoting a sustainable financial system*, Hermes Fund Managers and the Corporation of London Conference, London 24 November 2009,1. On-Line: http://www.hsbc.com/1/PA_esf-ca-app-content/content/assets/newsroom/091124_skg_speech.pdf Accessed 16Dec2012

⁶⁷ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,199.

Chapter 2: Global Interdependence and the Common Good

(i) Globalization

To understand better how Cowley and Green perceive this Global Financial Crisis, it is important to first analyse their views on globalization, on the role of the markets and their ideas on the common good.

"The truth is that globalization is not a concept or an ideology: it is a phenomenon. It is part of the sweep of human history.....But, at root, globalization is a phenomenon produced by the human spirit."⁶⁸ Likewise Green considers globalization as a phenomenon which goes much deeper than commerce, politics and even economics. "It's about the evolution of the human spirit".⁶⁹

Green's writings are deeply rooted in Christian teaching. This becomes truly apparent when Green treats the subject of globalization. He borrows from St. Paul's social vision of Christianity, who living at a period when the Roman Empire was at its zenith, in Galatians 3:28, reiterates towards the removal of racial and gender barriers. In reality, history amply shows that the Christian movement has really fallen short of St. Paul's vision. But St. Paul's hopes and ideals have stood the test of time. Green, conscious of Christianity's failures, considers that "it is one of the striking glories of globalization that the processes of urbanization, education and communication are gradually writing this huge wrong."⁷⁰

Green is a great admirer of Teilhard de Chardin, a French Jesuit, who many consider him as the prophet of globalization. In his writings and in his interviews, Green often refers to this philosopher and paleontologist. Green's preoccupation with social progress and ethical responsibility within a global context has been greatly influenced by de Chardin's mystical perception of globalization. Green writes that, for de Chardin,

⁶⁸ John Paul II, *Address Of The Holy Father To The Pontifical Academy Of Social Sciences, Friday 27April2001*, On-Line: http://www.vatican.va/holy_father/john_paul_ii/speeches/2001/documents/hf_jp-ii_spe_20010427_pc-social-sciences_en.html Accessed 28Sep2012.

⁶⁹ Financial Times, 26 June 2009. *Lunch with the FT: Stephen Green, by Lionel Barber*. On-Line: <http://www.ft.com/intl/cms/s/0/224b507c-61de-11de-9e03-00144feabdc0.html#axzz2AgFSeJtZ> Accessed 29Oct2012.

⁷⁰ Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,201.

Globalization was the deep-rooted religious movement of his age. He connected to the mystic's desire for oneness to the infinite, to what he called the Omega Point. And he used the vocabulary of mysticism to describe global developments in technology, industry, politics, and the environment. But the roots of the phenomenon were in evolution and humanity's gradual spread across the face of the globe.⁷¹

Like de Chardin, Green deems globalization as the entelechy of a slow process of a growing global connectedness which started thousands of years ago, the pace of which was greatly accelerated during the last century.

For many years cities have been major players in the generation of national wealth. Some cities, albeit not all, now hold a key position in the globalization process. Green considers that the old and even the newly emerging world cities, especially those in Asia, have the potential to be part of the powerful transformational force of globalization which can change even human consciousness.

There is no question that this is one of the most significant senses in which Teilhard de Chardin's insight is true-that the human becomes a person not just as an individual, but in community. Teilhard saw community as emerging through the growing global connectedness of humankind (not as a reversion to earlier, small-scale, separated communitarian living).⁷²

But Green always keeps his feet on the ground. He acknowledges that the changes being brought about by urbanization and globalization are so big and so recent that it is still too early to fully understand the consequences. "Individualization and social liberation are inextricably entwined with it. They seem to be goods facilitating self-actualization on a broader scale than ever before."⁷³ In 1991 Charles Taylor, had already branded individualism and instrumental reason as two out of the three malaises of modernity. Taylor's third malaise was loss of freedom, which is a direct consequence of the first two. Like Taylor, Green falls short of adopting a cultural pessimism of modernity.

And like Cowley, Green insists that Christians are faced with a challenge to take action in every realm of human activity. Green likes to refer to the business aspect of globalization

⁷¹ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,50.

⁷² Ibid. 202.

⁷³ Ibid. 105.

as the "global bazaar" and he strongly believes that "we are called to engagement, not disengagement-into life in the ambiguous bazaar, not out of it".⁷⁴

In his quest for survival, man yearned to explore and improve his habitat. Through migration, man ventured into new pastures and experienced different discoveries and different cultures. Trade has its roots in what Adam Smith describes as an inbuilt "propensity to truck, barter, and exchange one thing for another."⁷⁵

For thousands of years man continued to trade and barter different products with his fellow nationals and with people of other countries. By the mid-nineteenth century, Europe had already become a trade hub, where high volume business became the order of the day. The Industrial revolution of the nineteenth century and the huge movement of urbanization, especially the one in Britain, accelerated tremendously the progress of trade. Economies and infrastructure started to overcome national boundaries. Individuals, societies and nations started to change the way they interact with each other. Travelling and transportation became faster, easier and cheaper.

As a result of this greater mobility, consumer goods, human and material capital increased their itinerant nature. The same thing happened with values and cultures.

Modernity, with its technological revolution and social dimensions, has facilitated the interconnectivity of people and nations. Potentially this phenomenon can thoroughly complement, enhance and above all facilitate the element of universality in religion, culture, politics and economics. Inter-religious dialogue, cultural exchanges, the fall of so many dictatorial regimes and the free markets all demonstrate that globalization has emerged as a positive paradigm for the way humans and nations can relate with one another.

From trading obsidian flakes to opening branches of McDonald's in Moscow and Beijing, despite continuing resistance expressed in religion, philosophy and literature, humanity's aptitude for commerce has been unstoppable. At the heart of it has been the instinct to explore and connect. Survival gave humanity legs; trade gave it wings.⁷⁶

Way back in 2005, Catherine Cowley had already rightfully observed that

⁷⁴ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 204.

⁷⁵ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1776. Book 1, Chapter 2, 01. On-Line: <http://geolib.com/smith.adam/won1-02.html> Accessed 29Sep2012.

⁷⁶ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,79

It is capital which drives the process of globalization far more than trade. Capital is more mobile than the other factors of production. Whilst economies in general are becoming increasingly de-territorialised, money can ignore national boundaries with even greater ease. This has resulted in trading in money becoming the dominant transnational economic activity.⁷⁷

Of course it is much easier to trade in money than in goods, not only from a logistical stand-point but even because trading in money involves less human interaction, and as a result, becomes less conditioned by inter-personal relationships of the parties involved.

Since the financial de-regulation of the mid-eighties, cross-border lending and capital flows increased substantially. And this money-trading was taking place not only between advanced economies but even involving an ever-increasing number of emerging markets. This phenomenon was the catalyst of more competition. It even accelerated the development of the financial sector by generating investment, economic growth and an increase in welfare gains. But in some countries growth was unsustainable and artificial.

While inflows played a role in the era's prosperity in many countries, persistent surges during 2003–07 were also a factor (among others) in large real appreciations, unmanageable credit expansions and even misallocated investments and asset price bubbles.⁷⁸

Global business is not void of ethical and moral challenges. Moral disagreement which some like MacIntyre, see it as a product of the Enlightenment, has become even more complicated. Today's globalized scenario has facilitated like never before cultural and social inter-connectivity which brings to light diverse views on morality. There is also a lot of skepticism on the role of foreign ownership and management in local markets. The abuse of cultural freedom can seriously dampen the benefits of globalization.

Cowley urges caution with regards to financial globalization:

It would not be an exaggeration to say that a prime goal of financial globalisation is that of liberating the accumulation of capital from all social and ecological barriers. This trend is, in my view, central to the moral significance of globalisation.

⁷⁷ Catherine Cowley, *Money Finance and Morality in a Global Economy*, New Blackfriars, Issue 1002, March 2005, 222

⁷⁸ International Monetary Fund, *The Fund's Role Regarding Cross-Border Capital Flows*, 15Nov2010, On-Line: <http://www.imf.org/external/np/pp/eng/2010/111510.pdf> Accessed 08Oct2012.

Investment de-regulation has had, and will have, a more far-reaching impact than any other step in the globalisation process.⁷⁹

Morality and religion, although not synonymous, have a lot in common. And for centuries religions had no borders. Believers and missionaries travelled around the globe promulgating their religious beliefs. It is a challenge for Christianity to utilize its long-established global network, rich with some very valuable knowledge and contacts, in order to diffuse and proclaim the dire need for globalization to be in the service of the human person and not vice versa. And this quest for the respect of the dignity of the human person is in total harmony with the Christian religions, and with the ideals of both Catherine Cowley and Stephen Green.

National interests are no longer the sole ingredients in the agendas of good politicians. Global warming, climate change, justice, foreign aid and trade liberalization are just but a few examples of universal political issues which continually condition what politicians may and can do on a national level. Economies are not only very closely intertwined with each other but many are interdependent on each other. The concept of a global community is now a reality.

As we have seen in this financial crisis, global interdependence, especially in its economic and financial aspect, puts individuals and whole nations at the mercy of unforeseen and uncontrollable, sometimes even hostile forces. Apart from terrorist attacks, drug traffickers and some very aggressive computer viruses, we are still in the midst of a rapidly contagious financial and sovereign debt crisis. Today, it is next to impossible for any country to control its own destiny. Local politics, and not just in the European Union, have been rendered primarily reactive. National sovereignty is on a slippery slope. And in such a globalized scenario, social injustices and discrimination do not lack. Thomas Massaro warns that

The potential for globalization to become either a great force for human liberation or yet another excuse for exploitation of the powerless makes it the single most important ethical sign of the times in the twenty-first century.⁸⁰

⁷⁹ Catherine Cowley, *Money Finance and Morality in a Global Economy*, New Blackfriars, Issue 1002, March 2005, 222.

⁸⁰ Thomas Massaro, *Living Justice, Catholic Social Teaching In Action*, Maryland 2012, 173.

Even Peter Singer, commenting on John Rawls' masterpiece "A Theory of Justice", highlighted the lack of universality with regards to the principles of justice. Singer states that Rawls:

never explains the obligations of justice between societies; what does one wealthy society owe to another, much poorer society? It is extraordinary that such a large book on justice fails to address what is surely one of the most pressing questions of justice in the world today.⁸¹

Ethics transcend national precincts. Individuals and nations face an arduous task in trying to agree on what type of ethics should, or rather could, govern their ethical behaviour. Our culture today does not facilitate a common perception of the good life. Today everyone seems to have his or her values. Even more so, in today's globalized scenario

It's now very difficult, both at the public level and at the private level, to be able to say with certainty "that's good, that's bad". That has value; that does not. If you try and do it, very often now you are considered to be elitist or possibly oppressive of others who think differently from you. One of the difficulties resulting from that is that we don't have a shared morality, a shared understanding of the common good, and therefore a socially shared view of what limits should be applied to activities which impact upon the wider society.⁸²

No one can come out with an easy recipe to address these challenges. We cannot turn back the hands of time and go back to a simpler more communitarian and less interconnected living. We are slowly seeing the emergence of a new world order, the shifting of global economic power from west to east, which according to Green, such a shift of economic power from West to East, "has been accelerated by the financial crisis".⁸³ BRICS has now become an economic reality. And this in itself is a good sign. It shows that growth and prosperity are being shared, and not just in developed countries

⁸¹ Peter Singer, Joanne J. Myers, Carnegie Council : *One World: The Ethics Of Globalization*, 29Oct2002, On Line: <http://www.carnegiecouncil.org/studio/transcripts/164.html> Accessed 25Sep2012.

⁸² Catherine Cowley, *Money: A Crisis of Value*, Tuesday 06October 2009, St. Paul's Cathedral, Transcript. On-Line: <http://www.stpaulsinstitute.org.uk/Resources/Articles-Transcripts/Money-Integrity-Wellbeing> Accessed 01 October2012.

⁸³ The Focus, *Interview with Stephen Green, Volume 2010/1, European Edition, Resilience*. On-Line: <http://www.egonzehnder.com/global/focus/topics/article/id/17500151> Accessed 16Nov12

but even in emerging and poor countries. No wonder that the Asian continent is being described as a rising tiger and a sleeping giant.

And although the world's major religions are not turning a blind eye to this reality of globalization, some leading Roman Catholic theologians are expecting more major pronouncements on this issue.

While there have been partial and local responses in various parts of the world from groups of bishops or lay councils of concerned Catholics, as of this writing there is no papal encyclical that takes up in detail the moral challenge of globalization. Except for a few brief allusions to globalization in the 1991 social encyclical *Centesimus Annus*, a few sentences on the topic in John Paul's II 1999 apostolic exhortation *Ecclesia in America*, and a few more in Benedict's XVI's 2009 encyclical *Caritas In Veritate*, we still await substantial treatment of globalization in documents invoking the highest level of papal authority.⁸⁴

In this financial crisis, which is totally oblivious of national boundaries, as already stated, Keynes' economic theories are now again back in the forefront. Economies cannot be left to drive themselves.

As Stephen Green puts it, "government oversight, regulation, and in times of stress, intervention are essential. Markets cannot be relied on to be stable and self-regulating. Nor are they sufficient for a balanced social development".⁸⁵

In an unprecedented way, global banks have clearly depicted the malaise and the tragic consequences of "short-termism".

Many today agree that, as we shall be highlighting later, nations, multi-nationals and especially global banks, as well as citizens and bank clients, need to change their attitudes and their expectations.

History shows that events drive ideas. The turmoil of this financial crisis in an otherwise irreversible globalized environment is set to produce a whole generation of new thinking and new ideas.

The declaration of the leaders of the 2009 London G20 summit is a significant step in the right direction. It is a sign of a new order.

⁸⁴ Thomas Massaro, *Living Justice, Catholic Social Teaching In Action*, Maryland 2012, 175.

⁸⁵ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 128.

We believe that the only sure foundation for sustainable globalization and rising prosperity for all is an open world economy based on market principles, effective regulation, and strong global institutions.⁸⁶

Green was delighted with above statement of the G20.⁸⁷ But he still believes that in today's global environment, notwithstanding the material and economic development, many are still not as happy as their parents were.

It is clear, in short, that capitalism for the twenty-first century needs to discover a fundamentally renewed morality to underpin it.....Surveys consistently show that economic progress has not been accompanied by the expected improved level of happiness.⁸⁸

Banking is in a cul-de-sac. Trust is in a crisis. Even Antony Jenkins the new CEO of Barclays, another British bank engulfed in the LIBOR scandal, acknowledges that

Banking does have a lot to do to rebuild trust and integrity and I'd also say that it's vital that that happens.....I do believe that Barclays has a significant job to rebuild trust - but I'm also confident that we can...It goes back to what we do: if we serve customers and clients in a way that is socially useful, then we will rebuild that trust.... I'm also not naive about how long that will take - it will take time.⁸⁹

My banking career started with Barclays in 1974. All I can add is that we're back to basics.

⁸⁶ BBC News 02April2009: *G20 leaders seal \$1tn global deal. Leaders's statement from the G20 summit in London*, On-Line: <http://news.bbc.co.uk/2/hi/business/7979606.stm> Accessed 03Oct2012

⁸⁷ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,129.

⁸⁸ Ibid. 131.

⁸⁹ BBC News 04Oct2012, *We need socially useful banks*, On-Line: <http://www.bbc.co.uk/news/business-19834731> Accessed 09Oct2012

(ii) The Markets.

At the turn of this millennium, Bloomberg reported that "Market liberalization by itself does not lift all boats, and in some cases, it has caused severe damage to poor nations."⁹⁰ In today's era of the Great Recession, the above statement by Bloomberg resonates much more. It has certainly gained in its momentum. On the other hand, with the exception of some die-hard socialists, many still believe in the potential of capitalism, albeit in a reformed state. Today's debates, even in international forums like the G20, do not focus on whether capitalism should be replaced, but rather on how capitalism can work better to provide more equitable and truly global solutions.

Nowadays, more than 80 % of the population of the world lives in developing and economically vulnerable countries where education and incomes are low and where poverty is high. Moreover

Developed countries as a whole will experience little or no population growth in this century, and much of that growth will be from immigration from less developed countries. The world's poorest countries will see the growth.... by 2050, the population of less developed countries will number over 8 billion, or 86 percent of world population.⁹¹

Magical prescriptions do not exist. Improving the education system of poor countries is vital. But it's not enough. Such improvement must be accompanied by a job-creation strategy, because otherwise, improving education would only lead to an educated and a frustrated army of unemployed persons. Proper infrastructure is also a necessity, because without it, developing countries, find it difficult to access the markets of more developed countries. Success in socio-economic development is not solely dependent on governmental actions and initiatives. It entails the involvement of different stakeholders, ranging from non-governmental and non-profit organizations to cooperatives. But above all it requires the active participation of the markets.

Stephen Green is not only explicit, but also quite optimistic on the social dimension and role of the markets. In a capitalist society,

⁹⁰ Bloomberg Businessweek, 06 November 2000, *Global Capitalism, Can It Be Made To Work Better?* Cover Story by Pete Engardio in Washington, with Catherine Belton in Moscow, and bureau reports. On-Line: http://www.businessweek.com/2000/00_45/b3706001.htm Accessed 10Oct2012

⁹¹ Population Reference Bureau, *2012 World Population Data Sheet*, On-Line: http://www.prb.org/pdf12/2012-population-data-sheet_eng.pdf Accessed 15Oct2012

the market *can* provide bread for humanity, both now and in the future, and provide it efficiently too. That real markets do not often work well enough to do so is due to their imperfections and misuse, not to any intrinsic evil in them. It must certainly be acknowledged that, left to their own devices, real markets are unlikely to distribute wealth effectively in accordance with the Christian imperative, or to ensure that the resources of the earth are properly tended. But properly used, the power of the market can be harnessed for good⁹²

There is no doubt that free markets are facing a great challenge. Following Thatcher's revolution of the eighties, most Western European governments initiated a huge privatization process whereby governments started to divest themselves of state-owned corporations. Such moves increased governments' short-term revenue and even led to a higher growth rate in the countries concerned. Eastern Europe followed suit. "The result over the past two decades has been the largest voluntary state surrender of economic control in modern history".⁹³ As a result of this large scale privatization and liberalization, we witnessed the birth of the so called "emerging markets", including the new economic giants of India and China. Free-market capitalism not only survived but flourished. And it would continue to do so. It did so even after the Great Depression, when it faced serious threats from colonialism, fascism and communism. Capitalism is so resilient because it has proven over and over again that it has the potential to enable man to prosper. And this prosperity, in theory, can be achieved by everyone, without any class or racial distinction. It's that "American Dream" so deeply rooted in the United States Declaration of Independence.

Assisted by a free press and an independent system of justice, Capitalism allows not only a free-flow of capital, but also of people and their ideas. Capitalism's resiliency has been demonstrated by its capacity to evolve. That's why we have so many companies who, notwithstanding difficult market conditions, not only managed to survive decades of successful operations, but even flourished, because the workforce together with their Management were wise enough to make the necessary changes and innovations in order to adjust according to the dictates of the market. And nobody does it better than the

⁹² Stephen Green, *Serving God? Serving Mammon? Christians and the Financial Markets*, London 1996,76.

⁹³ Ian Bremmer, *The End Of The Free Market. Who Wins the war between States and Corporations?* London 2010, 174.

capitalists. We've seen myriads of industries, especially in planned-economy countries, collapsing because their produce was not what the consumers wanted.

So yes, Capitalism is here to stay. But

The economic meltdown of 2008-2009 made clear the need for **better government, not less government**, because it reminded us that investors and commercial strategists too often play for short-term gains and ignore longer-term risks. That's one reason why we shouldn't expect markets to regulate themselves and why intelligent (and limited) government intervention can help prevent market failures from generating shock waves through entire societies.⁹⁴

Capitalism needs to strike the correct balance, especially in the banking sector. In the financial sector banks play a pivotal role. For many borrowers, banks are the main, if not the only, source of credit. Banks handle and process large sums of money transfers, thereby creating an interdependency/direct effect even on and with other banks. We have seen how devastating the impact of systematic bank failures can be. And we're not out of the woods yet. Unlike, other businesses, when banks fail, especially if powerful and big, society pays a heavy price. "Power brings obligations, omissions are more serious and a bad example may have disastrous consequences".⁹⁵

In September 2012, on the fourth anniversary of that fateful September 2008, Cowley was back on the BBC. She is still very much aware of so many structural problems in the banking sector. She even identifies specific practices which require surgical intervention.

Once we moved into the state where everything has to be governed by the quarterly returns and the expectations of the market and the analysts, then the possibilities of taking a short-term hit in order to promote the long-term good of the company gets severely reduced. We've also had the growth of particular market ideology which pushes the idea that people often operate only of self-interest and if you start having that very minimalist understanding of human motivation, and if that's how you gear up your remuneration package, then you're going to be rewarding a particular type of behaviour, and any other type of behaviour will either be overlooked or might even be seen as detrimental to the targets.⁹⁶

It's the reality. Bank executives send conflicting messages to their employees. Whilst insisting with their employees about the importance of strict adherence with a code of

⁹⁴ Ian Bremmer, *The End Of The Free Market. Who Wins the war between States and Corporations?* London 2010, 178.

⁹⁵ Catherine Cowley, *Money Finance and Morality in a Global Economy*, New Blackfriars, Issue 1002, March 2005, 117.

⁹⁶ Catherine Cowley, *BBC Business Daily, In The Balance: The Divided Self*, 22Sep2012, On-Line: <http://tunein.com/topic/?TopicId=41464100> Accessed 02Oct2012

ethics, on the other hand, and in certain cases, at the same time, the same executives dictate unrealistic targets to their employees, warning them about the negative consequences that will follow if these targets are not met. There is a serious lack of coherence between what is said and what is done. This does not mean in any way that every bank executive is a shyster and thus cannot be trusted. One can still encounter some very decent and honest bankers who are doing all they can to change this culture. Although theirs is an uphill struggle, it is nonetheless, a struggle for the long-term survival of the corporate brands involved and even more so with regards to our future and that of the common good.

(iii) The Common Good

Stephen Green, not only insists that "The way of fulfilment is clearly one which treats others (colleagues or customers) as ends not just means", ⁹⁷ but he argues that

that the company has to be able to ask-and give a satisfactory answer to the question: How does the business we do contribute to the common good? And boards and senior managements need to be able to explain the answer convincingly to their own people. (In the case of banking, for example, how do specific financial products contribute to human welfare and economic development?)⁹⁸

Catherine Cowley takes a very positive, philosophical and detailed stance on the common good because it

provides a more global philosophical perspective than does the individualistic, western model of self interested rationality. It shares common ground with a wide range of religious perspectives as well as secular communitarianism and is more amenable both to Islamic and Oriental cultures.⁹⁹

Such a common factor can act as a platform for more inter-religious and cross-cultural dialogue on the good life. However it is a known fact that in the west, and even in Malta, one still finds individuals who associate the common good with totalitarianism. According to Cowley, the concepts of solidarity and subsidiarity, as advocated by Catholic Social Teaching, are an effective safeguard against the totalitarian version of the

⁹⁷ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,178.

⁹⁸ Ibid.156-157.

⁹⁹ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 76.

common good. “The common good, by definition, has to be inclusive or it is nothing”¹⁰⁰, states Cowley. Here Stephen Green will surely say Amen.

Communitarian ethics do not suffice, because such ethics can take a partisan, racial and a restricted perspective by focussing merely on unity, with diversity, more often than not, being sidelined. It’s not enough acting ethically within the precincts of one’s own political party, for example. Ethics need to go beyond the party line, and must encompass even political opponents. And in today’s globalised environment, especially after this financial crisis, it is paramount NOT to take such a confined ethical approach, because by doing so, segments of society may become disconnected from each other with the possibility of fuelling situations of conflict between people of incompatible interests. And again, Cowley & Green, as two fervent and practising Christians are in tandem about the importance of adhering with the commandment to love one’s neighbour as oneself. Such Biblical vocabulary, and others like people of God, Body of Christ etc., is very much at heart with Cowley & Green because it amplifies the social dimension of the human person and shows that the destiny of an individual lies within the community. Of course this does not mean that in a community one should annihilate his personality. Far from it. **Being personal is different from being private.** Our personal destiny, and actions, need not remain private.

Cowley enters the realm of the spirituality of incarnation when she deals with the concept of the common good in the world order. She comes to a transcendental conclusion that

The common good of this world is not an absolute value; only God is absolute. Therefore all realizations of the common good (political, economic, cultural) are partial and limited. Each of these goods is valuable, but may not be absolutized or allowed to become dominant. This requires that, in working for the common good, we should respect the transcendent dignity of the person because human beings are destined for a good (that is, God) which is beyond civil society and the state.¹⁰¹

Some might think that such discourse is detached from reality and cannot be applied in any organization. In later chapters we will be elaborating and demonstrating how business entities are not only realizing but incorporating such concepts within their institutions.

¹⁰⁰ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 80.

¹⁰¹ Ibid. 81-82.

In today's globalized environment, large corporations, especially global financial institutions, are constantly increasing their dominance and their power, thereby increasing their influence on politicians and decision-makers. Consequently their actions have a direct impact on society both on a national, as well as on an international level. In such a global environment there is a risk that decisions will be taken only on the basis of power and money, bypassing dialogue and consensus and, in certain cases, ignoring the dignity and the cultural identity of the human person. Unless respected, whole cultures of different people in different nations could be destroyed. Such actions of the so called free-market are doing nothing less than denying the freedom of choice between different cultures. Unfortunately this is happening in many other spheres of our lives because "Liberalism then, paradoxically tends to promote a totalising unity within an overriding collectivist framework that nullifies opposition."¹⁰²

Stephen Green is a man of deep faith, and typical of such individuals, he urges us

To confront our globalizing future, individual and collective, material and spiritual, with hope-not with despair, and not with uncritical optimism.¹⁰³

Globalization and urbanization have been the catalysts of an ever-increasing consumption of finite global resources. Unsustainable actions have become be a serious threat for future generations. And as a consequence of this financial crisis, even the gap between the poor and the rich has got even wider. Notwithstanding this, many of us carry on with our lives in a "business as usual" mode. Why should we even bother? Why? Because "poverty is surely not inevitable, and the problem not intractable. The modern world does have the resources and the technology to deliver reasonable living standards to everyone."¹⁰⁴

According to Charles Taylor, in today's "fragmented" society, (Green calls it compartmentalized) due to "atomism" and "the procedural liberalism of neutrality", the members of society find it extremely difficult to identify themselves in the form of a community even within political societies. Taylor wrote this in 1991, in his *Ethics of Authenticity*. And it is still very much valid even today.

¹⁰² Phillip Blond, *Red Tory. How Left And Right Have Broken Britain And How We Can Fix It*, London 2010, 150.

¹⁰³ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,204.

¹⁰⁴ *Ibid.*141.

Chapter 3: Responsible Action

(i) The Call

As a consequence of the great financial crisis

It is significant that the idea of duty seems to be coming back into public discourse, as something we yearn to retrieve from an earlier stage of history, albeit without the perceived trappings of patronization, hypocrisy and intrusiveness.¹⁰⁵

This is very welcoming news, especially in a scenario where individualization dominates as never before in a society which, ironically, was never so much better interconnected. Propagating the idea of doing something for posterity can be an effective mitigating factor against the challenges of economic disparities which are being exacerbated by individualism, instrumentalism and socio-political havoc in this "uncertain world". Economic growth requires the concerted intervention of businesses, individuals and voluntary organizations to counteract against the perils of parochialism and nationalism. Governments by themselves will not succeed to eradicate poverty. Let's be realistic. This is not an easy task, but it's neither a utopia. Disappointments have been, and will continue to be, encountered. But the G20, the Doha round and other similar global initiatives all demonstrate that there seems to be an increase of an integrated sensibility and response for these challenges. And businesses, especially global financial institutions, can no longer remain passive, at least, if they ever want to regain the trust and confidence which, in recent years, has been greatly shattered.

As a strong believer in the potential of the markets, Green states that

Working with the grain of the markets, on the other hand, humanity can harness a force which is deeply engrained in its own nature to achieve what can easily seem to be the impossible.....Businesses -of all kinds, in the real economy or in the financial system- cannot therefore take the view that this none of their business.¹⁰⁶

He takes a very holistic view with regards to Corporate Social Responsibility, or as it is often being referred to nowadays, Corporate Sustainability. Philanthropy is only a minor

¹⁰⁵ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,137.

¹⁰⁶ *Ibid.* 154.

and, very often, merely a cosmetic aspect of doing good. For Green CSR, " is about strategic objectives, and indeed the raison d' être, of the company itself".¹⁰⁷

Green demands a renewed commitment towards value maximization. He recommends a four-fold approach towards achieving this long-term goal:

1. Maintain the best possible, **but sustainable**, return on capital.
2. Nurture an optimal customer relationship.
3. Foster the well-being of the employees, and enhance the effectiveness of the workforce in making a valid contribution to society.
4. Boards and senior management need to convince and demonstrate that banks need to make a valid contribution towards a sustainable economic development.

Green's nightmare was a "picture of humanity sleepwalking to disaster, dazed and drugged by its own self-indulgence."¹⁰⁸ Whilst travelling from one city to another Green never forgot that

In many of the modern cities of the rich West there are areas that are effectively ghettos of the marginalized, sometimes separated from the wealthiest by the shortest of distances¹⁰⁹

Cowley is right in her belief that

understanding the finance sector(at least in general terms) is a moral demand of our time-otherwise it operates within an unchallengeable mystique. Only with such understanding can the necessary conversation between society as a whole and the sector be had.¹¹⁰

Immediate action is required. And this action is being elicited even as I am writing this thesis. This is how the World Economic Forum, in its Global Agenda Council of 2012 which was held in Dubai during November 2012, described the current scenario

The collapse of financial systems and resulting economic crisis generated a growing disbelief and a fundamental distrust in the ways things operate and how decisions are made. Old social contracts have unravelled, while former assumptions and shared concepts about fairness, agreements, reciprocity, mutual benefits, social values and expected futures have all but disappeared.¹¹¹

¹⁰⁷ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,155.

¹⁰⁸ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,104.

¹⁰⁹ Ibid.138.

¹¹⁰ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 2.

¹¹¹ World Economic Forum, *Global Agenda Council on Values 2012*. On-Line:

<http://www.weforum.org/content/global-agenda-council-values-2012> Accessed: 12Nov2012

The forum, whilst acknowledging that the financial crisis increased social divides and amplified mistrust in business, but on the other hand, admits that the same crisis highlighted the need for a greater emphasis on values. Not only that, but the forum stresses upon the need to bridge not only the gap of inequality, but also the gap between one's values and one's behaviour. This Global Agenda Council is aspiring to act as a bridge over the troubled water which runs through the gaps of public and private sector, of different faiths and cultures, and of different sets of values. During this long and winding process, the council is trying to consolidate and to articulate common denominators, whilst at the same time urging an appreciation of any differences. Whilst doing so, one also hopes that "The mission of the Global Agenda Council on Values is to develop not only a new mindset, but also a new toolset for a more moral economy."¹¹² Although many still think that the above is nothing but a "Mission Impossible", one can see it as a mission, which, in many ways, compliments Christian ethics because it emphasizes the importance and the moral worth of economic activity. Economic power has been rapidly moving from the state to the market. It has therefore become a more pressing matter to articulate and to agree on crucial matters such as what constitutes the common good and how inequalities can be decreased. And this needs to be done both on a national, as well as on a global level.

As a direct consequence of this shift of economic power from the state to the market, we have started to witness the 'personalization' of risk taking. This has been amply demonstrated during the financial crisis. We have already referred to the highly risky derivatives market, and to how bankers opted to take such a high risk by maintaining unrealistic positions. This was all done because risk was being reviewed as something merely personal and professional. But reality has proven otherwise. The risk bearers of this financial crisis, included millions of people who actually had absolutely nothing to do with those reckless financiers who decided to take unquantifiable risks. No one can deny that, especially, in the world of finance, all investments and all loans carry with them an element of risk. Both have a lot of dependencies on futuristic, thereby,

¹¹² Tim Leberecht, *Shaping the values of our connected world*, World Economic Forum, 09Nov2012, On-Line: <http://forumblog.org/2012/11/shaping-the-values-of-our-connected-world/> Accessed: 12Nov2012.

unforeseen circumstances. It would therefore be foolish and imprudent to think that risk can ever be eliminated.

But, to say the least, risk needs to be identified and quantified, in order to be able to put in place any mitigating factors that may be required. The sub-prime loans which played such an important part in the financial cacophony of the U.S.A. are just but one example where 'moral hazard' was in full swing. The originators of these loans (mostly banks) were fully aware of the possible inability for borrowers to repay. But because there were other buyers (e.g. Freddie Mac, Fannie Mae) willing to buy these unsustainable loans from the originators, the banks who designed and sold the loans did not bother much about the risk of default because, upon selling, the risk was no longer being borne by the originators of the loans. The original sellers of these loans did not take full responsibility for the consequences of their actions; hence there was a tendency to act in a less careful manner.

Therefore, "an ethics of risk management is required which incorporates both prudence and courage without recklessness".¹¹³

Moral hazard, another by-product of short-termism, is an incentive for businesses to engage in transactions where good oversight is either minimized or ignored. In the U.S.A., politicians, eager to buy votes and to make home-ownership affordable, opted not to make an objective and realistic assessment on the high risk of default by borrowing customers of the government created agencies of Freddie Mac and Fannie Mae. Moral hazards lead to the lowering of borrowing standards and eventually lead to taxpayers' bailouts. And whilst talking of bailouts, governments and politicians need to realize that, as the saying goes, ' Capitalism without bankruptcy is like religion without hell.' If society and governments continue to utilize tax-payers money so that relatively rich shareholders, bondholders and even executives can be bailed out without them incurring any personal losses, then the current contagion of civil and social unrest will surely continue to extend its tentacles. On 15 December 2012, The Economist wrote about a "bail-in" proposal to enable global banks to have a stipulated cushion or a buffer before any troubled bank decides to ask for a government bailout.¹¹⁴ A month earlier, the

¹¹³ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 152.

¹¹⁴ The Economist, December 15th -21st 2012, *When global banks fail*, National Trust, 67.

Financial Times of the 13 November 2012 had already reported that two of Britain's leading banks had agreed with such a measure of debt bail-in.

Politicians must not only bear the brunt of their wrong decisions, but they definitely need to come to grasp with the reality that the financial crisis has amply demonstrated how national politics can have tragic supra-national consequences, especially with regards to economics, finance and even the environment. Political inaction and insensibility towards the causes of an ever widening gap of inequality is a perfect recipe for social upheaval.

Cowley and Green will certainly agree with Phillip Blond when he wrote that "We need to deliver the ethical content necessary for a change in behaviour; only then can our institutions flourish." ¹¹⁵ And when they flourish, society becomes less unequal.

(ii) Ethics in the Market

The question is not, as in previous decades: 'Can the market system work?' but 'Will the market system work well enough?' ¹¹⁶ Cowley and Green both believe that the concepts of ethics can and must be applied in the realms of the economy, in business and especially in finance. This rationale is in total harmony with the Aristotelian framework where ethics and politics, morality and human sciences go in tandem. Adam Smith, the father of modern economics, apart from being an economist was also a moral philosopher. For Smith the pursuit of self-interest does not mean unlimited freedom. On the contrary, such a pursuit needs to be enshrined within a moral and public order. After all, before publishing his magnum opus of 1776, "The Wealth of Nations" Smith had already published in 1759, his other classic "The theory of Moral Sentiments". Ethics is compatible with free-market competition and profit maximization. There is no doubt that competition and personal interest are not only necessary but indispensable. Good products and services emanate from the quest of the pursuit of self-interest assisted by the forces of competition. But not in a "free for all" scenario. The market requires a level playing field within a framework of rules and ethical norms. Keeping the same paradigm, in order to achieve success, the players of a football team must focus more on the interest of their

¹¹⁵ Phillip Blond, *Red Tory. How Left And Right Have Broken Britain And How We Can Fix It*, London 2010, 168.

¹¹⁶ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 33.

team rather than on their own personal interest. If the players focus merely on their self interest, the team would not produce good results. And in recent years the financial sector was very much dominated by egocentrics.

In many financial institutions,

People hop around from bank to bank without question. So the loyalty to the organisation is less than the loyalty to their own income and bonuses..... So you are very atomised - you are on your own, trying to make money. There is a kind of culture of distrust, fear, politics that is created....There is zero loyalty from your bank to you, zero loyalty from you to your bank.¹¹⁷

Once again, no wonder that in the wake of this financial crisis, the number of people losing trust in financial institutions has been increasing. In a globalized environment, businesses, especially financial institutions, have usurped a lot of power previously belonging to the state. Today, some of these financial institutions have an influence even on national and international policymaking. But along with power comes responsibility. Hence there is now a greater importance for such institutions to act within an ethical framework. In banking, solidarity and subsidiarity should no longer be considered as alien concepts.

Cowley puts it very clearly and very beautifully,

If there is market power, if business practitioners are making deliberate choices and decisions that influence other's lives, there must be guiding norms for such decisions.¹¹⁸

In chapter 1 we saw how Green suggested that Milton Friedman should be revisited. Likewise Cowley criticizes Friedman and other economists who hold the popular and very influential view that the only social responsibility of business is to make profits.

According to Cowley, Friedman

views the market, and therefore business with it, as something which achieves its end precisely by the impersonal nature of its activity. There is a lack of coherence in this view.¹¹⁹

¹¹⁷ Kimiko de Fraytas Tamura, Business Reporter BBC News, *How banking culture transformed over the decades*, 05September2012. On-line: <http://www.bbc.co.uk/news/business-19463343> Accessed:06Sep2012.

¹¹⁸ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006,13.

¹¹⁹ Ibid.11.

Others, like John Ladd and Hayek, argue that business entities are not moral agents and therefore they cannot be expected to have any sort of moral integrity. But Cowley disagrees because those who say so

overlook the fact that economic activity places enormous moral demands on individuals. It requires a moral attitude that the economy alone cannot produce. In addition, while the economy can show individuals the relative prices and the optimal allocation of their resources for certain goals, it cannot relieve them of the choices between goals and values.¹²⁰

Luckily certain corporate cultures are not totally immune from direct or indirect moral expectations. Financial institutions have not been totally bereft of some form of moral guiding norms. This reality can therefore act as the foundations on which one can build even further.

The beauty of Cowley comes out in the way she promotes dialogue and debate, based on a framework of business ethics which respects functional differences through interconnectedness. She promotes a culture that searches for areas of convergence rather than separation between social spheres. She makes an important distinction between theological and economic arguments. She does this because, as she puts it, "theologians sometimes move too quickly into theologizing, without sufficient clarity about where the places are at which to start the conversation."¹²¹ She is a firm believer in the markets because "the problems of business ethics are generated by the way the market works, rather than the concept of the market in itself."¹²² Like many other things in life, and even just like human beings, markets can opt either towards good or evil, and for Cowley "markets are not in their essence instruments of alienation, exploitation, anarchy and centrifugal egoism. They are, or at least can be, good instruments and serve human community."¹²³ As we can see, her experience in the markets enables her to take a very pragmatic approach. Along with the problems, she also acknowledges the strengths. No wonder today Cowley is so much in demand and a very sought after speaker in the media and international fora. Once more, Cowley and Green converge in their foot-paths.

¹²⁰ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006,12.

¹²¹ Ibid. 16.

¹²² Ibid. 31.

¹²³ Ibid. 33.

"A culture of values is ESSENTIAL to long-term success" says Green.¹²⁴ Not only that, but as far back as 18 October 2003, in an interview with Jill Treanor of *The Guardian*, it was reported that Green

looked for certain characteristics in employees. He said the most important characteristic, regardless of the employee's faith, was a view of the importance of morality and integrity in business life. "I happen to believe it is the only basis of sustainable success over the long term".¹²⁵

And a month later, in another interview, this time with *Business Times* of 13 November 2003, he was even much more specific. It was reported that:

Analysts noted that he (*Green*) emphasized instilling integrity and professionalism in all HSBC staff. He stressed a moral business code of always giving the customer a fair deal. "I can't think of another management challenge more important than that," he said. "If you get that right everything else will fall into place. If you don't, you will lose something very precious".¹²⁶

Whether this General was successful in taking the right business decisions and in convincing his army to do the right thing is a totally different story. It's a pity actually that the organization he once led, is now threading through such murky waters. But these unfolding events should not in any way discredit the validity of Green's valuable views on the need of values in banking, especially when he categorically writes that there

is no way to the enduring success or recognition or fulfilment which most people at some level or other yearn for, for that comes only with an integrity based on honesty, trust and a real desire to exchange value for value.¹²⁷

(iii) The Moral Compass of Cowley & Green.

On Wednesday 21 October 2009, Schroders Bank organized a private seminar for leading bankers in the City of London to explore how relevant to the financial sector Pope Benedict XVI's encyclical "Caritas in Veritate" is. This seminar, which was organized by Archbishop Vincent Nichols, received a message from the Secretary of State to Pope Benedict, Cardinal Bertone. Among the selected and distinguished participants was Prof.

¹²⁴ Stephen Green, *Sustainable Shareholder Value: Why Values Matter*, Hugh Kay Memorial Lecture, St. Paul's Cathedral-30Nov2006. On-Line: <http://www.principlesforbusiness.com/pdfs/hklecture17.pdf> Accessed 17Nov2012.

¹²⁵ *Stephen K. Green-1948 Biography*, in *Encyclopaedia of business* (2nd. ed.). On-Line: <http://www.referenceforbusiness.com/biography/F-L/Green-Stephen-K-1948.html> Accessed: 17Nov2012.

¹²⁶ *Ibid.*

¹²⁷ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 177.

Stefano Zamagni, a professor of Economics at the University of Bologna and an adviser to the Pontifical Council for Justice and Peace. Cowley and Green were also both present, albeit the latter in his own personal capacity. The Holy Father sent his greetings and blessings to all participants and promised his prayers for their response to build 'authentically human social relationships of friendship, solidarity and reciprocity.'¹²⁸ Cowley and Green are also both patrons and advisers for the University of Cambridge in one of its multi-disciplinary research and development projects, entitled "Transforming Business:" These two Christians both share an urge to integrate their faith with their knowledge and skills, in order to address the eradication of poverty which is enshrined within the limitations of the world's finite resources. And in this University of Cambridge initiative, Cowley and Green embraced a common goal.¹²⁹ And this was not an isolated occasion where they were in harmony.

The truth is that the value of our business is dependent on the values with which we do our business. Capitalism needs to integrate values with value. We have to recognize - boards, managements and owners alike-that values go beyond 'what you can get away with', and that values are in the end critical to value-to sustainable value, that is. Better risk management, enhanced regulation, codification of directors' responsibilities in company law-all three things are necessary. But they are not, and cannot be, sufficient without a culture of values.¹³⁰

When in the same year of 2009, Cowley was interviewed by "The Tablet", this is what she had to say; " There's been a lack of certain virtues, for example, justice, and a lack of understanding of certain virtues, for example, prudence." ¹³¹

This Catholic nun, in the same Tablet interview, whilst chiding the then British Chancellor of the Exchequer, elaborated further on prudence,

Prudence has had a slightly distorted life since Gordon Brown was Chancellor. When Aristotle wanted to give an example of the prudent person, he chose a successful general, because prudence involves looking at all your options and working out what the most effective means are to achieving what one wants to achieve. So the good general will deploy troops in an effective way. It's got nothing to do with over-cautious bean

¹²⁸ ICN, Independent Catholic News, *Leading bankers study Pope's encyclical on social teaching*, 21 October 2009. On-Line: <http://www.indcatholicnews.com/news.php?viewStory=15025> Accessed: 30 Nov 2012.

¹²⁹ University of Cambridge, *Transforming Business*, On-Line: <http://www.transformingbusiness.net/about.shtml> Accessed 30 Nov 12.

¹³⁰ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 132.

¹³¹ Catherine Cowley, *The Tablet, The nun who knew first*, 11 April 2009, 13.

counting. That is not prudence. I think the way we have lost sight of what prudence originally meant means we can't develop prudence very easily.¹³²

In 2012, Cowley still believes that, although difficult, it is still however possible to find virtue in a financial institution. In order to reach a virtuous state, institutions must focus on two indispensable aspects: "one as it faces inwards, for example the relationship between employee and institution, and the other dimension as it faces outwards towards society."¹³³ Like MacIntyre, Cowley argues that having virtuous people in an institution will not automatically make that institution a virtuous one. She even quotes MacIntyre about the possibility of there being "forms of social and political life in which the practice of the virtues is at revolutionary odds with those forms, so that one can only be virtuous by being in systematic conflict with the established order."¹³⁴ Cowley deduces that "It therefore cannot be assumed that virtues will have the functionality given to them by those who seek to establish a virtue-based business ethics."¹³⁵

In the world of finance, as we have seen, Cowley and Green have both affirmed that situations of behavioural conflict not only can but actually do arise. Cowley perceives a false and dangerous assumption in the financial sector.

Working with the notion of the autonomous, asocial and apolitical individual who rationally calculates how to achieve his or her best interests, this model declares that all human activity is reducible to individual choice, guided by the rational pursuit of the greatest possible utility. There is a failure to acknowledge the importance of non-economic factors and values and the dis-embedding of people from the social relations and structures within which they exist. There is the assumption that individual self-interest constitutes the heart of rational-actor theory.¹³⁶

Non-economic values, such as trust, truth, obligation and even honesty are all essential components for the smooth operation of a market. Recent scandals in the international

¹³² Catherine Cowley, *The Tablet*, *The nun who knew first*, 11 April 2009, 13.

¹³³ Catherine Cowley, *Virtue In the Institution*, Margaret Beaufort Institute of Theology, 12 March 2012, Transcript . On-Line: <http://www.margaretbeaufort.cam.ac.uk/public-lectures-2012/> Accessed 23 December 2012.

¹³⁴ Alasdair MacIntyre, -'Sophronē: How a Virtue Can Become Socially Disruptive', *Midwest Studies in Philosophy, Vol. XIII : Ethical Theory: Character and Virtue*, (Peter A. French, Theodore E. Uehling, Jr., and Howard K. Wettstein (eds.); Notre Dame: University of Notre Dame, 1988).

¹³⁵ Catherine Cowley, *Virtue In the Institution*, Margaret Beaufort Institute of Theology, 12 March 2012, Transcript . On-Line: <http://www.margaretbeaufort.cam.ac.uk/public-lectures-2012/> Accessed 23 December 2012.

¹³⁶ Ibid.

banking sector fully support Cowley's claim that the market's reliance on self-interest, more often than not, can be counter-productive because

Those financial institutions which rely on, and aggressively promote, the model of economic self-interest jeopardise the institution itself. If you consistently promote self-interest, narrowly understood, as the motivation of all your employees, you have no defence when that self-interest is turned against you.¹³⁷

Cowley managed to make some research amongst a range of workers who joined the financial sector between 2002 and 2012. Typically these were people in their twenties. Amongst other questions, Cowley asked them what motivated them to work in the financial sector. "Perhaps I was unlucky in my selection of interviewees, but without exception their motivation could be summed up as '*to make a lot of money and get out as soon as possible*'".¹³⁸ She also emphasizes on the fact that a person's identity and conceptions are directly influenced by the conduct of institutions and social structures to which one belongs. She views the financial sector as one which has "many unhelpful employment practices"¹³⁹. For Cowley, some of the young employees of the financial sector are

put into positions which can generate illusory feelings of power, but which also provoke deep anxiety which they do not have the life experience to deal with and transform. Career and remuneration structures which enhance feelings of competitiveness and insecurity not only add to this mix of potent emotions, they can also hinder the sustaining power of a community in which commitment to other employees and to the firm itself is an important means of nurturing integrity. "¹⁴⁰

Recent and louder calls for better compliance practices do not suffice, because whilst in itself compliance is good, it does not tell anything about integrity. Compliance, with its rules and codes of conduct, can only help to foster an ethos. But that's all it can do. Compliance cannot ensure the sustainability of that ethos. "This is because of the distinction between being good and doing right. It is perfectly possible to do the right

¹³⁷ Catherine Cowley, *Virtue In the Institution*, Margaret Beaufort Institute of Theology, 12 March 2012, Transcript . On-Line: <http://www.margaretbeaufort.cam.ac.uk/public-lectures-2012/> Accessed 23 December 2012.

¹³⁸ Ibid.

¹³⁹ Ibid.

¹⁴⁰ Ibid.

thing for a whole range of unpleasant motives."¹⁴¹ Cowley expects the financial sector to realize that such a sector has a direct responsibility to create an environment where integrity and virtue can thrive. She's inspired by MacIntyre's forceful argument that, "It is always within some particular community, with its own specific institutional forms, that we learn or fail to learn to exercise the virtues."¹⁴² That's why Cowley warns that "the financial firm, as one of the institutional communities within which the agent is located, is an important influence. This is to take seriously the Aristotelian injunction: seek the good life 'with others, in just institutions.'¹⁴³

Nowhere Cowley does imply that the financial sector is a sector composed merely of, using her words, "spivs and chancers. That is far from the truth. I know that there are many good, honest, upright people working in finance."¹⁴⁴

In Chapter 4 we will be looking at why, notwithstanding the above, public perception of financial institutions is so negative. We shall also explore possible rectification measures.

But before doing so, we need to revert to, and amplify the idea of the common good.

In this regard Cowley elicits for a more radical and pragmatic approach by the Roman Catholic Church in its social teaching, because the Church

says things like 'the state should' and 'society must'. It only talks about the state and the individual, and not the myriad intermediary bodies. For example, there is a difference between the particular good and the common good. The particular good is the good of an individual group – like the finance system. It may be that the particular good of a group or a sector militates against the common good – so what do you do then? Is the group going to take a self-denying ordinance? How you juggle conflict between particular goods to arrive at the common good is something Catholic social teaching must address.¹⁴⁵

Her important distinction between the particular and the common good is an echo of another prolific Roman Catholic nun, Sister Helen J. Alford, who together with Michael J. Naughton, have written exhaustively about the hierarchy of goods. For them "fundamental goods" are the

¹⁴¹ Catherine Cowley, *Virtue In the Institution*, Margaret Beaufort Institute of Theology, 12 March 2012, Transcript . On-Line: <http://www.margaretbeaufort.cam.ac.uk/public-lectures-2012/> Accessed 23 December 2012

¹⁴² Alasdair MacIntyre, *After Virtue: a study in moral theory, Second Edition*, London 2004, 194-195

¹⁴³ Catherine Cowley, *Virtue In the Institution*, Margaret Beaufort Institute of Theology, 12 March 2012, Transcript . On-Line: <http://www.margaretbeaufort.cam.ac.uk/public-lectures-2012/> Accessed 23 December 2012.

¹⁴⁴ Ibid.

¹⁴⁵ Catherine Cowley, *The Tablet, The nun who knew first*, 11 April 2009, 13.

bases of our everyday life, the elements required by us for the attainment of what they call "excellent goods". Money, wealth, equipment and profits are amongst the fundamental goods, because without them a business would not be able to operate. Just like money and equipment are necessary for a business to survive, likewise profit is required to provide a living, security and support to families and others in need, the "excellent goods".

Excellent goods are an end by themselves and are sought after mainly for their own sake. These excellent goods ought to be a prime motivator in our lives, both at home and even more so at work, because, as we all know, our characters and even our friendships are actually forged in and by our work.

Alford and Naughton, like Cowley, make a clear distinction between the common goods and particular goods. Land, salaries, capital, services and even products are amongst the particular goods. All of these goods belong to particular people. Common goods on the other hand, are the pillars of communal life. Justice and peace are just two examples. Likewise, a country's infrastructure and co-operation when doing business are also categorized as common goods. Alford and Naughton consider even virtue and beauty as common goods since they can be shared by all without actually diminishing these goods. Like Cowley, they see a direct relation between particular and common goods; the former are necessary for the existence of the latter. But above all common goods excel particular goods.

And even Stephen Green endorses the importance of excellent goods because after all "We cannot fulfil ourselves in business through power or work or wealth".¹⁴⁶ And with regards to money he reminds us that "you cannot take it with you, it doesn't make you happy, and you can only eat three meals a day"¹⁴⁷

Alford and Naughton accentuate on the importance that fundamental goods are required to cater for the prime excellent good, namely the holistic development of mankind and communities. And Green sees a Christian potential of excellent goods, albeit not without risks, even in the midst of the markets.

Yet the kingdom of God can be found in the thick of the markets and God calls some Christians to take the risk of being there. This does indeed involve risk- the risk of becoming compromised, of becoming obsessed with wealth and power, of selling ones' soul. But the markets-flawed though they are, like every other human structure-can be used to contribute to human development. Being there also creates

¹⁴⁶ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,163.

¹⁴⁷ Ibid.

opportunities: to show an integrity that loves others as ourselves and treats them as ends rather than means; and to use the resources we are given as effective stewards should. In other words, we are there as Christians with a purpose.¹⁴⁸

Such a statement is another apparent influence of Pierre Teilhard de Chardin on Green because de Chardin had written that work goes beyond earning our daily bread

Its essential value is of a higher order....Whatever our human function may be, whether artist or working-man or scholar, we can if we are Christians, rush towards the object of our work as though along the path of the supreme fulfilment of our beings. Indeed, without exaggeration or excessive fervour in thought or expression-and simply by confronting the fundamental truths of our faith with the truths of experience-we are led to the following conclusion: God is inexhaustibly attainable in the totality of our action.¹⁴⁹

And in line with de Chardin, Green enhances this idea and proposes five principles which, for him, are a prime requisite in order to give a truly Christian dimension to work.

These are:

1. Integrity.
2. Treating others as ends and not just means.
3. Having an ambition to contribute to the most and not to get the most.
4. The need and the responsibility to balance one's commitments with different realms of living, and fifthly
5. "*Servant leadership*" because "seen as domination, leadership impoverishes both the leader and the led; seen as service in this way, it enriches both, and is more enduringly effective."¹⁵⁰

Let's not forget that most of our time, energy and creativity are consumed in our working environment. Hence how logical Green is when he pronounces that "We need to be able to look ourselves in the mirror and ask two questions....."How is what I am doing contributing to human welfare? And why specifically am I doing it?"¹⁵¹

Green endorses de Chardin even when dealing with the insight on the individual aspect versus the communal aspect of the human person.

¹⁴⁸ Stephen Green, *Serving God? Serving Mammon? Christians and the Financial Markets*, London 1996,136.

¹⁴⁹ Teilhard de Chardin, *The Divine Milieu*, New York 1960,32.

¹⁵⁰ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,179.

¹⁵¹ Ibid.

The human becomes a person not just as an individual, but in community. Teilhard saw community as emerging through the growing global connectedness of human kind (not as a reversion to earlier, small-scale, separated communitarian living). This community is by definition borderless, and cannot be exclusive.¹⁵²

But Green's vision, especially for the financial sector, is nowhere better depicted than in the following quote which is impregnated with his line of reasoning:

If everything is defined by price, not value, then surely social fragmentation follows, since all that matters is a supply of cash rather than shared blood, community, friendship or beliefs**What has no value is valueless; what has immense value is priceless.**
*(my emphasis)*¹⁵³

¹⁵² Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 202.

¹⁵³ *Ibid.* 136.

Chapter 4: The Way Forward

(i) The Times They Are a-Changin'.

"Competitive, aggressive, macho banking was around for the last 20 to 25 years. I'm not sure it will be around for the next 25."¹⁵⁴ And the winds of change have never blown so ferociously on the banking industry than in the recent couple of years especially since 2012. Pressure for radical changes in big banks, has been coming in from all quarters.

Not least from the bankers themselves. "Many good people who want to do substantive work rather than game the internal politics no longer want to work within the too-big-to-fail banks".¹⁵⁵

In June 2012, the B.B.C. reported that the Governor of the Bank of England, Sir Mervyn King, stated that

We can see we need a real change in the culture of the industry. And that will require two things. One is leadership of an unusually high order and changes to the structure of the industry. His comments were echoed later by the Prime Minister, David Cameron, who said at the EU summit in Brussels: "British people are crying out for a return to good old-fashioned banking... and not put that at risk by big investment banking."¹⁵⁶

In 2010, just before Green stepped down as Group Chairman of HSBC, he was already envisaging "A back to basics of sound banking, yes. But back to the bad practices of the early part of this decade, no",¹⁵⁷ because

The markets wouldn't tolerate it; the regulators wouldn't tolerate it. While a lot of details still have to be sorted out, there's no way the financial sector is going to go back to business as usual. I see last year as a year of transition, in the sense that the sector was stabilised. This year will be a year of major debate about how to strengthen the system to prevent any recurrence of the kind of crisis that struck.¹⁵⁸

According to Green, the financial crisis positively ushered in, what he terms as

¹⁵⁴ Catherine Cowley, *The Tablet, The nun who knew first*, 11 April 2009, 13.

¹⁵⁵ John Dizzard, *How banking will and must change*, Financial Times, July 29, 2012, On-Line: <http://www.ft.com/intl/cms/s/0/5ace28de-a42a-11e1-84b1-00144feabdc0.html#axzz2CqPKIJm3>) Accessed 21Nov12.

¹⁵⁶ BBC News, 29June 2012, *Bank of England head says banks must change culture*, On-Line: <http://www.bbc.co.uk/news/business-18642732> Accessed 21Nov12.

¹⁵⁷ The Focus, *Interview with Stephen Green, Volume 2010/1, European Edition, Resilience*. On-Line: <http://www.egonzehnder.com/global/focus/topics/article/id/17500151> Accessed 16Nov12.

¹⁵⁸ Ibid.

a renaissance of the desire to discuss what values in business should be. At the World Economic Forum in Davos the discourse tends to focus on culture, values and purpose, and is no longer just about market fundamentalism.¹⁵⁹

We all know that, up to a couple of years ago, such discourse would have been considered simply naive and old-fashioned. But here we are now, seeing it back under the spotlight. Green was very clear about the importance of nurturing values in business. For him values have a universal dimension because

People want a human relationship as part of doing business; people want trust as a basis for doing business; people know that you can't fool all of the people all of the time— although that doesn't stop some people trying. People understand what the values are that make for a trusting, successful, durable business relationship, whether it's between a large bank and a large company, or between the individual banker in a branch and the individual customer they deal with. We know what the truth is, and it doesn't matter where you live or what cultural, philosophical or religious background you have.¹⁶⁰

As an intellectual globe-trotter and a truly international banker, Green has all the credentials to make such an observation. He is fascinated by so many aspects of commonality in diversity. And the fact that notwithstanding this diversity, people essentially yearn for many a same thing, according to Green, is "what makes for really satisfying, sustainable, long-term business success."¹⁶¹ It's a small world after all.

The presence in the markets of a discourse on values, although long overdue, was a positive outcome of the financial crisis, because as already highlighted, although nobody does it better than the markets, the past events have amply shown how volatile and destructive markets can be. The financial crisis left its repercussions even on the way capital and liquidity need to be defined. It also raised a lot of questions on how good, regulatory environments have been. Green affirms that

The crisis did not simply arise out of excesses and frothiness within the financial markets; it was a product of global imbalances, and so there is a need to rebalance the global economy; a need for more consumption and less savings in the emerging markets, more savings and less consumption in more mature markets.¹⁶²

¹⁵⁹ The Focus, *Interview with Stephen Green, Volume 2010/1, European Edition, Resilience*. On-Line: <http://www.egonzehnder.com/global/focus/topics/article/id/17500151> Accessed 16Nov12.

¹⁶⁰ Ibid.

¹⁶¹ Ibid.

¹⁶² Ibid.

And for Cowley, economics and financial data can no longer be treated as some form of a mathematical technique dealing merely with facts that can be ascertained and with no relation to or totally divorced from ethical concepts. She is here echoing MacIntyre when he stated that: "Every action is the bearer and expression of more or less theory laden beliefs and concepts."¹⁶³

To strengthen her argument that facts are not just facts, but in them one also finds a strong element of interpretation, which in turn, involves values, she gives as an example the dilemma involved in the decision on whether or not interest rates should be raised. "Do we raise interest rates to curb inflationary demand, or reduce them to stimulate exports and lower unemployment? This judgement involves issues of value."¹⁶⁴

The financial and economic sectors, typically renowned for their reluctance to mix ethics with market and economic activity, are now under increasing pressure to wither away such resistance and to re-assess and re-evaluate the pitfalls and the lack of long-term sustainability, associated with their otherwise ethically immune operations environment.

Even the Financial Times has been repeatedly harping on the dire need of change in the banking sector.

After a huge financial crisis and a long list of scandals, banks are now viewed as incompetent profiteers run by spivs. Such disgust over what Paul Tucker, deputy governor of the Bank of England, has called a "cesspit" is quite natural.... It is understandable that recent scandals have enraged the public. But rage is always a dangerous basis for policy. The days when the local bank manager was almost as respected as the doctor have long gone. We are never going to turn bankers into saints.....But we can change the incentives facing bankers, the structure of banking and the focus of regulation. We cannot hope for miracles. **But we can make bankers more useful and less dangerous.** (*my emphasis*)¹⁶⁵

So, let it be.

¹⁶³ Alasdair MacIntyre, *After Virtue a study in moral theory, Second Edition*, London 2004,61.

¹⁶⁴ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 36.

¹⁶⁵ Martin Wolf, *Seven ways to clean up our banking cesspit*, Financial Times 12July2012, On-Line: <http://www.ft.com/intl/cms/s/0/7a95df3e-cb50-11e1-b896-00144feabdc0.html#axzz2DV6zhNJI>
Accessed:28Nov12

(ii) The Business of Kindness.

In the wake of the 2007 financial crisis, we have all heard how many consumers have been disgusted and fed up with the greed and arrogance of major and large financial institutions. Cowley and Green have both been very vociferous on the need to restrain/review the modus operandi, especially, of global banks. There has never been such a huge outcry for businesses to act in an ethical and socially responsible manner. Several impressive statistics exist to corroborate all this.¹⁶⁶ The dawn of such a new generation is being described by trendwatching.com as the Generation G (G for Generosity not Greed).¹⁶⁷ And another important characteristic of today's generations is certainly depicted in the way people interact with each other. The Internet has revolutionised the way that people network with each other. Facebook and Twitter, have turned "on-line interaction" into a way of life. And through social media, interaction is not restricted to individuals. People today can and do relate even with *brands*. But people yearn for genuine and enjoyable interactions. Today we are better empowered to determine how and with whom we want to interrelate. Internet logging tools provide accurate market data of consumer trends and activities for those who need them. And in our daily networking we, as individuals, have the potential to influence the behaviours of others.

Every individual has the power to live by – or to abuse – those values and to influence their colleagues to do likewise.... So I consider that every one of my colleagues has a leadership role to play in this respect. Companies will only be seen as responsible and a force for good to the extent that each and every employee lives the company's values.¹⁶⁸

In this 2006 lecture, Green was already being very specific and focussed in his vision. Inspired by the parable of the servants and talents, he sees the manager of a company as a servant entrusted with talents. Managers ought to serve shareholders, customers and even all other stakeholders.

¹⁶⁶ trendwatching.com March/April 2011, *11 Crucial Consumer Trends for 2011*, On-Line: <http://www.trendwatching.com/trends/pdf/trendwatching%202011-03%20RAK.pdf> Accessed 07Jan13

¹⁶⁷ Ibid.

¹⁶⁸ Stephen Green, *Sustainable Shareholder Value: Why Values Matter*, Hugh Kay Memorial Lecture, St. Paul's Cathedral-30Nov2006. On-Line: <http://www.principlesforbusiness.com/pdfs/hklecture17.pdf> Accessed 17Nov2012

Managers don't own the company they work for, and the company itself doesn't have an untrammelled right to exist; there is a duty of service that is intrinsic to whatever sphere we are engaged in.¹⁶⁹

Three years later he adorned his claim by pronouncing that "Seen as domination, leadership impoverishes both the leader and the led, seen as service in this way, it enriches both, and is more enduringly effective."¹⁷⁰

This is Christian ethics at its best, which according to Cowley,

When it is being most true to itself, is not about the evil to be avoided; it is about the good which is to be done. It asks us to respond to the question of how we should shape and live our life as a whole, so that one's life will not be judged to be a failure.¹⁷¹

Such a mission entails the constant building and shaping of our lives to the highest standards, where trust and respect should find their rightful place. And when applied in corporate environments, this raising of the bar, helps a company to attract and maintain the right people, produce great products and catch the fancy of loyal customers. And yes, every day, many and many more people are discovering that, as W.T. McKibben puts it, you can "Play Nice Make Money", which, by the way, is the title of his book published in 2007. In this book McKibben presents his case for "an ethical business model as the most effective route to profitability". The book is full of case studies, mostly American, which clearly demonstrate that such a strategy is neither a novelty nor a utopia.

Lessons need to be learned. Cowley actually got her motivation and inspiration from her keen seen of observation. In 1998 she had witnessed another spectacular financial meltdown, that of Long-Term Capital Management, depriving investors with more than USD4 bn. of their assets. And notwithstanding such a hedge fund's tragedy, the industry simply moved on as if nothing had ever happened. And merely within a span of ten years, history repeated itself, this time, in a more draconian way. Luckily in the world of finance, there seems to be more consensus today that although "past performance is no guarantee of future results", yet, as Stephen Green puts it by quoting Mark Twain, "The

¹⁶⁹ Stephen Green, *Sustainable Shareholder Value: Why Values Matter*, Hugh Kay Memorial Lecture, St. Paul's Cathedral-30Nov2006. On-Line: <http://www.principlesforbusiness.com/pdfs/hklecture17.pdf> Accessed 17Nov2012

¹⁷⁰ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 179.

¹⁷¹ Catherine Cowley, *The Value Of Money. Ethics and the World of Finance*, New York 2006, 173.

past does not repeat itself, but it rhymes."¹⁷² Green even agrees with Alphonse Karr who had once stated in the midst of the 19 th.Century that "plus ça change, plus c'est la même chose". According to Green, this is so true in the world of finance. Yet Green, just like the biblical character of King Solomon, today strongly believes that "Crises do pass-even intense ones. But there will be no return to the status quo ante. For the world has looked into an abyss."¹⁷³

History lessons show that from the nightmares of the 1930's and the fragments of the second world war there emerged a new order at Bretton Woods which witnessed the launching of the International Monetary Fund and the International Bank for Reconstruction and Development. Likewise Green is certain that

After 2007-2009, the manifest failure of market fundamentalism and the need for a re-balancing of the world's economy will inevitably be the starting point of a new world order, which will profoundly change international relationships.....Society the world over demands remorse from the practitioners and action from the politicians.¹⁷⁴

Later on we shall be dwelling on some of the measures which Green and others are recommending for the taming of the Keynesian "animal spirit", a spirit which is so typically inherent in the worlds of finance and economics. Keeping the pun, the so-called, "national and international zoo-keepers" have an important role to play. Very often the Banking sector tends to surround itself with a vast corpus of legislation, thereby giving itself a false sense of protection. Banking needs to steer away from doing merely what lawyers and compliance officers may sanction. Because we all know that whilst regulation amply and clearly defines what can be regulated, but it also creates tremendous opportunities for what remains unregulated. And in such an uncertain world specific attention must be paid to ensure that, at all levels, there will be no lack of courage to work for a sustainable and an upright future. And doing this requires the concerted intervention of all agents, be they professional, political, social and economical. In today's globalized environment, the interdependency of these social structures has grown tremendously. This is why the Pontifical Council for Justice and Peace of the Vatican declared that "The birth of a new society and the building of new

¹⁷² Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 124.

¹⁷³ Ibid. 125

¹⁷⁴ Ibid. 125

institutions with a universal vocation and competence are a prerogative and a duty for everyone, without distinction. What is at stake is the common good of humanity and the future itself."¹⁷⁵

And the Christian call for action begins to sound more urgent. Cowley and Green do not cease to herald their trumpets with the scope to channel all necessary forces towards disseminating, enriching and facilitating the ideas of Christian love and solidarity, so deeply rooted and ably displayed in the idea of promoting, sharing and preserving the common good. As already discussed in Chapter 2, this entails a lot of hard work which needs to be done not only on a personal and national level, but even on a global level. In some cases we are already witnessing instances where individual States cannot promote or protect by themselves some of their own national and vital goods. The bailing out of countries like Greece is just but one example. And in the midst of these current serious concerns which have been so vividly manifested by the global financial and economic crisis, we are again being summoned for action. And as Pope Benedict XVI teaches, the crisis

obliges us to re-plan our journey, to set ourselves new rules and to discover new forms of commitment to build on positive experiences and to reject negative ones. The crisis thus becomes an opportunity for discernment, in which to shape a new vision for the future. In this spirit, with confidence rather than resignation, it is appropriate to address the difficulties of the present time.¹⁷⁶

Cowley and Green have been doing exactly this.

(iii) Lessons learned from the crisis.

We have seen how Cowley and Green both agree, that in the financial sector, we encounter a trend whereby the self tends to be disconnected from the rest of society. We have also mentioned how Green seriously warns about the dangers of compartmentalization - dividing life up into different realms, with different ends and subject to different rules. And according to Cowley, one of the reasons why people today are so hostile to the financial sector is because many firmly believe that the sector is

¹⁷⁵ Pontifical Council for Justice and Peace, *Towards Reforming The International Financial And Monetary Systems In The Context Of Global Public Authority*, Vatican City 2011, 17.

¹⁷⁶ Benedict XVI, *Caritas in Veritate*, Chapter 2, 21, Vatican City 2009. On-Line: http://www.vatican.va/holy_father/benedict_xvi/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate_en.html Accessed 09Jan2013.

acting in a very unfair way."They sense that some financial institutions are acting in ways which undermine our life together and fulfilling objectives other than those which society has traditionally asked finance to fulfil."¹⁷⁷

Cowley doesn't stop here. She is more daring. In 2012 she issued another very serious, albeit a very practical and logical warning.

"No business or sector of business can afford to ignore a conflict between society's values and their financial activities for ever."¹⁷⁸

But she goes even further. She quotes Lawrence Lowell, one-time President of Harvard, who over a century ago, wrote that "institutions are rarely murdered; they meet their end by suicide.....They die because they have outlived their usefulness, or fail to do the work that the world wants done."¹⁷⁹ This woman has already been labelled as "prophetic" by many secular financial analysts for her 2006 writings and prediction of the financial crisis. And six years later she has again issued another warning to those financial institutions that are not doing their work in line with what the world expects them to do. She is predicting that if they continue to ignore the heed of the world then the names of such financial institutions "need to be put on suicide watch."¹⁸⁰ The number of recent casualties in the financial sector clearly corroborate Cowley's claim.

In the course of this dissertation, we have mentioned that Cowley does not attribute the cause of the crisis merely to the financial sector. We all know that it's not just the financial sector that sells products to people who might neither afford nor need. Especially in the Western world, there is an insatiable demand from a consumer society who, in some countries more than others, does not hesitate to live beyond its means. Along with such a reality, as early as 25 November 2009, Cowley had already come out with a list of "needs" for financial institutions, as a result of the crucial lessons to be learned from the crisis. She was speaking at a Portsmouth Business School Seminar, entitled "We're all partly to blame for the recession." The growth rate of the financial sector, for Cowley, was so huge, that it was not only unsustainable, but even practically impossible to maintain within its structures a responsible corporate culture or set of values.

¹⁷⁷ Catherine Cowley, *Casualties in the race for profit*, The Tablet 17 March 2012, 17.

¹⁷⁸ Ibid.

¹⁷⁹ Ibid.

¹⁸⁰ Ibid.

Recruitment policies with regards to young people also need a review. But, worst of all, in the financial sector, reality has shown that there were "many people in the sector who didn't understand what they doing."¹⁸¹

If we were to analyse and paraphrase Cowley's conclusions on what we need to learn from the crisis, the deductions would show that there is a dire need¹⁸² :

1. For moral judgement on what is being sold and to whom.
2. For mentoring on moral/ethical side of any job because moral and emotional maturity takes time.
3. To reward people for taking right risks, not for taking ANY risk. To reward outcome of profit, not output of sales. To reward team not individual.
4. To challenge received wisdom and not just accept such received wisdom simply because it is repeated often.
5. To change business expectations - Is enough never enough? How much market share is enough? Constant search for growth in business may be unwise.
6. To change personal expectations - Is enough never enough? Consequences: a personal mountain of debt. (In US, on average 8 credit cards held with \$5,000 overdraft on each.)Therefore rational expectations need to be realigned.
7. For companies to incentivise their staff on their contribution to values and organisation, and not merely on their personal achievements in terms of monetary success. Contribution to values, even if difficult to measure, must be awarded.

Cowley reiterates that the recent events of this crisis highlight how

the activities of a numerically quite small group have had a devastating impact on the lives of millions of other people – who have lost their jobs, have lost their homes, have seen their livelihoods wiped out. That's a moral question, and it can't be ignored. Until we start asking those hard questions, we're going to leave too many gremlins in the system.¹⁸³

¹⁸¹ Catherine Cowley, *The Tablet, The nun who knew first*, 11 April 2009,13.

¹⁸² Catherine Cowley, *We're all partly to blame for the recession*, Institute of Social Enterprise, News from SCA Group, 30Nov2009. University of Portsmouth.
On-Line: <http://www.port.ac.uk/research/cei/events/pastevents/eventresources3file,99872,en.pdf> Accessed 27Oct12.

¹⁸³ Catherine Cowley, *Money: A Crisis of Value, Tuesday 06October 2009, St. Paul's Cathedral*, Transcript.
On-Line: <http://www.stpaulsinstitute.org.uk/Resources/Articles-Transcripts/Money-Integrity-Wellbeing>
Accessed 01 October2012

Like Cowley, Stephen Green also emphasises that there are "many lessons to be learned from a crisis which has shocked and frightened the world."¹⁸⁴ And these lessons are meant for all stakeholders, and not merely for banks and bankers. These include governments, regulators, rating agencies, investors and borrowers. But Green, a prime and seasoned British banker with a truly international perspective, does not fall into the trap of taking an apologetic stance towards the banking sector because many banks

became overgeared and too dependent on wholesale funding (rather than real deposits from customers), as well as too focussed on short-term profits at the expense of the creation of real long-term value.¹⁸⁵

With immediate hindsight Green, admits that regulators lacked efficient and sufficient liquidity management in banks. Rating agencies were quick to endorse and overrate illiquid investment vehicles. Many investors were lured by the chase for high yield. Borrowers fell to the temptation to make hay while the sun shines, even if they were conscious that the repayment of their loans was an unsustainable and very often impossible task.

So does Green see a light at the end of the tunnel? In the midst of so much rage against bankers and at the epicentre of such a previously uncharted storm, Green confesses that "re-establishing confidence in and respect for the banks will be a journey up a steep mountain."¹⁸⁶ And to rectify such an electrifying scenario, Green lists four key necessities:¹⁸⁷

1. The market, albeit its unjust, pervasive and even destructive nature, is however indispensable and remains "the worst engine of economic and social development, except for all others that have been tried from time to time."
2. Globalized markets cannot be dismantled. By restraining excesses and ensuring transparency markets will work better.
3. Self-regulation of markets is a myth.
4. The world must realize that the ever-increasing shift of economic power from West to East must be accompanied by a likewise increase of voting power in the international world order.

And Green endorsed the statement issued at the 2009 London G20 summit meeting which

¹⁸⁴ Stephen Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 126.

¹⁸⁵ *Ibid.* 126

¹⁸⁶ *Ibid.* 126

¹⁸⁷ *Ibid.* 127-128

"proclaimed that prosperity for all depends on ' an open world economy based on market principles, effective regulation, and strong global institutions.' "¹⁸⁸ Here we can see a parallel with Benedict's XVI claim in his "Caritas in Veritate" that global problems elicit international solutions because individual states very often will not be able to cope by themselves in times of trouble. Incidentally even the Financial Times acknowledged that the Pope's encyclical managed to influence discussions at the July 2009 G8 Summit in Italy¹⁸⁹

With regards to Capitalism's serious mishaps, Green draws a justified parallel with the post-great depression era. Just like capitalism then managed to survive, likewise capitalism will again find its way forward, albeit not without transformations.

The new form of Capitalism for our interconnected , globalized, complex and increasingly self-conscious world- the world that Teilhard de Chardin uncannily foresaw-will emerge slowly from the last one, but equipped with new tools and subject to new restraints. There will be no sweeping pendulum-swing from the free-market fundamentalism back towards some form of centrally planned economy, or to some simpler, unconnected, pre-urban world.¹⁹⁰

For Green the writing is on the wall. Capitalism needs to answer the fundamental question of what constitutes progress. Is progress merely an accumulation of wealth or should progress encompass a more holistic and integrated approach to human well-being? In other words "Capitalism for the twenty-first century needs to discover a fundamentally renewed morality to underpin it." ¹⁹¹

So be it.

¹⁸⁸ Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009, 129.

¹⁸⁹ Financial Times, 07 July 2009, "Pope condemns capitalism's 'failures' ", by Guy Dinmore. On-Line: <http://www.ft.com/intl/cms/s/0/cc9150d0-6af4-11de-861d-00144feabdc0.html#axzz2PIJkCcbQ> Accessed: 30Mar2013.

¹⁹⁰ Green, *Good Value. Reflections on money, morality and an uncertain world*, London 2009,130.

¹⁹¹ Ibid. 131

Chapter 5: Yes We Can.

(i) Business, Profit and Ethics are Compatible.

Profit is an integral and an indispensable part of any business activity. The sustainability of a business depends on profit. Even society is a dependant of profit. Profit makes it possible for a company to give a fair return to its shareholders which, after all, is one of the main aims of every business organization. Of course, business has to consider also how to best serve its customers, whilst providing jobs and distributing benefits to its employees.

It is quite common to encounter people who categorically state that business, ethics and profit do not mix. Others believe that in order to make profit, companies must conduct their business in an unethical manner. In reality, yes, there are many businesses that make it to the top by acting unethically. But making profit is not unethical. Without profit a business will not survive.

Companies making losses are a burden on the economy and endanger their corporate social responsibilities. Loss-makers not only do not make good use of limited national resources, but they do not pay back their creditors, incur liabilities, become inefficient and are a threat to the livelihood of its employees. Isn't all this unethical?

Instead of considering profit as being contradictory to ethics, Green emphasizes that

Sustainable profit and corporate social responsibility are not in conflict, they are interdependent.¹⁹²

I think that it is important here to distinguish between profit, in the sense of financial gain, and the profit motive. As already stated, profit per se, is crucial for survival. Making profit, even big profits, can be an indication that Company A is producing what consumers want and like because they think that its products are worth buying. Good luck to such a company, and may many others like it flourish. In such a scenario, everyone is a winner.

¹⁹² Stephen Green, *Good Value, Reflections on money, morality and an uncertain world*, London 2009, 157.

On the other hand this same Company A should constantly strive to make an ethical evaluation of its profit motive; i.e. what the company is willing to do to maintain its profits. Profit should never become the sole purpose of business (and even economies).

In remaining ethical in its business, a company will be doing well to itself because whilst acting within ethical parameters, a company will be laying its foundations on solid ground. The customers of a company which conducts its business in an ethical manner, very often are considered to be more loyal and satisfied customers. The same could be said for its workforce. This loyalty will normally maximize the profits of a company.

Acting ethically, in some cases, may entail an increase in costs. Using FSC certified paper, for example, will cost more than using ordinary paper. Hence a conflict arises between profit and ethical standards. A company may also increase its costs when it decides to boycott unethical suppliers and opts for suppliers who are willing and ready to provide identical products but within an ethical framework. This is a constant balancing act isn't it? The company has to decide whether to maximize profits at all costs, or else to continue making profits, whilst simultaneously meeting not only its legal obligations, but also its ethical commitments. It would be much more difficult, if not impossible, for companies making no or little profit to conduct business ethically. Hence once again, the importance of profit is hereby reiterated, even from an ethical point of view.

But again money should cease to be treated merely as a private good, and considered by many as immune to values.

Cowley, in many of her writings and her talks dwells on a very important distinction which she makes with regards to the phenomenon of money. For her, money is a public good. She argues that since a stable currency is a pre-requisite for a healthy economy, and likewise since currency speculation can ruin any business, the effects of such currency movements are not limited to private individuals. Not only that, but through contagion, devastating effects can easily drift even to other countries. And in this context Cowley frames the role of values in every economic activity. But she sees this as a two-way

process."Just as a society's values will help shape business activity, so business activity will, over time, help shape society's values."¹⁹³

There is a prevalent tendency in the finance sector of a dichotomy between the sector and the rest of society. When Cowley once

asked a financial practitioner/trader why she had acted in a particular way, I got the simple reply, "Because I can." I found this sort of attitude quite widespread among the people I interviewed. If we all behave in line with "this is what is in my power to do", that does not make for a trusting, functioning, cohesive society – hallmarks surely of a society in which the common good is operating as it should.¹⁹⁴

But what would happen in a business sphere without honesty, co-operation and with a disregard to ethical standards? What type of business can we have in a scenario where company directors do not tell the truth, where buyers and sellers do not trust each other, and where employees refuse to co-operate with each other?

When shareholders and management seek higher profits, lower labor costs, and greater efficiency, while at the same time employees seek higher wages and stringent work rules, the ownership structure breeds distrust between employees and management. This weakens a company's competitiveness in the market place and inhibits mutual cooperation for the good of the whole organization. A house divided against itself, as the Scriptures (Lk 11:17) note, cannot long stand - let alone prosper.¹⁹⁵

Stephen Green, in the midst of the recent financial crisis, echoed Kant, when he wrote:

The way of fulfillment is clearly one which treats others (colleagues or customers) as end not just means.....But we all know also that the history of organizational life is littered with examples of those who manipulate, who pick up and discard, who flatter to deceive, and who run organizations purely by numbers...And we know too that this is the way to be feared, or despised, and lonely end.....¹⁹⁶

With regards to ambition, Green believes that it "is entirely consistent with fulfilment-real fulfilment- if it is ambition to contribute the most, not to get the most."¹⁹⁷

¹⁹³ Catherine Cowley, *Virtue In the Institution*, Margaret Beaufort Institute of Theology, 12 March 2012, Transcript.

On-Line: <http://www.margaretbeaufort.cam.ac.uk/public-lectures-2012/> Accessed 23 December 2012.

¹⁹⁴ Ibid.

¹⁹⁵ Helen J. Alford & Michael J. Naughton, *Managing as if faith mattered-Christian Social Principles in the modern organization*, Indiana 2001, 165.

¹⁹⁶ Stephen Green, *Good Value, Reflections on money, morality and an uncertain world*, London 2009, 178.

¹⁹⁷ Ibid.

And realistically, Green knows quite well that competitive ambition can and does become destructive when it discards the principle "that colleagues are ends and not just means."¹⁹⁸

Looking back on all the havoc caused by the financial crisis Green concluded that

Underlying all these events is a question about the culture and ethics of the industry. It is as if, too often, **people had given up asking whether something was the right thing to do, and focused only whether it was legal and complied with the rules**(*my emphasis*). The industry needs to recover a sense of what is right and suitable as a key impulse for doing business.¹⁹⁹

So beautifully said and so real.

(ii) And not only according to Cowley & Green !

The Ethisphere Institute is a leading international think-tank dedicated to the creation, advancement and sharing of best practices in business ethics, corporate social responsibility, anti-corruption and sustainability. Since 2007, this New York based institute started to publish annually "The World Most Ethical Companies" and also the "100 Most Influential People in Business Ethics".

The World's Most Ethical Companies designation recognizes companies that truly go beyond making statements about doing business "ethically" and translate those words into action. WME honourees demonstrate real and sustained ethical leadership within their industries, putting into real business practice the Institute's credo of "Good. Smart. Business. Profit." There is no set number of companies that make the list each year. Rather, the World's Most Ethical Company designation is awarded to those companies that have leading ethics and compliance programs, particularly as compared to their industry peers²⁰⁰

It is significant that three out of the five 2011 winners in the banking sector hail from Australia, a continent which has fared relatively unscathed in this financial crisis. There is also Rabobank, which is a full-range financial services provider that operates on cooperative principles. Its origins lie in the local loan cooperatives that were founded in the Netherlands nearly 110 years ago by enterprising people who had virtually no access to the capital market. Not a single US bank managed to be amongst the five winners, and

¹⁹⁸ Stephen Green, *Good Value, Reflections on money, morality and an uncertain world*, London 2009, 178.

¹⁹⁹ Russell Lynch, The Independent, 02 March 2009, *HSBC in bid to raise GBP 12.5bn*.
<http://www.independent.co.uk/news/business/news/hsbc-in-bid-to-raise-pound125bn-1635307.html>
Accessed 14Jan2013.

²⁰⁰ Ethisphere, *2011 World's Most Ethical Company*, On-Line: <http://ethisphere.com/past-wme-honourees/wme2011/>, Accessed 14 January 2013.

only ONE British bank was among the winners. This is another indication that depicts the current malaise and serious mishaps of the Anglo-Saxon business model.

Britain's bosses are prioritising profits over principles, according to a report that fuels the controversy sparked by Ed Miliband's division of the business world into "producers" and "predators". Half of all workers believe their employer puts financial goals above ethical considerations, said the survey of 2,500 workers by the Institute of Leadership & Management and Management Today magazine. It found that less than a third of chief executives of large companies were seen by their staff to put ethics at the heart of business decisions.²⁰¹

Peter Cheese, the Chairman of the British Institute of Leadership & Management reiterated that this lack of ethical values

is an increasingly critical issue that impacts brand image, trust and business performance. Employees, customers and shareholders expect ethical values to be at the heart of business decisions. The fact that so many leaders and organizations are perceived not to have that is a cause for serious concern and attention.²⁰²

Investing in ethics pays, even during the worst global recession since the 1929 Great Depression. But unless a company has the right people, especially in lower-managerial levels, it will not succeed to conduct its business functions in an ethical way. Although it is a fact that Senior Management have more power with regards to decision making, but junior and middle managers can be the real catalysts of change because they are on the front-line. They can help the company to focus more on the value of values in business. Employees can either make or break a business.

In the market sector, Wall Street and the City Of London are full of firms staffed by people with the highest academic and business qualifications who are collectively so witless that they have not only burned their own houses to the ground but almost brought down the whole edifice of capitalism.²⁰³

Cowley and Green have relentlessly and repeatedly emphasized how vital it is for businesses to avoid ethical pitfalls, and for companies to ensure that their employees are competent enough to be able to handle ethical issues on a day to day basis. If the

²⁰¹ Brian Groom, *Bosses put profit before ethics, says survey*. Financial Times, 3 October 2011, On-Line: <http://www.ft.com/intl/cms/s/0/ceb08890-edd8-11e0-acc7-00144feab49a.html#axzz1kpJWis4F> Accessed 14 January 2013.

²⁰² Ibid.

²⁰³ Phillip Blond, *Red Tory, How Left And Right Have Broken Britain And How We Can Fix It*, London 2010, 247.

company fosters a clear ethical climate without sending conflicting messages, then, ethical dilemmas will decrease.

Profit in business should emanate from realistic and achievable targets. Whilst “realistically capped” rewards for high achievers are acceptable, a company should be on the look-out to oversee how any exceptional results are being achieved. This necessitates that ethical behaviour should be reflected in the company’s performance measurement, appraisal and reward systems.

Organizations need to develop a training programme on ethics. This training will help employees to remain more focussed and will make them more aware of ethical issues.

Business enterprises play an important role in the modernization and the economic development of a country. But such goals can only be achieved if the actions of these corporate citizens, are conducted holistically, taking into consideration the interests of all stakeholders and by promoting the common good.

Again, companies acting unethically can easily find themselves suffering great damage, sometimes even irreparable. Let’s not forget that thanks to the immediacy of the internet, name and shame has never been so easy and so effective. There are websites specifically devoted to publicize and discuss how businesses are behaving. This is another reason why it pays for a business to act ethically. In doing so, the company will be safeguarding the good reputation of its brand, even in the interest of all of its stakeholders. Bad reputation can result in expensive and costly PR blows, whilst on the contrary behaving ethically fosters a good image, thereby rendering its customers happier whilst increasing its sales and the motivation of its employees.

Back to Pope Benedict's “Caritas In Veritate”. In this encyclical the Pope made a direct reference to business and ethics. Apart from advocating models of business that, through ethics, are able to treat profit as a means to make business and society more humane, the Pope goes even further.

The economy needs ethics in order to function correctly — not any ethics whatsoever, but an ethics which is people-centred. Today we hear much talk of ethics in the world of economy, finance and business. Research centres and seminars in business ethics are on the rise; the system of ethical certification is spreading throughout the developed world as part of the movement of ideas associated with the responsibilities of business towards society. Banks are proposing “ethical” accounts and investment funds. “Ethical

financing” is being developed, especially through micro-credit and, more generally, micro-finance. These processes are praiseworthy and deserve much support. Their positive effects are also being felt in the less developed areas of the world. It would be advisable, however, to develop a sound criterion of discernment, since the adjective “ethical” can be abused. When the word is used generically, it can lend itself to any number of interpretations, even to the point where it includes decisions and choices contrary to justice and authentic human welfare.²⁰⁴

The Pope here is also in harmony with Kant’s second formulation of his categorical imperative, namely to

Act in such a way that you treat humanity, whether in your own person or in the person of any other, never merely as a means to an end, but always at the same time as an end.²⁰⁵

“Caritas In Veritate” touches on a very interesting and relevant point which can have a direct impact on business and profit, namely the ethical education of the consumer:

Consumers should be continually educated regarding their daily role, which can be exercised with respect for moral principles without diminishing the intrinsic economic rationality of the act of purchasing..... A more incisive role for consumers, as long as they themselves are not manipulated by associations that do not truly represent them, is a desirable element for building economic democracy.²⁰⁶

Once a conduct or an action is classified as unethical, all efforts to cover-up action or conduct would also be considered as unethical. Walmart’s Statement of Ethics instructs its management to

Never cover up or ignore any ethical conduct problem. Address the matter in a timely manner and seek guidance if necessary.²⁰⁷

Cover-ups are another collective aspect of Corporate un-ethical behavior. There are instances where companies even took radical action on its executives for their cover-up.

²⁰⁴ Benedict XVI, *Caritas In Veritate*, 2009, Ch 4, 45. On-Line: http://www.vatican.va/holy_father/benedict_xvi/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate_en.html Accessed 14 January 2013

²⁰⁵ Immanuel Kant, translated by James W. Ellington [1785] (1993). *Grounding for the Metaphysics of Morals 3rd ed.*. Hackett. pp. 30. ISBN 0-87220-166-X.

²⁰⁶ Benedict XVI, *Caritas In Veritate*, 2009, Ch 5, 66. On-Line: http://www.vatican.va/holy_father/benedict_xvi/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate_en.html Accessed 14 January 2013

²⁰⁷ Walmart Statement Of Ethics, on-line: <http://ethics.walmartstores.com/StatementOfEthics/Introduction.aspx> Accessed 14 January 2013

Olympus said on Tuesday that it was suing 19 current and former executives and board members, including its current president, for around \$50 million over an accounting scheme to hide losses going back more than a decade.²⁰⁸

The Olympus case is another example on what unethical behavior can do to a company.

Warren Buffett needs no introduction. In 2011 he was ranked as the world's third wealthiest person. In March 2011, Buffett had this to say on ethics:

We can't be perfect but we can try to be. As I've said in these memos for more than 25 years: We can afford to lose money – even a lot of money. But we can't afford to lose reputation – even a shred of reputation.” We must continue to measure every act against not only what is legal but also what we would be happy to have written about on the front page of a national newspaper in an article written by an unfriendly but intelligent reporter. Sometimes your associates will say ‘Everybody else is doing it.’ This rationale is almost always a bad one if it is the main justification for a business action. It is totally unacceptable when evaluating a moral decision. Whenever somebody offers that phrase as a rationale, in effect they are saying that they can't come up with a good reason.²⁰⁹

I couldn't find a better way to conclude this section than by quoting again this legendary investor, business magnate and philanthropist.

We now employ more than 250,000 people and the chances of that number getting through the day without any bad behavior occurring is nil. But we can have a huge effect in minimizing such activities by jumping on anything immediately when there is the slightest odor of impropriety. Your attitude on such matters, expressed by behavior as well as words, will be the most important factor in how the culture of your business develops. Culture, more than rule books, determines how an organization behaves.²¹⁰

On behalf of Cowley and Green I simply dare to add: Amen.

(iii) The Wind of Change.

In 1991, Scorpions, a German rock band topped global charts with their beautiful song "The Wind of Change." The lyrics of the song celebrated the 1989 fall of communism. The song became synonymous with the fallacies of planned economies. More than twenty

²⁰⁸ The New York Times, Hiroko Tabouchi, *Olympus sues Executives over cover-up, but does not dismiss them*, 10 January 2012 On-Line: <http://www.nytimes.com/2012/01/11/business/global/olympus-sues-executives-over-cover-up.html> Accessed 14 January 2013

²⁰⁹ Shira Ovide, The Wall Street Journal, 31 March 2011. *Warren Buffet On Ethics: We Can't Afford To Lose Reputation*, On-Line: <http://blogs.wsj.com/deals/2011/03/31/warren-buffett-on-ethics-we-cant-afford-to-lose-reputation/> Accessed 14 January 2013.

²¹⁰ Ibid.

years after, some of its lyrics are even more realistic than when it was first issued. Globalization has shown that

The world is closing in
Did you ever think
That we could be so close, like brothers
The future's in the air
I can feel it everywhere
Blowing with the wind of change²¹¹

And after the crisis, global financial institutions are also passing through an era of structural transformation. Ring-fencing is again being promoted as an effective firewall between the retail and investment arms of large financial conglomerates. No one can pretend that we will have no more financial crises. But we cannot be complacent without even trying seriously to contain them. And this is the great change which is being proposed on a global level.

This is how the current and outgoing Governor of the Bank of England, Sir Mervyn King aptly put it. "We can't control the economy, we can't forecast the future, we can try and make it more robust." ²¹²

But change is slowly taking place even amongst the grass-roots of a certain section of the British banking sector. In the summer of 2012 amidst the dark clouds which set over the British banking sector with the LIBOR rigging scandal, there was a silver lining in the sky.

Cultural change involves different business models. I derive encouragement from the takeover by the Co-op Bank of a chunk of the Lloyds network and the move by Nationwide into business lending. The excellent Swedish business bank Svenska Handelsbanken – which has no staff bonuses – is expanding rapidly. Increasingly, banks are being replaced by non-bank channels. I am a long-term optimist about Britain. (*Last week's*) scandals will lead to a better system of banking.²¹³

And the European Union is making me even more proud to be part of it, because of its proposed new legislation on banker's bonuses which has been agreed upon by the EU finance ministers.

²¹¹ Scorpions Lyrics <http://www.azlyrics.com/lyrics/scorpions/windofchange.html> Accessed 14Jan2013.

²¹² Stephanie Flanders, BBC News Business 01 October 2012, *Mervyn King's Economic Inspirations*, On-Line: <http://www.bbc.co.uk/news/business-19779659> Accessed 14 January 2013

²¹³ Vince Cable, The Observer, 30 June 2012, "*Banking Scandal: the rot was widespread, the corruption endemic.*" On-Line: <http://www.guardian.co.uk/commentisfree/2012/jun/30/vince-cable-banking-scandal-coalition> Accessed: 14 January 2013.

The rules, part of a wider reform of capital regulation for banks, would limit banker bonuses to the equivalent of their salary, or two times their salary if shareholders agree. They represent the toughest bonus regime anywhere in the world.²¹⁴

Opposition to this EU decision from the City of London was fierce, but simultaneously, a section of the British media does see eye to eye with the EU. Here's just one example of media fury, in this case it was the "Mirror": " 'Outrageous reward for failure': Fury as nine Barclays fatcats pocket £40m shares bonanza. "²¹⁵

As already highlighted, the financial crisis brought under scrutiny and into the limelight the modus operandi of the banking sector. What we're seeing today is that, even big banks, are reconsidering decentralization and opting for local, instead of global account servicing and decision making. For Handelsbanken the concept of a branch is still important.

We have no sales targets, receive no bonuses; service is our guiding principle. We are a truly universal bank - we look after everybody from Corporate Clients of all sizes and Private Individuals all from one office.²¹⁶

It's perhaps that I am now a retired and a veteran banker that the above words are not only sweet music to my ears, but above all they take me back through a journey in time to the early days of my banking career. In my induction course with Barclays International in 1974, I was taught that customers, irrespective of their social/financial standing, were always right, and that branches were the showcase of the bank. Of course over the years Barclays adopted a totally different culture, and like other banks, Barclays' behaviour has been under great scrutiny and they have also been subjected to hefty fines for "misbehaving ". Banking is in a dire need of a thorough re-evaluation. Banks can no longer continue to focus merely on profit maximization, very often at all costs. Progress needs not eradicate good practices.

²¹⁴ Reuters, 20 March 2013, *European lawmakers agree to cap bankers' bonuses*, On-Line: <http://www.reuters.com/article/2013/03/20/eu-bonus-idUSL6N0CCKAA20130320> Accessed 21Mar2013

²¹⁵ Mirror, 20 March 2013, *Outrageous reward for failure': Fury as nine Barclays fatcats pocket £40m shares bonanza* by Graham Hiscott, On-Line: <http://www.mirror.co.uk/money/city-news/barclays-bonuses-nine-fatcats-including-1775429> Accessed: 21 March 2013.

²¹⁶ Geoff Dann, Branch Manager, Handelsbanken Newbury UK, *A Word from the Branch Manager*, On-Line: <http://www.handelsbanken.co.uk/shb/Inet/ISstartRb.nsf/vFrameset?OpenView&id=newbury> Accessed 15 January 2013

Just like banks, even countries need to look for role models with regards to economic and financial performance. Australia has already been mentioned as one possible candidate for such models. Likewise

Canada performed well because it entered the financial crisis with strong fundamentals, which allowed it to mount a robust crisis response. In addition, its well-coordinated and relatively conservative financial regulatory system yielded stronger banks encumbered with less risk than its transatlantic peers.²¹⁷

And since 2008, the Bank of Canada was under the capable hands of Sir Mark Carney who incidentally, in July 2013, will become the first non British Governor of the Bank of England for the next five years. And Sir Mark, who has been brought up in a Roman Catholic family, does not mince his words, even when under pressure and on the verge of being ridiculed by those who should have known better.

When bankers become detached from end-users, their only reward is money, which is generally insufficient to guide socially useful behaviour.....Employees need a sense of broader purpose, grounded in strong connections to their clients and their communities. To move to a world that once again values the future, bankers need to see themselves as custodians of their institutions, improving them before passing them along to their successors.²¹⁸

He who has ears to hear, let him hear (Matthew 11:15)

²¹⁷ Atlantic Council, Thomson Reuters, the Rotman School of Management at the University of Toronto, and the Embassy of Canada. Conference 16 November 2011 *The Finance Crisis: Lessons learned from Canada and the way forward*. On-Line: <http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?lng=en&id=144349> Accessed 15 January 2013.

²¹⁸ Mark Carney, Governor of the Bank of Canada, *Rebuilding Trust in Global Banking*, Presented to: 7th Annual Thomas d'Aquino Lecture on Leadership - Lawrence National Centre for Policy and Management - Richard Ivey School of Business - Western University London, Ontario. 25 February 2013 On-Line: <http://www.bankofcanada.ca/2013/02/speeches/rebuilding-trust-global-banking/> Accessed 27 March 2013.

Conclusion.

Throughout this dissertation, the words of Cowley and Green constantly reverberated on the concept that an ethical business model can truly be an effective way forward. The final chapter was merely a minor contribution from my part to consolidate, by quoting different sources, my firm conviction that values add value. In reality today we are also witnessing that those institutions who do not take heed of the importance of values in economic activity, are truly playing with fire. Policies, regulations and laws do not necessarily lead to an ethical behaviour. Even Enron was said to have had one of the most elegant code of ethics.²¹⁹

Ethics is a way of life, a culture which cannot be codified. That's why it is paramount that such a culture must be emulated by business leaders. And most importantly such leaders should relentlessly strive to inspire others to follow suit.

And it is a really pity that notwithstanding Green's truly accurate compass and persistent efforts to instil virtue into the bank, his once majestic ship seems to be in the dock²²⁰. Some senior executives of the bank are being perceived as getting a "Get-out-of-jail-free card"²²¹, because, as "The Economist" put it, such banks are "Too big to jail"²²². Realistically, although they avoided jail, but they did so certainly not for free. By the end of 2012, in the case of HSBC, they had already been charged with the biggest ever bank fine of USD 1.92 billion. In a report by Reuters it was stated that

²¹⁹ Michael Miller, Columbus Business First, 01 April 2002, *Enron's ethics code reads like fiction*, On-Line: <http://www.bizjournals.com/columbus/stories/2002/04/01/editorial3.html> Accessed 11 April 2013.

²²⁰ Daily Telegraph, 05 November 2012, *"Lenders in the Dock: past bank scandals"* by Szu Ping Chan, On Line : <http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/9654503/Lenders-in-the-dock-past-bank-scandals.html> Accessed 20 Dec 2012.

²²¹ Main Justice, Politics, Policy and the Law, 13 December 2012, *Top Republican says HSBC Got a "Get-Out-Of-Jail-Free Card"*, by Elizabeth Murphy On-Line: <http://www.mainjustice.com/2012/12/13/top-republican-says-hsbc-got-a-get-out-of-jail-free-card/> Accessed 20 Dec 2012

²²² The Economist, 15 December 2012, *HSBC and Standard Chartered, Too big to jail, Two big British banks reach controversial settlements*, On-Line: <http://www.economist.com/news/finance-and-economics/21568403-two-big-british-banks-reach-controversial-settlements-too-big-jail> Accessed: 20 Dec 12

Ultimately, the prosecutor's office came to believe the case was "the tip of the iceberg" in terms of suspicious transactions conducted through HSBC, according to documents reviewed by Reuters and reported earlier this year.²²³

Although the bank has entered into a deferred five-year prosecution agreement with the U.S. Justice Department, no one really knows what the future holds for HSBC and some of its top executives. The reason being, that an ever-increasing number of deferred prosecution critics are claiming that the U.S.A. judiciary has set different enforcement standards for big and small companies. CBS Money Watch reported that

For instance, after the housing crash the Justice Department pursued criminal charges against Lee Bentley Farkas, the former chairman of home loan company Taylor Bean & Whitaker who is now serving a 30-year prison term for mortgage fraud. But while prosecutors have shown a willingness to go after smaller companies, they have avoided making criminal cases against Wall Street and large foreign financial institutions implicated in a range of misconduct.²²⁴

Not only that, but in 2012, apart from the "\$1.9bn in fines for money laundering, the bank also set aside another \$2.3bn for mis-selling financial products in the UK."²²⁵

No wonder that on 04 March 2013 the BBC reported that "It's beyond belief that in a year marked by dodgy dealings, 200 of HSBC's top brass are celebrating bonuses greater than many people earn in a lifetime."²²⁶

Green's vision and efforts in running a virtuous global bank have been seriously shattered by these sad events. But his strong faith never falters because "Even when something feels like the end, it can be the beginning."²²⁷

Sister Catherine Cowley, with whom I had the opportunity to communicate and talk, is still living in her London convent. Her simplicity and her humility enhance her professional stature. In the course of the 2008 financial crash, we have mentioned how Sr. Catherine has ever since been heralded, especially by the British media, as the nun who

²²³ Reuters, 11 December 2012 by Aruna Viswanatha and Brett Wolf, *HSBC to pay \$1.9 billion U.S. fine in money-laundering case*

On-Line: <http://www.reuters.com/article/2012/12/11/us-hsbc-probe-idUSBRE8BA05M20121211>
Accessed: 23 Dec 12

²²⁴ CBS money watch, 12 December 2012, *HSBC Bankers dodge personal accountability*, by Alain Sherter, On-Line: http://www.cbsnews.com/8301-505123_162-57558734/hsbc-bankers-dodge-personal-accountability/ Accessed: 23 December 2012

²²⁵ BBC News, 04 March 2013, *HSBC pays \$4.2bn for fines and mis-selling in 2012*, On-Line: <http://www.bbc.co.uk/news/business-21653131>, Accessed: 05 March 2013

²²⁶ Ibid.

²²⁷ Stephen Green, *Good Value, Reflections on money, morality and an uncertain world*, London 2009, 205.

predicted the financial crisis. Prominent and truly world-class media people give a lot of weight to her talks and writings. They are still very keen to take her comments on current financial and economic matters. And this, probably, because her analysis of the financial sector, focuses on two very important elements: not to shy away from the uncomfortable truth, and on the importance she attributes to meticulous reason throughout her arguments.

Green the Anglican pastor, and Cowley the Roman Catholic nun, both British, gave me an unforgettable and a very pleasant experience during the compilation and the writing of this dissertation. But, above all, they displayed an Anglican-Catholic moral convergence, which for me, apart from being a beacon of hope, was above all, a valuable font of personal enrichment and a truly-deeply spiritual journey through the path of virtue.

"And if the tradition of the virtues was able to survive the horrors of the last dark ages, we are not entirely without grounds of hope."²²⁸

²²⁸ Alasdair MacIntyre , *After Virtue a study in moral theory, Second Edition*, London 2004, 263.

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