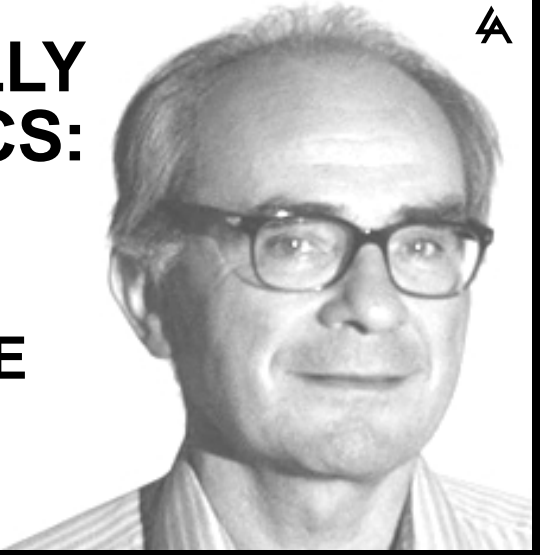


# BUSINESS IS ETHICALLY SUPERIOR TO POLITICS:

## THE POWER TO SERVE IS BETTER THAN THE POWER TO COERCE

CHRISTIAN MICHEL



This essay is based on a talk, originally entitled “Can You Do Business Without Dirtying Your Hands?”, given to the Cercle Libéral, Geneva, 2nd November 1993.

Business ethics are a fashionable topic. It is interesting to note that since the failure of Marxism, which viewed businessmen and businesswomen at best as “social parasites”, at worst as “exploiters of the people”, the standard of right-thinking criticism has been passed to a coalition vaguely defined as “Christian-humanist” or “Christian-Socialist-Third-Worldist” and for which a Geneva-based newspaper like *Le Courier* has readily become the mouth-piece.

As I, myself, am a Christian and a businessman, my position should be, in line with this trend, uncomfortable and indefensible. How does one reconcile what seem to be two extremes, Christian values and business logic? This attempt at reconciliation is the challenge I have imposed on myself (and we will see if I have not been too reckless) by sharing with you a few thoughts on today’s topic: *Can you do business without dirtying your hands?*

My intention here is to outline the problem by suggesting a few theoretical points of reference, then during the discussion that will follow, we shall be able to see how these reference points can guide us in real life situations such as

corruption, insider trading, speculation, money laundering, tax avoidance, and all the other misdemeanours, real or imaginary, attributed to business people and which come to mind ...

### BUSINESS AS A RELATIONSHIP WITH OTHERS

*To do business is to sell a product or a service at a higher price than it costs and to keep the profits away from the tax collectors.* This definition tells us two things. First of all that to do business is to conduct relations with others. Robinson Crusoe, on his island, has an economic life, very active even, but he does not do business. He has no one with whom to exchange goods and services.

Second, this definition reminds us of an obvious fact, namely that our relationships with others can be of two kinds: voluntary or imposed. One can talk of business dealings only between consenting people who *need* each other.

On the other hand, there are other types of human relationships, based on coercion, where *interdependence* does not exist, where dealings are carried out not because one party needs another but because one imposes himself violently on the other. I don’t need the thief, the customs officer, the racketeer, the taxman ... They have nothing to offer me (because if they had anything worth offering, I would buy this service without its being an obligation). As a consequence,



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Christian Michel was born in Paris 57 years ago. After dropping out of the Sorbonne University, he did odd jobs in the film and advertising industries, before entering real life as a telex operator at an American stockbroking firm. Working his way up the corporate ladder, he eventually became finance director of a public company in Geneva. In 1986, he bought his employer’s small portfolio management unit. It grew into one of the largest trust and corporate services companies, with twelve offices throughout Europe. Having sold the business to his partners, Christian Michel moved to London in June 2000. He is the author of “La Liberté, deux ou trois choses que je sais d’elle”, published by the Institut Economique de Paris, 1986, and numerous articles and conference papers (for some of which see the Liberalia website).

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they can only deal with me by force and, if need be, by the use of arms.

We will come back to this point later; for the time being, however, I would like you to bear in mind that there are two ways of ensuring the circulation of wealth: through voluntary exchanges or donations, which constitute the economic way, and by coercion and expropriation, which are the political way.

## CREATORS OF WEALTH

I come back to my Christian values. Starting from these Christian values to judge the activities of businessmen is justifiable (certainly more so than starting from Marxist concepts or from a utilitarian ethos, for instance). Indeed, even if religious observance, measured by church attendance, is low, Christian values are still the reference for our moral life.

Now, I believe that businessmen and women, more than any other human beings, are those who, today, directly continue the work of God. The Bible tells us that God stopped creating on the 6th day and that on the 7th, He rested. We are still in that period of rest, this Sabbath of the world, and it is up to us to complete Creation. When he created human beings, God did not create creatures, but creators. And, obviously, God assigns to be His Co-creators, especially those who are the most active, the most engaged, in the transformation of the world, that is to say businessmen and women. If you look around, those who transform the world, who build, who transport, who circulate information, who clothe, who feed, are not priests, soldiers, politicians or intellectuals ... Everything, or almost everything you see around you, was made and brought to you by businessmen and women (and if you doubt of this creative role of businessmen and women, remember the shortages and the humiliations brought about by poverty in those countries where free enterprise is prohibited). Of course, this confers on these entrepreneurs, on these continuers of Creation, a huge responsibility.

I go straight to the point. To say that Creation is not complete, means that *in the world that God has given to us, in Nature, there is no wealth, there is only matter*, only resources of Nature, which have to be discovered and developed, but it would be false to talk of “natural resources” even less of “natural wealth”. They are terms that make no sense. Wealth is produced, wealth is the result of man’s endeavour, it does not come about “naturally”, wealth only exists as the result of work, of an activity of the mind.

And because wealth is produced by someone, this person, the producer is the natural owner of this wealth. If the producer, the creator of this wealth, is not the owner — then who is? The person who did nothing? And if all resources belong to their producer, it means that *in economics, there is no “common good”*. A good belongs to the person who produced it; it is not “common”. To talk of “common good” in economics is another nonsense. Men have only one common good, that is the Law. It is for this reason that the Law is the good common to all men, and it is our duty to exact that any violence or any denial of justice is remedied, whoever be the victim and wherever in the world. The infringement of the Rights of one human being is an attack against all men.

But how can we maintain that oil, wheat, land, Michelangelo’s sculptures, are our common *good* simply on the basis that “we have taken the trouble to come into this world”? They belong to those who discovered, transformed and developed them. To do business is to produce economic goods, to create wealth. Without this production, without the

activity of businessmen and women, the human being would lead an animal life, the life of a predator or a parasite: it would be *the jungle*. Business life is the contrary of the jungle, because it is the opposite of parasitism and predatory strategies, because it is a life of work and creation.

And to do business is to produce wealth for everyone. The “universal destination of goods”, which the Christian churches talk so much about, is on the programme of all businessmen. There is not one single businessman who does not dream of offering his goods and services to the entire world.

But then, if doing business is an activity so fundamentally human and beneficial, why is it so often decried? What makes it an activity that dirties hands? Two criticisms are put forward:

— Business life is ruthless towards the weak. It is the “Dallas” myth.

— Businessmen only operate for profits, indeed for *maximum profits*. Profits are their sole motivation and the search for profits is an evil in itself.

Let’s take a closer look at these arguments. “Business life is ruthless towards the weak.” For instance, it is said that wealth creates poverty. If somewhere a businessman becomes rich, it would mean necessarily that somewhere else someone is a loser and is getting poorer. This is a rather childish sophism, that takes us back to what we’ve all experienced as a family when mum cut a cake. If one of us had a bigger slice, obviously, the others had smaller ones. But this image of a standard cake does not reflect the real world where wealth is not standard — *because it is produced*. All of us here are the living proof that Malthusianism is wrong: our parents would be dead long ago, for lack of resources. The inventive capacity of man as a co-creator overcomes the apparently finite nature of the world. The truth is that there is not only one cake to share, but as many as we want to produce.

At the limit, I can understand that this conception of the world as a standard cake is that of die-hard materialists, but I am shocked when it comes from Christians. God gave us His Creation and how can we doubt that the abundance of this gift of God, this gift of Love. Of course it is abundant. It would indeed be blasphemous to think that God was stingy.

Wealth is like love, happiness, health, intelligence, beauty ... we can have plenty of it without depriving anybody, and I would even say that on the contrary, the more we have, the more others benefit from it, because wealth, like happiness ..., is contagious.

## THE CONTAGIOUS WEALTH

This contagion of wealth shatters another criticism of the business world when it is alleged that only the strongest and smartest ones thrive. It is true that in the world of politics, the strong crush the weak; the subject has nothing to expect from the dictator; and the minority has nothing to expect from the majority. However, in the world of economics, the smartest, the most efficient ones necessarily make room for those who are less gifted. Pareto, who died ten kilometres from here, seventy years ago, has already observed this phenomenon. He has shown that economic exchange is not based on the idea that everyone must do what he knows best and sell it to others. It is absurd, because there are people who are not as good as others *in all sectors*. Nevertheless, those people who are less gifted in every field can prosper

because those who are more efficient, specialise and leave them their place.

As an example, I'll mention one of my young assistants. Obviously, I am better at what we do than he is because I have an experience he does not yet have. I am better than he is in *every* field and to deal with *all* my customers. It doesn't mean that I'll get rid of him; the contrary in fact, after all I hired him. But I will let him deal with certain customers, the least difficult ones, and this allows me to devote myself to the most sophisticated and lucrative ones.

This process is valid at the level of companies which constantly refocus on the products they deem more profitable, leaving to others activities they could also carry out, perhaps even better than others, but which they think are less profitable. It is because these companies focus on activities which ensure them *maximum profits* that they leave others to move into other sectors.

The process even repeats itself at the level of countries. We find Japan and South Korea giving up textiles and electronic assembly, to the great satisfaction of industrialists in the Philippines, in Thailand and in Indonesia ...

*Since each one seeks not only a profit, but the MAXIMUM profit, the free capitalist market is the best guarantee that everyone, including the weakest, will prosper.*

## HUGE AND FAIR PROFITS

The second criticism directed at businessmen is that they make profits, at times huge profits and this in itself is considered wrong.

I read the other day that the richest man in the United States was Mr Bill Gates, the founder of Microsoft which makes computer software. Bill Gates is worth 7 billion dollars, give and take a few millions. It is an outrageous fortune, but who has the right to criticise him? Those who never buy Microsoft software cannot reproach him for a fortune he has made entirely without them, without ever having asked them anything. And those who — like me — buy Microsoft software cannot reproach Mr Gates for his money: they have brought it to him.

It is perfectly in keeping with *social justice* that you have money, even lots of money, *when you have earned it in voluntary exchanges*. For if you have this money because people brought it to you voluntarily, you have not wronged anybody. And if you have not wronged anybody, no one has the right to reproach you for your social status, it is fair, your fortune was fairly acquired, however huge it might be. And if your fortune has been fairly acquired, in the name of what "justice" could we pretend to "redistribute" it?

Of course, the rich have a *moral obligation* to be benevolent and to share their wealth with the most underprivileged. However, their sharing of wealth ceases to be ethical if it was effected by force. All the theories of "social justice" which would like to take by force money *earned in a free market* by the rich to give it to the poor, all these theories are by definition immoral as they call for coercion. They are only *rationalisations* of envy, of the sin of envy.

Let me be precise. We can perfectly criticise *the way* some multimillionaires spend their fortune. Maybe they have earned it honestly through voluntary exchanges, but there are people who are meaner than their money, who are misers, heartless, or who squander what they have in useless, immoral consumption ... Money is a form of energy, it is one of the strongest energies of our time. Money enriches the

world, but its energy is so powerful that very often it burns those who handle it. It is here that the danger lies for many businessmen and women: not so much the dirtying of their hands in making their money, but not knowing how to control what they have earned.

Once again, the criticism of profit *in a free market* is unfounded, but it would be understandable coming from materialists. For me, it is senseless coming from Christians. What is profit? *Profit is the recognition of the non-materiality of value, that is the recognition of the role of the mind and spirit in production*. In what way can the recognition of the role of the mind and spirit be contradictory to Christian doctrine?

## A TRIAL AGAINST THE MIND AND SPIRIT

It sounds like jargon, and what does "the non-materiality of value" mean? We have said that the value of everything that comes to us from Nature is entirely brought about by work, that is by the exercise of our judgement, by the action of our mind and spirit. For something to be ascribed a value, it must have been discovered, identified, transformed ... The pebble on the side of the road has no value, until I discover that it contains a diamond or that I can cut it into a tool.

A thing has no value independent of the conscience of the person who makes the evaluation and of the circumstances in which it can serve him. For me, insulin has no value. It has a great value for the diabetic. But, if this insulin was only found in the North Pole, it would have no value for diabetics in Geneva, who need it here and now. It is in this sense that trade is productive. Trade informs us as to the value of things and makes them available where they are needed.

Therefore, something only gains value when the human mind finds a use for it. Insulin like petrol, like radio waves, has always existed. But, these things have only acquired value when scientists and entrepreneurs have managed to make them useful to men. Profit results from the action of the mind which has discovered a new use for existing resources and made them available.

*Thus, the case against profit is a case against the mind, against the creative spirit of Man. I would go as far as to say that it is a case against human existence itself, since every human action is motivated by profit* (profit which is always mental, at times mental *and* financial). If man did not take advantage of his actions, there would be no reason why he should act. If I have come here today, it is because I expect a benefit, which is not as you know financial, but which will bring personal satisfaction. And for me, in my personal accounting ledger — which is not that of someone else — the cost of preparing this conference, of coming here to talk to you, is largely compensated for by the mental and not the material satisfaction which I expect.

Materialism has so corrupted the mind that even Christians see in man only this material dimension. Now, it is obviously false to reduce every human activity solely to its material *and* financial aspects. *Capitalism respects profits and the creation of wealth, because it knows that there is much more to the creation of wealth than simply ledger entries. Capitalism is the system which takes into account the value of the spirit, and which knows that at the base of any creation of wealth, there is the action of the spirit.*

## PRICE DOES NOT EQUAL VALUE

In order to understand this, we must distinguish price from value. Many economists who have not understood this dis-

inction end up talking rubbish, such as criticising what they call “the unequal exchange”.

It is obvious that for an exchange to take place, it must in all rationality be “unequal”. And it is this inequality which generates wealth. We say this pen is worth 10 francs because it is the price marked on it and we are confusing in our day-to-day language price and value. But if I have bought this pen, it is because for me, this pen is worth *more* than 10 francs. If for me having 10 francs or this pen comes down to exactly the same thing, then I would not bother buying it. Conversely, for the retailer the pen is worth *less* than my 10 francs, otherwise he would not have sold it and not at that price. If he sells the pen, it is because he thinks he can do more with my 10 francs than he can with the pen on his shelf.

Thus, when I buy the pen, we both make a bargain because the terms of the exchange are unequal. That is the truth and yet it is not reflected in the accounts where it shows “10 francs equals one pen”. But who said that the activities of a human being could be reduced to ledger entries?

*And we can give this other definition of “doing business”: it consists in the exchange of unequal values so that everyone gets MORE than what he had at the outset.*

## CORRUPTION

Now who dirties their hands in business? From everything that I have just said, I am sure you can already guess what my answer will be. The businessmen who are to blame from a moral standpoint are those who do not carry out business in a voluntary, consenting relationship with others. They are those who are unable to offer a product or a service that the general public wants to buy and who have recourse to coercion to compel people to buy. In our countries where racketeering is a rare phenomenon, to have recourse to coercion is to have recourse to political means, to appeal to politicians.

The list is long of businessmen who do not earn their living morally. Let me quote as an example European car manufacturers. While shaving the other morning, I heard Mr Calvet, the boss of Peugeot, say that the authorities in Brussels should ban the entry of Japanese cars into the European market for another ten years. I was astounded. I asked myself whether Mr Calvet had been paid by the Japanese to act as their advertising agent, since the Peugeot boss was in fact asserting that his Japanese competitors build such excellent and cheap cars that Peugeot needed ten years to reach their level. Therefore Mr Calvet, to protect his profits, wants to prevent us from buying Japanese cars and wants to force us to go for Peugeots which are trailing ten years behind.

The problem for Mr Calvet is that he can neither *compel* us to buy anything, nor can he *prevent* us from buying anything. Mr Calvet is a businessman and businessmen do not have the power to compel or to forbid. This sort of power is political and it is the monopoly of politicians. Mr Calvet, therefore, appeals to politicians. However, what is the morality behind the profits Mr Calvet hopes to make without the consent and to the detriment of his customers?

You can see here the difference between *economic power and political power*. Of course, economic power, the power of business does exist. The big conglomerates, like Toyota, Nestlé, Exxon, with their billions and their technology, wield immense power — *but it is the power to serve*. Swiss Bank Corporation and IBM can influence me and make me accept their conditions, but only if I want their services and pro-

vided no one else can offer identical services. And if no one can invent the same services, it is because the creative spirit is not interchangeable. No one produces software like Mr Gates’ Microsoft. *Economic power is the expression of the singularity of the creative nature of our spirit*. We exercise this power and this influence in the realm of love and friendship because we are not interchangeable. As Montaigne said, referring to his friendship with La Boëtie: “Because it is he, because it is I.”

But if economic power is the power to serve, if it is the power to build, political power is different because it is the power to compel, to forbid, to destroy. And each time political power manifests itself in the economy, the consequences are bound to be immoral since, by definition, nothing moral can result from an initiative built on coercion.

Let me refer to some people who have been very much in the limelight lately: farmers. Today, we have a thoroughly shocking situation when the poorest peasants in the world cannot sell their products to us who are the richest consumers. It is not that their products are of poor quality or that they cost too much or that they are not to our taste. They cannot sell because politicians, the leaders of Switzerland, of the European Union, of Japan, of the United States ... *stop* them from selling. We have to be clear on this point. If the Malians could not sell their meat in Switzerland because we were vegetarians, or because we do not like meat from Mali, Malian farmers would remain poor — until they would find another substitute product for export. This is a consequence of human interdependence which ensures that we prosper on Earth only if we render service to one another. However, in the present situation, Malian farmers will remain poor because certain politicians prohibit them from selling their products.

This is exactly the consequence of the intervention of politicians, of government violence in the economic domain. It brings about a situation where everybody is trapped, where no one can act morally. Politicians are not “moral” when they put up customs barriers to ensure the continued poverty of Malians. We, consumers, are not “moral” because we are deprived of a cheaper product of better quality. European farmers are not “moral” when they benefit from the violence exerted on those who are poorer.

## THE INVISIBLE HAND OF PROVIDENCE

To conclude, we can see that in the world of political/state power (which is the contrary of the world of business), in the world of socialism, for example, men must want to do good to attain it. Now, many leaders do not want to do so : they are brutes, fanatics, kleptocrats ... But even those politicians who are honest and mean well, cannot do good, since their sole means of action is coercion and, by definition, good will not happen by coercion. A policy based on moral order is the height of immorality.

Thus, businessmen and businesswomen, and more generally, all freedom lovers, those who refuse state controls, will do good even if they do not try to do it. *In a society based on freedom, we do not need to intend do good to, in fact, do it. And this is the action of Providence, that is to say the action of Adam Smith’s “invisible hand”, that is to say the clearest proof that Creation is good.*

It is good and if we simply fit within the laws of Creation, within the free market process, that is, if we refuse violence, we shall be lead naturally to do good.