

The rotten state of big business

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As John Kay [notes in the FT this morning](#):

The last fortnight may have been the most damaging period ever for the reputation of large British businesses. GlaxoSmithKline, the pharmaceutical group, was [fined \\$3bn](#) for [abusive practices in marketing drugs](#) in the US. Royal Bank of Scotland and its subsidiaries failed to process their customers' transactions. Both companies must have been relieved that Bob Diamond and Barclays successfully dominated the headlines. And these events follow BP's disaster in 2010.

It bis a staggering catalogue. And as he asks:

Conspiring to rig interest rates is probably fraudulent; failing to report the side effects of a drug is severely reprehensible but probably not illegal; cutting corners on an oil installation is negligent; systems failure in a computer system seems like bad luck. The degrees of culpability vary as do the incidents themselves. But is there a common underlying cause?

To which question he, of course, offers an answer. He says:

We are not interested in whether these companies made good or bad calculations. We are interested in what these incidents tell us about the values of the companies concerned. We need to be able to trust pharmaceutical companies. We expect banks to be run and populated by honest people, to keep our money safe, and to give us our money back when we need it. We want oil companies to have a strong culture of engineering professionalism and commitment to health and safety.

And from that statement of what is I think true he concludes these companies abandoned those principles in favour of earnings. As a result they put profit before principle - as those on the right of politics argue companies should. And yet that decision has in each case destroyed value.

You abandon principles at cost to value. That is now obvious to all but those who lead business , economists and those who egg both on in the right wing political narrative

that idolises what they see as profit maximising market efficiency - a model that seems best able to destroy all that is good in business (and there is much that is).

The simple fact is that a new narrative for big business is needed, just as a new narrative for the state is needed, and a new narrative for both economics and tax is needed. But in each case the narrative is similar: it is that principles of trust and equity come first; that transparency and accountability reinforce those ideas and that the duty to both play fair and be seen to play fair in accordance with rules set and reinforced by a confident and empowered state, sure of its democratic mandate.

It's time that this was said, very loudly.