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Locating Business Ethics within Catholic Social Thought

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The Pontifical Council for Justice and Peace has issued a document on business ethics entitled, *Vocation of the Business Leader: A Reflection*. Running some 14,000 words, it is far more than a reflection. It is an outstanding description of what business leadership should be and embodies a call to conversion for the owners and managers of firms, large and small.

The document arose out of a seminar in February 2011 at the Council that was co-sponsored by the Center for Catholic Studies at the University of St. Thomas, in St. Paul, Minnesota, and the Ecophilos Foundation. It was drafted by a smaller team of business leaders and academics, led by Michael J. Naughton and Sr. Helen Alford O.P. Aimed at business professionals, it sets out to apply Catholic social thought to daily business life, particularly as lived at the highest levels of business enterprise. In this it does many things very well.

It calls business leaders to recognize a calling from God, a true “vocation” to be “collaborators in creation.” (VBL, 5) The goal is only possible if these professionals resist the “fragmentation” that so frequently occurs when people engage in “misplaced devotion,” something likened to the ancient Israelites worshipping the golden calf in the Sinai. This occurs, it is said, when maximizing profits is the sole criterion for a business, when technology is advanced for its own sake, when wealth or influence overrides the common good, or when consequentialist reasoning dominates. (VBL, 11)

The statement helpfully returns repeatedly to a concern for human dignity and

the common good. It rejects individualism and the all-too-frequent pseudo-justification that a manager is simply doing “what works for me.” It similarly rejects arguments that one works only to make an income, that rights are more important than duties, and that no one should be expected to sacrifice for a greater good. (VBL, 24)

It moves toward the larger economic picture in identifying three functions of business, not simply one: producing goods and services, producing jobs, and producing “the economic and social surplus” that businesses “make available to society.” (VBL, 35) The document also cites the contributions that the larger society makes to business, from communication and transportation infrastructure to property rights and the rule of law. It makes clear that business should actually seek out some forms of regulation – to render corruption, the abuse of employees, and destruction of the natural environment illegal. (VBL, 37) In this the document identifies the need for a “better institutional framework” resonant with what Pope John Paul II called “the juridical framework,” though, peculiarly for a Catholic document, it does not use that phrase.

In sum, *Vocation of the Business Leader: A Reflection* is a strong statement of business ethics that presses executives to think beyond the resolution of difficult moral choices that arise in the daily life of the firm. Still, for all its strengths, the document exhibits a number of weaknesses from the perspective of Catholic social thought.

Most obvious is the way the document treats labor issues. There is but one reference

to unions in the document, and this is to list them along with the state and other actors as “indirect employers” to “supplement the company’s efforts” if it is impossible for the firm to pay a just wage. (VBL, 77) There is no explanation of what the phrase “indirect employer” means, something that many readers will wonder about. Pope John Paul II was quite explicit about this.

The concept of indirect employer includes both persons and institutions of various kinds, and also collective labour contracts and the principles of conduct which are laid down by these persons and institutions and which determine the whole socioeconomic system or are its result. (*Laborem exercens*, 17)

The idea is that the indirect employer –governmental rules, collective bargaining agreements, and cultural norms– would form the background for the relationship of the employer and the worker.

The indirect employer substantially determines one or other facet of the labour relationship, thus conditioning the conduct of the direct employer when the latter determines in concrete terms the actual work contract and labour relations. (*Laborem exercens*, 17)

The popes have long recognized that competition with low wage firms might make it impossible for a particular firm to pay a just wage without going bankrupt, but it’s not clear what the document has in mind in identifying a role for labor unions in such a situation. Governments can, and many do, structure wage supplements for low wage workers. Perhaps the authors of the document intend unions to press their government for an expansion of such programs, but they haven’t said so.

Beyond the question of the wage is the neuralgic problem of labor organizing, about which the document is silent. The popes from Leo XIII onward have defended workers’ right to organize as a

way to counteract the greater power that nearly every firm has compared to that of an individual, unorganized worker. Pius XI, for example, warned against the “criminal injustice” of “denying the natural right to form associations to those who needed it most to defend themselves from ill treatment at the hands of the powerful.” (*Quadragesimo anno*, 30) The practical problem, of course, is that the owners of a firm can typically go for long periods without income from the business while most workers are dependent on a paycheck each week. As a result, the typical firm has much more power than its unorganized workers.

While Pope John Paul II does not explicitly say that all workers *should* be organized, he seems to expect that collective bargaining should typify the employer-employee relationships. The influence of unions on the firm is not seen by the pope as an imposition or as a limitation on the freedom of the firm but instead as help (even though most firms might prefer to get on without such assistance).

Yet there is no reference in the document to business leaders expecting, much less encouraging, the organization of workers. The appendix lists a series of self-critical questions as a sort of organizational examination of conscience and the list includes a mention of this issue: “Am I making sure that the company provides safe working conditions, living wages, training, and the opportunity for employees to organize themselves?” (VBL, Appendix) Yet there’s no treatment in the text itself of how business leaders should think about unions or workers’ efforts to organize them.

Clearly there’s a very profitable industry providing “union avoidance” services to business firms, and many Catholic business managers have employed such services in spite of the fact that the Church has endorsed the right of workers to organize themselves. As Pope John Paul II taught,

The modern unions grew up from the struggle of the workers – workers in general but especially the industrial workers – to protect their just rights *vis-a-vis* the entrepreneurs

and the owners of the means of production. Their task is to defend the existential interests of workers in all sectors in which their rights are concerned. The experience of history teaches that organizations of this type are an indispensable element of social life, especially in modern industrialized societies. (*Laborem exercens*, 20)

To its credit, the document does refer to “the right to a just wage” at several points but it does not articulate some of the standard Catholic ways of understanding the relationship between the owners of firms and those who work there. For example, central to Pope John Paul II’s treatment of markets is the notion of the “priority of labor over capital,” articulated in *Laborem exercens*. (12)

In that encyclical, the pope left the meaning of this phrase open to differing interpretations by partisans on the political left and right largely because he employed two definitions of “capital.” On the one hand, he said that capital refers to the machines with which workers work. On the other, it referred to those people who own the physical capital of a firm. In his later encyclical, *Centesimus annus*, the pope clarified what he meant by means of his treatment of the moral justification for private property.

When he came to discuss the ownership of the means of production (the tools, machines, and buildings that make up physical capital) he made clear that this ownership can be legitimate, but only if it fulfills its proper role in the overall economy. Many in the business world identify that role as simply making a profit, or more inclusively in producing and selling useful goods and services. The document *Vocation of the Business Leader: A Reflection* clearly expects more than this, but it remains silent on this, Pope John Paul II’s most challenging position on the obligations of those owning businesses.

Ownership of the means of production, whether in industry or agriculture, is just and legitimate if it serves useful work. It becomes illegitimate, however, when it is not

utilized or when it serves to impede the work of others, in an effort to gain a profit which is not the result of the overall expansion of work and the wealth of society, but rather is the result of curbing them or of illicit exploitation, speculation or the breaking of solidarity among working people. Ownership of this kind has no justification, and represents an abuse in the sight of God and man. (*Centesimus annus*, 43)

The Pope’s argument here is little known even by Catholics, and is misunderstood by many who do know it as if it were an argument for communism or socialism. The document could have provided a real service to the business community by including it.

Pope John Paul II’s assertion that the ownership of capital lacks moral justification if it does not expand employment is based on the ancient understanding, from the Hebrew Scriptures onward in our religious tradition, that God has given the earth to humanity to meet the needs of everyone. This is why the Hebrew Scriptures include a number of economic laws designed to assist the poor (Deut. 24:19-21). If I am harvesting my field of grain, I am forbidden to harvest the corners of the field; I must leave that grain there for the widow, the orphan, and the resident alien, in sum, for the poor of the day. Similarly, when picking my vineyards, I am not allowed to pick them a second time. Late maturing grapes are to be left on the vine for the widow, the orphan, and the resident alien. Ownership of the land bears specific responsibilities for those unable to provide for their own needs.

This tradition extends up through the New Testament and was further developed by the Fathers of the early church. The teaching in that era can be summarized by a rule of thumb: “God gave the world to humanity – and my wealth to me – in order that the needs of all should be met. If I have more than I need and you have less than you need, I am obliged to share from my surplus with you”.

The same insight animates the teachings

on the obligations of the prosperous to the needy in the work of Thomas Aquinas and later medieval scholastics, as well as Luis Molina and the other neo-scholastics of the Salamanca school, all the way up to and including the teachings of the modern popes.

Yet something unique in world history had occurred by the time of Pope Leo XIII: the Industrial Revolution. In the pre-modern world, nearly everyone was a subsistence farmer and the main difficulty for the poor was to have access to land in order to produce a crop to keep the family fed through the year. With the arrival of the Industrial Revolution, however, the vast majority of ordinary people were no longer farmers but instead wage earners who worked for profit-making firms. Ever since the dawn of the industrialized age, the ordinary way for people to have access to the fruits of the earth to meet their needs as God intends is to have a job.

This is the fundamental reason why the popes speak of a right to employment, as Pope John XXIII did in *Pacem in terris* (18). This is shocking to many, and Pope John Paul II himself acknowledges that this right cannot simply be implemented by government taking over the economy to create jobs (*Centesimus annus*, 48). This prudent recognition is well appreciated by the business community in every nation. However, the next step in the argument often is not.

The centrality of employment in God's plan for meeting everyone's needs leads to the insight that there is an obligation of business firms –and thus of the owners of business firms– to provide the needed employment. No firm can be under any obligation to hire any one worker, of course, but firms and owners must recognize that the creation of employment that allow workers to support themselves and their families, is among the most important functions of business and, thus, is among its most fundamental moral justifications. It would have been helpful had the document adverted to this very Catholic insight. It forms a fundamental part of the Catholic world view on economic life.

Even more broadly, the document does not inquire about the conditions under which business leaders are morally justified in advancing their self-interest –or under

which the firm itself can morally seek to make a profit. Defenders of markets often point to the firm's incentive to treat customers well, but they tend to ignore other incentives that often lead many firms to be far harsher with employees, suppliers, and the communities in which they operate. As I have argued elsewhere (Finn, 2006), implicit in anyone's assessment of the justice or injustice of markets are judgments on four sets of issues, four elements in what we might call the "moral ecology" of markets. Official Catholic social teaching has addressed all four.

The first of those four has already been mentioned, the proper structuring of markets by government, what Pope John Paul II called the juridical framework. The second is the provision of essential goods and services, particularly to those who are unable to provide them for themselves. Central to this discussion is assistance to the unemployed. The third is the morality of individuals and organizations, and this is where business ethics fits in as an essential element the broader economic ethics of Catholic thought. The fourth is a vibrant civil society, where firms recognize their role along with many other organizations, many of which are not-for-profit, but all of which are necessary for a well-functioning society. Pope John Paul II has referred to this interplay of civil society organizations as the "subjectivity" of society itself, the way society "thinks through" its problems and sustains life. (*Centesimus annus*, 13)

If all four are structured as they ought to be, then the assertion of self-interest in markets has a (conditional) moral approbation. We can be reasonably sure that the worst abuses will be prevented and care will be taken for those unable to meet their own needs.

One final issue that should have merited some treatment in the document is lobbying: the ubiquitous practice of firms in expending resources to persuade legislators –whether municipal, regional, or national– to pass laws more favorable to business. Most business leaders think of lobbying as a simple expression of their self-interest, parallel to the exertion of self-interest that can be moral in a just market. But there is

a great difference here, as lobbying aims to change the “rules of the game”, while market activities occur within the game.

A football team is fully justified in doing its utmost to win, as long as it does this within the rules. But this does not mean it would be moral for a small group of football clubs to press for a change in the rules governing football that would favor only that subgroup of all teams. When deciding on the rules, the common good must be the aim. This is corroborated by the widespread practice of lobbyists to justify their proposals by appeals to the greater good, even when those appeals are insincere. The point here, of course, is that the assertion of self-interest in the market is justified morally if it occurs within a system where the four elements of the moral ecology of markets identified above are structured justly. However, that moral endorsement of self-interest *within* the game cannot extend to debates about setting the rules *of* the game. A moral business leader recognizes this important distinction.

In summary, the document *Vocation of the Business Leader: A Reflection* is an outstanding tool for business executives to reflect on their responsibilities from the perspective of Catholic teaching. It does many things very well. At the same time, it exhibits a number

of shortcomings, particularly related to the firm’s obligations to workers and its place with the larger Catholic vision of how economic life is part of human life more generally. One of the most fundamental dimensions of the moral life from the Catholic perspective is properly ordering proximate ends to more fundamental ones, with God as our ultimate end. The fact that *Vocation of the Business Leader: a Reflection* roots business ethics in this broader context is a great service, both to the Church and to business itself.

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