Review of
BUSINESS

Special Issue:
Catholic Social Thought and Management Education

Volume 25, Number 1
Winter 2004

The Mondragón Corporación Cooperativa: An Interview with Juan M. Sinde, Chief Executive Deputy

Bringing Realism to Management Education: Contributions from Catholic Social Thought

Catholic Social Thought and Business Ethics: The Application of 10 Principles

The Evolution of Business as a Christian Calling

Business as a Vocation: Implications for Catholic Legal Education

The Stunted Vocation: An Analysis of Jack Welch’s Vision of Business Leadership

Mondragón: A For-Profit Organization That Embodies Catholic Social Thought

On Globalization: Address of the Holy Father to the Pontifical Academy of Social Science, April 27, 2001 (Reprint)
## Special Issue:
**Catholic Social Thought and Management Education**

### From the Editor
Charles M. A. Clark

### The Mondragón Corporación Cooperativa:
An Interview with Juan M. Sinde, Chief Executive Deputy
Interviewed by Charles M. A. Clark

### Bringing Realism to Management Education:
Contributions from Catholic Social Thought
Charles M. A. Clark

### Catholic Social Thought and Business Ethics:
The Application of 10 Principles
Jim Wishloff

### The Evolution of Business as a Christian Calling
Gary L. Chamberlain

### Business as a Vocation:
Implications for Catholic Legal Education
George E. Garvey

### The Stunted Vocation:
An Analysis of Jack Welch's Vision of Business Leadership
Phillip M. Thompson

### Mondragón:
A For-Profit Organization That Embodies Catholic Social Thought
David Herrera

### On Globalization:
Address of the Holy Father to the Pontifical Academy of Social Science, April 27, 2001 *(Reprint)*
Pope John Paul II
Charles M. A. Clark  
The Peter J. Tobin College of Business and Senior Fellow, Vincentian Center for Church and Society, St. John’s University

Catholic social thought is nothing more than a reflection on social, political and economic issues from the perspective of the Gospels and the 2000 year-old Catholic intellectual tradition. While most discussion of Catholic social thought centers on the Papal Encyclicals from 1891 (Rerum Novarum) to the present works of Pope John Paul II (the most recent being Centesimus annus, 1991), these Encyclicals build on the earlier tradition and are more like the tip of the iceberg. This long tradition should not surprise us – for God wants us to live lives of authentic happiness, and thus Jesus instructed Peter to build his Church to promote this end. For two millennia the Church has brought the good news of the Gospel to every corner of the planet; has followed Jesus’ dictates on caring for the poor and marginalized by being by far the world’s largest “social welfare agency” (and in many times and places the only one); and in its role as teacher and educator, has established the educational systems which have served as the foundation and model for the advances in the humanities, liberal arts and sciences that are the hallmarks of Western civilization.

It is this tradition that served as the inspiration for the Vincentian Fathers’ founding of St. John’s University in 1870. Since the economic and business aspects of our lives are very important, it is natural and appropriate for the Vincentians to include within their university a college for the study of business administration, The Peter J. Tobin College of Business. Jesus in the Gospels and the Apostles in the Acts often refer to economic and business issues, as did the Church Fathers and the great Scholastic philosophers (especially St. Thomas Aquinas) of the Middle Ages. This is the foundation, both theological and philosophical, of the Catholic social thought tradition, as well as the foundation of a Catholic business education.

In this fourth issue of the Review of Business devoted to Catholic social thought and management education, we start off with an interview with Juan M. Sinde, of Caja Laboral, the bank for the Mondragón Corporación Cooperativa (MCC). MCC is a cooperative explicitly based on the social teachings of the Church, and it has grown into a multi-billion dollar enterprise. Mr. Sinde discusses the challenges of operating an ethically based cooperative in a global economy.

Our first two articles concentrate on some of the basic foundational issues. Charles M.A. Clark’s lead article argues that a business education based on Catholic social thought (which is to say the 2000 year-old tradition mentioned above) provides a more realistic foundation for understanding business and the economy than what one normally sees in schools of business. It is more realistic because it is based on the world as it is – an accurate view of the human person, society and values – and it is based on an ethical system grounded in universal truths – the Gospel and the natural law. Jim Wishloff’s article, after a detailed development of the basic themes of Catholic social thought, examines its implications for the field of business ethics. Both articles reflect Pope John Paul II’s recent call to rethink business and the economy:

Perhaps the time has come for a new and deeper reflection on the nature of the economy and its purposes. What seems to be urgently needed is a reconsideration of the concept of “prosperity” itself, to prevent it from being enclosed in a narrow utilitarian perspective which leaves very little space for values such as solidarity and altruism.

Here I would like to invite economists and financial professionals, as well as political leaders, to recognize the urgency of the need to ensure that economic practices and related political policies have as their aim the good of every person and of the whole person. This is not only a demand of ethics but also of a sound economy. Experience seems to confirm that economic success is increasingly dependent on a more genuine appreciation of individuals and their abilities, on their fuller participation, on their increased and improved knowledge and information, on a stronger solidarity.

These are values which, far from being foreign to economics and business, help to make them a fully “human” science and activity. An economy which takes no account of the ethical dimension and does not seek to serve the good of the person – of every person and the whole person – cannot really call itself an “economy,” understood in the sense of a rational and constructive use of material wealth. (World Day of Peace Message, 2000).
The next two articles come from the Fifth International Symposium on Catholic Social Thought and Management Education held in Bilboa, Spain in July 2003. The theme of the symposium was "Business as a Calling; the Calling of Business." The first article, by theologian Gary L. Chamberlain, examines the development of the idea of business as a calling, emphasizing the importance of social responsibility and the common good. That is, one cannot have a calling to business for the purpose of individual wealth creation, but must instead use one's talents for a greater purpose. This article is followed by law professor George E. Garvey's investigation into the implications of "Business as a Calling" for a legal education.

The last two articles, also from the symposium mentioned above, look at two entirely different case studies related to the theme of "Business as a Calling." Phillip M. Thompson uses General Electric's Jack Welch as an example of a businessperson whose career has not been dedicated to the promotion of the common good or social responsibility. Then, David Herrera provides an overview of the Mondragón Corporación Cooperativa, a business enterprise discussed in the opening interview – and an example of how a career in business can be a "calling."

This issue is offered in honor of John Paul II's silver anniversary as Vicar of Christ. Appropriately, it ends with a reprinting of his Address on Globalization as delivered to the Pontifical Academy of Social Sciences, April 2001.

The Master’s Program
M.S. In Forecasting and Planning

St. John’s University proudly announces a new master’s program. Business forecasting has grown rapidly in recent years. Ten years ago, only utility companies had dedicated forecasters on their staff, but now large corporations, including Coca-Cola, Eastman Kodak, Hewlett Packard, Johnson and Johnson and Pfizer, have full-time forecasting staffs. There is definitely a demand for people with a background in business forecasting, and St. John’s University has the only M.S. in Forecasting and Planning.

The program has two tracks, Sales and Financial Forecasting, and can be completed in two years by taking two courses each semester and each summer. Students not only learn how to forecast, but how to deal with various managerial, systems, process and software issues. The emphasis is on application rather than theory.

For information, contact:

Chaman L. Jain, Director
Forecasting and Planning Program
8000 Utopia Parkway
Queens, NY 11439
(718) 990-7314
(718) 990-1403
jainc@stjohns.edu
The Mondragón Corporación Cooperativa: An Interview with Juan M. Sinde, Chief Executive Deputy

Interviewed by Charles M. A. Clark
The Peter J. Tobin College of Business, St. John’s University

The Mondragón Corporación Cooperativa (MCC) is a cooperative in the Basque region of Spain which includes over 150 individual companies and has over 66,000 worker/owners. In 2002 it had total sales of 9.23 billion euros ($8.8 billion) and 15.3 billion euros ($14.6 billion) in total assets. After the Spanish Civil War the Basque region was economically and socially depressed. Inspired by a local priest’s teachings on the principles of Catholic social thought, five graduates of a school of industrial skills (which the priest had started) founded the Mondragón cooperative based on these principles. MCC lists 10 basic principles that form the core of their vision and mission: Open Admission (non-discrimination); Democratic Organization; Sovereignty of Labor; Subordinate Nature of Capital; Participatory Management; Payment Solidarity; Inter-cooperation; Social Transformation; Universality; and Education. MCC has three basic business divisions and two research and training centers. The largest division is the Industrial Group, which includes: Household Appliances; Construction; Machine Tools; Industrial Equipment; Automotive Parts; and Engineering Capital Goods. The Distribution Group consists of retail stores and agricultural distribution. The Financial Group includes Banking, Insurance and Social Welfare. Caja Laboral, MCC’s bank, had 322 branches in 2002 and had administered assets of 8.5 billion euros ($8.1 billion) and an operating profit of 125 million euros ($119 million).

Juan M. Sinde is Chief Executive Deputy, responsible for retail banking business, and a member of the Executive Committee of Caja Laboral, the bank for the Mondragón Corporación Cooperativa. He has a Master’s in Engineering from the University of the Basque Country. He is also active in many Catholic and cultural associations in the Basque Country. He is married and has two children.

Q: The Mondragón Corporación Cooperativa (MCC) is a very different type of business organization compared to what is typically encountered at a business school. What were the motivations for the founding of MCC?
A: After the Spanish Civil War the Basque region was very isolated and very under-developed economically. If there are no jobs you will have a large migration out of the region, which makes it harder for the region to develop, as well as keeping the Basque culture alive. Thus to avoid the migration of people from the Mondragón Area we needed to establish new businesses. A Priest, Fr. José María Arizmendiarrieta inspired five engineers to establish MCC to create new businesses by putting into practice Catholic Social Thought. The key was to emphasize the dignity of the human person in the design of new companies.

Q: In terms of developing a distinct mission or ethical framework, how helpful was it to be able to “start from scratch”?
A: Very. I should mention, however, that different forms of cooperatives have played an important role throughout Basque history, so it was not an alien idea. But, to answer your question, new companies do not have to overcome old ways and an entrenched corporate culture. In fact, conventional companies that converted into cooperatives have suffered continuous problems because of the lack of understanding of some cooperative values by some workers. Nevertheless, we are trying now to install some of the values (participation of workers in the management decisions, sharing profits, and even ownership of their companies) in PLC companies owned by cooperatives.

Q: Mondragón is quite large, 150 enterprises and over 60,000 worker-owners. How does MCC deal with conflicts between member enterprises? Do any of them compete head-to-head?
A: The cooperatives that are in the same economic activity are included in one Division, led by one Vice-President who deals with those issues and tries to find ways for them to collaborate instead of having them compete. It is thus very rare that they would go head-to-head.

Q: One of the things I found most fascinating about MCC is the way compensation is determined, especially profit-sharing. Could you tell us about this?

A: The salary of each position is decided by a Committee formed with representatives of the Management team and representatives of Social Council (elected by workers to defend their interests as workers). In that Committee the balance between compensation of different jobs is usually reached. A large share of profits is reinvested in the individual cooperative, and a portion goes to MCC to support the various social welfare, community and educational (schools and colleges) activities. As for profit-sharing going to workers, it must be stressed that it is compulsory that all the profit-sharing must be re-invested by everyone in the same company and that money can be taken only when someone leaves the cooperative or retires. The profit assigned to each worker depends basically on his or her salary. The workers do receive a very competitive return (currently about 6-8%) on their invested profits, and they receive that money.

Q: Many cooperatives in the U.S. are agriculturally based or center on “arts and crafts” type production, yet MCC has focused on high tech production from the beginning. Why this emphasis? While it makes MCC more competitive, does it present any challenges?

A: The cooperatives were born a few years after the Spanish Civil War when the Spanish market was closed to foreign companies. The problem was producing and not selling. Fr. Arizmendiarrrieta’s first step in promoting economic development was the establishment of the “Politechnic” so that the local workers would have the skills to compete. Taking advantages of the skills of local workers because there was a local “Politechnic,” the cooperatives set up companies using the technologies they were able to use. The conflicts derived by different levels of skilled workers are above all in the compensation field and are dealt with by the committees I mentioned previously.

Q: One of the most frequent comments I hear about cooperatives is that they do not have adequate disciplinary tools for workers, though they do not put it so bluntly. How does MCC motivate its worker-owners? How does it deal with “slackers?” I know MCC does not lay off workers, but can people get fired?

A: People can be fired although it happens very rarely (mostly due to frauds or lack of loyalty). Discipline problems are handled by a specialized Committee, which is comprised of members of management and the Social Council. They decide the punishments according to the gravity of the disciplinary faults. The “moral” pressure between workers to be responsible and honest with the common company should not be undervalued. Motivation is based in the challenge of the work itself, the profit sharing ... and the threat of the company disappearing if it is not competitive enough.

Q: What pressures does globalization place on MCC? How is MCC dealing with these?

A: We are setting up new plants in other countries (different from the Basque Country) to deal with the competitive problems related to globalization. Sometimes it is not well understood by the members of the companies because they would prefer to invest locally and offer new jobs to the members of their community. Besides that, there is the problem of how to adapt the values of MCC to cultures very different from ours and how to preserve human dignity while insuring that those plants are competitive.

Q: All large organizations have a problem keeping the mission alive. As MCC is more mission-driven than most corporations, how does MCC keep its “spirit” alive?

A: It is not easy. We have a monthly magazine informing all the worker-owners of the activities of different cooperatives and usually it includes different articles trying to keep alive the idea of being different, remembering continuously our specific values, discussing the problems of putting them in practice. Furthermore, there is an annual meeting of representatives of workers of all the cooperatives where at least every four years we discuss our policies, and revise the application of our values.
Bringing Realism to Management Education: Contributions from Catholic Social Thought

Charles M. A. Clark
The Peter J. Tobin College of Business, St. John’s University

“"The time has come, for a new and deeper reflection on the nature of the economy and its purposes.”
—Pope John Paul II, New Year’s Message (2000)

Abstract
Catholic social thought is based on the ideals of the Gospels, but it is also based on an interdisciplinary and realistic understanding of the nature of the human person, society, property and the purpose of business. As an ethical foundation for understanding the role of business in the life of the person and society, Catholic social thought forces an education in business to be more realistic than it typically is.

Introduction: Is There a Catholic Perspective on Business?
Underlying the effort to bring the insights and perspective of the Catholic social thought (CST) tradition to the understanding of business is the assumption that a business education at a Catholic business school should in some manner be different from one received at a secular or non-Catholic college or university. Catholic colleges and universities do not exist so that Catholics can receive an education without having to interact with non-Catholics. This is not the purpose of such schools, nor is it the reality, as many Catholic colleges and universities have very high percentages of non-Catholics among their student population, often above 50%. The mission of all Catholic colleges and universities is to provide a “Catholic” education, but what exactly is a Catholic education, and specifically a Catholic business education? At one level this would mean the inclusion of the sacramental life of the Church in the overall university experience, as well as the other activities typically carried out by Campus Ministries.

At a deeper level, the significance and function of a Catholic education stems from the root meaning of “Catholic,” that is a “universal” education, an education of the whole person. The mission of these institutions is to develop the person both intellectually and spiritually; to provide a morally-grounded and values-centered education. Although most business schools in the United States have mission statements that commit them to the promotion of “values” or a “values centered education,” the grounding of such values is left up in the air. Adherence to the post modern outlook prevents them from asserting any substantial values, any higher authority, any bottom line on what is right and wrong. Thus they can talk of “values” as long as they do not mention any substantial or invariant “values.” Though faith and reason are clearly distinguishable, they can never be fully separated. In the attempt to first delineate faith from reason (during the Enlightenment) and then the modern and postmodern effort to amputate faith from reason, modernity has lost both.

In many ways, the Catholic social thought tradition is a movement in the opposite direction, combining faith and reason in an effort to understand economic and social issues. It is my contention that the Catholic social thought tradition brings more to the table than “values” or uniquely “Catholic” (or Jesuit, Augustinian, Dominican or Vincentian) “values.” It offers a different “vision” of the role of business in contemporary society. Furthermore, this “vision” raises questions that typically do not get addressed in most business programs. CST does not offer an alternative economic or management theory. Instead it offers a perspective, a metaphysical foundation, upon which one can construct explanations of the economy and business. The purpose of this article is to explore how this alternative “vision” could influence and shape the management education at Catholic business schools, hopefully laying the foundations for future efforts in actually creating authentically Catholic perspectives on business.

What is the Catholic Social Thought Tradition?
The Catholic social thought tradition has been described as “social wisdom based on: biblical insights; the tradition of the early writers of the church; scholastic philosophy; theological reflection; and the contemporary experience of the People of God struggling to live our faith in justice” [8:73]. The Vatican document on the Guidelines for the
Bringing Realism to Management Education: Contributions from Catholic Social Thought

Study and Teaching of the Church’s Social Doctrine in the Formation of Priests [ibid.], states that the development of CST is based on a three-step process: see, judge and act:

- **Seeing** is perception and study of real problems and their causes, the analysis of which, however, belongs to the human and social sciences.

- **Judging** is interpretation of that same reality in the light of the sources of social doctrine which determine the judgment pronounced with regard to social phenomena and their ethical implications. In this intermediate phase is found the function proper to the magisterium of the church which consists precisely in interpreting reality from the viewpoint of faith and offering “what it has of its own: a global view about man and humanity.” Obviously in seeing and judging reality, the church is not and cannot be neutral because she cannot help but adapt to the scales of values enunciated in the Gospel. If, hypothetically speaking, she were to conform to other scales of values, her teaching would not be what it in fact is, but would be reduced to a biased philosophy or ideology.

- **Acting** is aimed at implementing these choices. It requires a real conversion, that inner transformation which is availability, openness and transparency to the purifying light of God.

Many feel that when the Church speaks out on economic or social issues it is overstepping its authority, going into fields where it lacks the necessary expertise. Furthermore, the Church exists mostly in pluralistic societies with adherents to many religious traditions, and often in countries where there is a strict separation between Church and State. Yet such a separation, at least in the context of the United States, does not mean that religious institutions and perspectives have no role in the public discourse. It means that the government has to stay out of the affairs of religious institutions. It is a freedom to worship, not a freedom from worshipers. While the earlier Papal encyclicals were directed to Catholics, more recently they have been directed to all people of good will.

There are many reasons the Church has entered the public discussion on economic and social issues. One is that the Church has always had the role of teacher, this being an essential aspect of its mission from the very beginning. As Pope John Paul II has written: “The teaching and spreading of her social doctrine are part of the Church’s evangelizing mission. Since it is a doctrine aimed at guiding people’s behavior, it consequently gives rise to a ‘commitment to justice,’ according to each individual’s role, vocation and circumstances. The condemnation of evils and injustices is also part of that ministry of evangelization in the social field, which is an aspect of the Church’s prophetic role” (13, **Sollicitudo rei Socialis**, 41). Thus the Church feels that part of its role is to promote social justice, not only in the hearts of Christians, but also in the structures that make up society. To do this it must engage the discussion and debate on these structures. Furthermore, these debates and discussions are at root moral and ethical debates. “Precisely on the questions frequently debated in moral theology today and with regard to which new tendencies and theories have developed, the Magisterium, in fidelity to Jesus Christ and in continuity with the Church’s Tradition, senses more urgently the duty to offer its own discernment and teaching, in order to help man in his journey toward truth and freedom” (**Veritatis Splendor**, 27).

“We cannot rely on the logic or standards of the market to evaluate and access market outcomes, but instead are called to a higher standard, that based on the Gospels and natural law.”

The Church has a perspective to offer that is often excluded from most modern political and economic discourse, one that promotes the “authentic development of man and society that would respect and promote all the dimensions of the human person” (13, **SRS** 1). It represents values that are important to the functioning of a peaceful and just society, but which are not promoted by the vested interests of the powerful, nor are the natural outcome of the “invisible hand” of the market. It speaks for the voiceless and powerless, demanding that their interests are promoted. It challenges those with power and wealth, pointing out that these come with responsibilities and obligations. The CST tradition is not just a litany of the evils of this world, of how we have come up short in our
treatment of others and our care for the planet; it offers a guide to action. As John Paul II has noted: “The social doctrine has once more demonstrated its character as an application of the word of God to people’s lives and the life of society, as well as to the earthly realities connected to them, offering ‘principles of reflection,’ ‘criteria of judgment,’ and ‘directives for action’” (13, SRS 8).

The modern Catholic social thought tradition started with Leo XIII’s encyclical *Rerum Novarum* (RN) (The Condition of Labor) in 1891. It was the first official response and reflection on the problems and conditions arising from the Industrial Revolution. Half a century before RN, there were movements of “Social Catholics” who wrestled with the problems of industrialization from the perspective of the Gospels. Many of the themes they stressed became central aspects of the official CST tradition: that Charity is not enough, “you must go beyond charity to justice” [11:11]; Just Wages; Need for State Intervention in Economy; Social Nature of Private Property and Need for More Organic Society. *Rerum Novarum* set the tone for all subsequent encyclicals on economic issues. It emphasized the moral nature of economic actions at all levels, from the individual’s responsibility to work toward the common good regardless of their roles or place in society, as workers, as employers and as consumers (“right use of money”), to the need for social structures to promote social justice (defense of unions and worker organizations). It also stated the Church’s teaching on private property, drawing a balance between the need of individuals for private property to promote the well being of themselves and their families and the inherently social nature of property and its responsibility to be used toward the common good.

The Great Depression prompted the next major social encyclical *Quadragesimo Anno* (After Forty Years, or The Reconstruction of the Social Order) by Pope Pius XI. Setting a format that subsequent popes would mostly emulate, it started with a reiteration and extension of the central themes developed in the previous encyclicals. More than most of the official documents, *Quadragesimo Anno* (QA) put forward models of economic structures to deal with the problems inherent in both liberal capitalism and Soviet style communism. Pius XI proposed “Christian social order” to deal with the problems of the Great Depression. It did not win too many converts, but he expanded the tradition and laid seeds which would germinate and bear fruit in subsequent encyclicals. To give an example, Pius XI introduced the term social justice, which included both the dignity of each person and the promotion of the common good as complementary conditions and not as competing goals. One of the most important additions to the CST tradition in this encyclical is the idea of subsidiarity.

John XXIII added two important encyclicals to the CST canon: *Mater et Magistra* (MM) (Christianity and Social Progress) in 1961 and *Pacem in Terris* (Peace on Earth) in 1963. O’Brien and Shannon have noted that two features of John XXIII’s teachings are important to remember: “First in his emphasis on socialization, in increase of the network of relations by which individuals are connected to each other. Justice takes on even more significance as we move into more complex and numerous interrelations. Second, John argued for state intervention to ensure that property would achieve its social functions. Justice required that property be used for the common good” [13:82]. John also highlighted the gap between the rich and poor nations and the need for wider distribution of property to alleviate this gap (achieved partly through efforts to generate wealth). In *Peace on Earth* he stated one of the central themes of CST, the dual need to promote and defend human rights and responsibilities. John also called for the Second Vatican Council, which produced the document *Gaudium et Spes* (GS) (Pastoral Constitution of the Church in the Modern World) in 1965. This document placed great emphasis on reading the “signs of the times” of the profound changes in the world and in the social order. It also lays out clearly the anthropology upon which the CST tradition is based. Pope Paul VI’s two additions to this tradition: *Popolorum Progressio* (The Development of Peoples) in 1967 and *Octogesima Adveniens* (A Call to Action on the 80th Anniversary of *Rerum Novarum*) in 1971 extended the concern of the growing gap between rich and poor countries as well as calling on lay Catholics to engage in political activities to promote social justice.

Pope John Paul II has been the greatest individual contributor to the CST tradition, both in terms of the volume of his writings, and, what is more important, in terms of the extension of the scope and depth of the analysis of the tradition. Starting with *Laborem Exercens* (LM) (On Human Work) in 1981, and continuing with *Sollicitudo rei Socialis* (SRS) (On Social Question) in 1987 and *Centesimus Annus* (CA) (On the Hundreth Anniversary of *Rerum Novarum*) in 1991, Pope John Paul II has developed both the Biblical foundations of the tradition as well as adding great insights from philosophy and his unique personal experiences as someone who lived under communism and who had a great understanding of the ideas of economic and social theory.
The social teachings of the Church have also been developed by the many statements on economic, social and political issues by national conferences of Bishops. Of these, the most important for our purposes has been the United States Catholic Bishop’s pastoral letter *Economic Justice for All* (1986). This document follows in the tradition set out by their program for social reconstruction of 1919 (primarily written by the great economist, and Roosevelt advisor, Monsignor John A. Ryan). While most of the attention focused on their support of specific economic policies (like minimum wages), the more revolutionary or radical aspects of this document were its clear statements on the moral principles that should guide economic policy – “The dignity of the human person, realized in community with others, is the criterion against which all aspects of economic life must be measured” (13, *Economic Justice for All* 28) and their call for a Christian vision of economic life. They combined a Biblical understanding of the moral foundations for economic life with a clear and accurate understanding of the state of the U.S. economy in the mid 1980s (“signs of the times”). The reaction of economists was harsh to say the least. For the most part the critics focused on economic policy issues, leaving the ethical analysis aside. In fact, this is perfectly consistent with the general tenor of the economics profession. The economist would generally prefer to leave the ethical issues to the Bishops, and the Bishops should leave the economic issues to the experts. This fits into the mainstream view that ethics and economics (or at least economic theory) are two separate disciplines (the separation of positive and normative economics).

Faith and Reason

In *Rerum Novarum*, Leo XIII sums up the central thrust of the CST tradition: “There is nothing more useful than to look at the world as it really is – and at the same time look elsewhere for a remedy to its troubles” (13, *RN* 14). The dynamic tension between critically understanding the current state of the world, of reading “the signs of the times,” and of looking back to the Gospels, and the tradition that sprang from them, are the driving force and source of the vitality of the CST tradition. From the outset, the Catholic intellectual tradition has always combined faith and reason in its analysis of economic and social questions. In fact, it seems to have been the goal of the CST tradition, as well as the more general Catholic intellectual tradition, to use the identifier “Catholic” in both senses of the word, that is with a capital “C” and with a lowercase “c”; *Catholic* in the sense that it springs from the Church Jesus told St. Peter to build, and *catholic* in the sense that it is searching for “universal” principles and values upon which to view the economy and society. The quintessential exemplar of this is St. Thomas Aquinas, who combined the message of Jesus with the logic and philosophical insights of Aristotle, creating a new understanding of both theology and philosophy. The CST tradition is explicitly based on the Gospels, but it is also based on the Catholic natural law tradition (to be distinguished from the Protestant and secular natural law tradition following Hugo Grotius, which attempted to develop a universally true moral code, which, though derived from the Divine Law of God, was discoverable and could be demonstrated independent of Church doctrines). The key reason is what was emphasized, and it resulted in an analysis that exists at many levels, one that can be engaged by believers and nonbelievers alike. Ultimately the doctrines and conclusions of CST are based on the life and teachings of Jesus, yet they are developed and argued in terms of human reason and thus can be accepted or rejected (by non-Catholics) on the criteria of reason and experience. This allows the tradition to engage secular and non-Catholic/Christian based analyses of economic and social issues. It has created a tradition that is both realistic and idealistic. It is realistic because it is empirically based, it seeks to understand actual conditions and problems, “the world as it is.” It is idealistic because its ideals are its driving force, permeating all aspects of its analysis, from the questions it asks to the evaluations of current conditions. Its goal is to bring the world more in line with what God has intended for humans, to live in peace and justice, where all are granted the dignity due to God’s children.

The Catholic natural law tradition is based on a conception of the natural law as a moral code, and not as a set of physical laws. To quote the greatest modern proponent of this tradition, Jacques Maritain, the “natural law is an ideal order relating to human actions, a divide between the
suitable and the unsuitable, between what is proper and what is improper to the ends of human nature or essence. This is an ideal order or divide which rests on human nature or essence and the unchangeable necessities rooted in it” [9:29-30]. It is not rooted in physical necessity, such as the law of gravity, which cannot be violated. It is a moral code which is often violated by humans who choose to act contrary to it. Furthermore, this natural law tradition does not hold that human reason is enough to discover the natural law, and that the natural law was independent from divine law.

In the scholarly literature on CST it is often noted that there are two approaches to explaining it: Biblical and Natural Law. While some see these as in conflict, I would argue that this dual character adds to the vitality of CST as well as to the scope of its audience. If we relied solely on the Biblical or Scriptural tradition, then we would not be able to enter into dialogue with those outside this tradition. Furthermore, we would be severely hampered in our efforts to learn from and engage the various social sciences that analyze the various social issues that Catholic social thought addresses. We would be limited to noting the conflicts between Scripture and reality, which wouldn’t get us very far. Such an approach is bound to ignore the historical and social context of the social phenomena in question, moving us away from the practical reasoning we need to employ. Thus the natural law tradition, reason, allows us to engage secular social theory and other non-biblical religious traditions.

To sum up, CST requires that our understanding of the economy and business be fully grounded in reality: we must understand the world of business as it is, but we must look elsewhere to find criteria with which to evaluate what we observe. We cannot rely on the logic or standards of the market to evaluate and access market outcomes, but instead are called to a higher standard, that is based on the Gospels and natural law."

At the outset of this article I argued that a Catholic education has the advantage that it attempts to educate the whole person. It recognizes the fact that we are more than the skills we sell to our employers. Thus even business and science students are required to have a solid liberal arts background, so that they can more fully appreciate what it means to be human. The addition of theology requirements adds another component, for it aims to give the student an appreciation of what it means to be one of God’s children. My task for the rest of this article is to argue that a business education informed by Catholic social thought not only promotes a more realistic and useful understanding of business and its place in a good society. It is both more realistic and idealistic. It provides a more solid foundation of the purpose of business, while at the same time calling for a more empirically grounded understanding of actual business practices. It is towards this end that, in David Letterman fashion, I will give 10 reasons why CST makes a business education more practical.

Ten Contributions CST Makes to a More Realistic Business Education’

1. To quote Michael Stebbins, “If we are going to be clear about what business is and how it should operate, we have to do so in view of the overriding fact that our ultimate goal is union with God and with one another...

“Economic activity only makes sense when it is a means to a legitimate human end.”

... In claiming this, we are not talking ‘pie in the sky.’ We are talking about the real world, the world as it actually is. To think about human living without considering God’s intentions for us is to think about a world that simply does not exist. What could be more unrealistic or unpragmatic?" [16:6]. One essential component of human nature is a longing for the universal, the infinite, that is, God. In contemporary society we try to fill this void with consumer goods and sex, yet these are no substitute for the real thing. Most of the unhappiness felt in the world today is directly attributable to the neglect of this human yearning, for it affects our relationship with our selves and with others.

2. Acceptance of a God-centered view of the world naturally leads to the view that, as Sean Healy and Brigid Reynolds have written: “God speaks to every reality. Whatever we are looking at whether it is an issue such as world hunger ... or an economic system such as Capitalism, God does have something to say to that reality. Our world either is or is not in accord with God’s ideal for it. Consequently it is important for us to come to know what God is saying to whatever reality we are
examin. God speaks to these issues or situations in various ways: through the Bible, through the teachings of His Church, through the signs of the times and through the prophets who interpret those signs” [6:5-6].

3. Catholic social teaching provides a richer and more realistic understanding of the human person. The individualistic-utilitarian “rational economic man” that underscores much business education and economic theory is not merely a gross simplification; he is a non-existent abstraction. Such a one-dimensional person could not function in civil society, much less in any real business organization. It is an erroneous deduction from classical and neoclassical economic theory that individuals either always do or always should act in their own narrow self-interest. Even Adam Smith, who is often given credit for promoting the idea that individuals need only promote their own self-interest and rely on the invisible hand of the market to take care of the common good, started his first book, The Theory of Moral Sentiments, with the statement “How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it. ...The greatest ruffian, the most hardened violator of the laws of society, is not altogether without it” [15:23]. The view of human nature promoted by CST views the person as a member of a community, and not as an isolate individual. As stated in Quadragesimo Anno: “According to Christian doctrine, man, endowed with a social nature, is placed on earth in order that he may spend his life in society” (13, Q4, 119). The implication of this for understanding business activity is that we must always see such actions and activities as taking place in the context of social groups and not as isolated choices.

4. Rejection of the atomistic view of the human person requires that we also reject the mechanistic view of society that often underlies much economic theory and business theory. The mechanistic view of society adopts what is called methodological individualism, that only the individual is real; society is a mental fiction. In terms of theory this requires the elimination of historical and social context from our understanding and explaining economic actions. This leads to bad economic theory, for we know full well that all economic actions are social actions, happen in a social and historical context, and only have meaning in that context. The businesswoman who does not understand her activities, and the activities of her company, in its social and historical context, will not remain in business very long.

5. The underlying values of CST, the promotion of the common good and the protection of human dignity, are certainly more justifiable than the utilitarian values that underlie the theology of economic society – economic theory. This is true both as an explanation of values Western society strives for and of those minimum values which are necessary for society and business organization to survive and thrive. Economic activity only makes sense when it is a means to a legitimate human end.

When it becomes an end in-and-of itself, it becomes a pathological activity, which will not promote human happiness, either for the individuals carrying it out, or for society in general, and it is time to call for a therapist. Too much emphasis, as Pope John Paul II has noted, is placed on having and not on being.

6. What is the purpose of a Business Firm? There are generally two competing answers to this fundamental question: the shareholder view and the stakeholder view. The shareholder view has been given its strongest defense by Milton Friedman when he maintained that the only responsibility of the corporation was to earn as much profits for the shareholders of the corporation as possible, as long as the law is not violated. Underlying this view is the assumption that the “invisible hand” of the market will lead these companies to promote the common good, “without knowing it and without intending it,” as Adam Smith argued. The shareholder view notes that there are many individuals and groups beyond the firm’s shareholders that have a legitimate “stake” in how and what firms do, such as workers and consumers. The perspective of CST is that the traditional stakeholder list of stakeholders is too narrow, for the list of those who are affected by corporations’ decisions includes everyone, including future generations. This is the common good. This does not mean that firms should not try to earn profits, for clearly profits play an important role in the economic process, a point even Karl Marx noted. What it does mean is that the ultimate purpose of business is to serve people’s needs and legitimate wants, and the earning of profits should reflect those who successfully achieve this, as a means of rewarding and encouraging such activities. Often, however, profits can be earned by undertaking activities
that are contrary to the common good, as the activities of many of the energy businesses during the California energy crisis demonstrated. In this case markets were manipulated and output was curtailed in order to raise prices and profits, activities that were directly contrary to the needs and legitimate wants of their customers. Just as the purpose of the economy is to serve people, and not the other way around, such is also the case for the individual business firm.

7. CST offers a more compelling perspective on the nature of work than the one offered by economic theory. In economics, work is seen as a disutility, as drudgery. From the perspective of the worker it is to be minimized, and from the perspective of the employer it is a cost to be minimized and a factor of production whose output is to be maximized. In both cases, the worker and the employer treat work and the worker as an object. Among the main points of John Paul’s encyclical “On Human Work” (13, LE) are that in work man is contributing to God’s creation, and that the purpose of work is the development of the worker. While not ignoring the significance of what John Paul II calls the objective dimensions of labor (the goods and services produced by workers), the Pope emphasizes that the real output of work is the worker, what he calls the subjective dimensions of labor. “Man has to subdue the earth and dominate it, because as the ‘image of God’ he is a person, that is to say, a subjective being capable of acting in a planned and rational way, capable of deciding about himself, and with a tendency to self-realization. As a person, man is therefore the subject of work. As a person, he works, he performs various activities belonging to the work process; independently of their objective content, these actions must all serve to realize his humanity, to fulfill the calling to be a person that is his by reason of his very humanity” (13, LE, 6). This allows for a much broader understanding of the laboring process, and of non-paid forms of work, than that usually offered in business or economics classes, yet this broader perspective is much closer to the reality and the ideal of work, what our students should strive for in their own working lives, what will make them happier and more fulfilled individuals and members of communities.

8. By placing economic activity in its historical and social context, CST provides a more realistic understanding of the forces that produce economic outcomes such as the distribution of wealth and incomes. In economic theory almost all of our attention is placed on markets and market outcomes, often causing us to lose sight of the various factors that are outside of the market but which nonetheless influence and partially determine these outcomes. This is especially the case when we look at the determination of the distribution of wealth and incomes. A major determinant of the amount of wealth one will have is the amount of wealth his or her parents had. This directly impacts on wealth through inheritance, and indirectly through the impact a person’s parents’ economic status has on schooling and other opportunities. These factors greatly influence the distribution of incomes, as do other non-market factors, such as government policy, existence of unions, and economic power. Such factors are outside of market relations, and so when we look for exclusively individualistic and market based explanations of economic outcomes such as the distribution of wealth and incomes, these often get excluded. Thus, taking a more holistic approach to understanding business and economic behavior leads to a better comprehension of such activity and its impact of the community. Furthermore, it allows us to recognize that the success of markets requires many non-market activities and institutions. Activities such as raising children, caring for the elderly, volunteering at schools, and numerous other contributions to the life of the community are often carried out outside of a market setting. They are critical to the well being of our society, yet they are often seen as valueless because they do not add value to any business’s bottom line. Any discussion on topics such as corporate responsibility and business ethics, to have any real meaning, needs to first have a sense of the common good and the need to consider the common good in all aspects of business life. Thus the holistic approach of CST gives us a better understanding of where we are and where we should be going.

9. The institution of private property has often been seen as critical to a market based economy, and rightly so. Yet the understanding of property in economics and business is seriously flawed. Too often property is seen solely in individualistic terms, as if the individual had complete control of their property and society did not have any right to place any restrictions or requirements on it. Often such restrictions are seen as a “taking” — that is, the government, by reducing the use of someone’s property (i.e., by imposing taxes), is lowering its value and thus taking wealth away from the property
holder. Economists add to this chorus of objections to restricting private property by claiming that only if individuals use their property to their best economic advantage will the property be used efficiently. This view is an ideological one and not based on a clear and accurate understanding of the economy. The fact of the matter is that the understanding of private property in CST offers a more realistic explanation of the nature and purpose of property. Following the classical tradition of Aristotle and St. Thomas Aquinas, CST emphasizes that property has a social nature, what Pope John Paul II calls its “social mortgage,” and that property needs to be used to promote the common good. Aquinas noted that most often property best promoted the common good when it is held and used in private hands, yet in all cases the community always has a stake in how the property of the community is used. Thus it is perfectly legitimate for governments, acting in the interest of the whole community, to place restrictions and requirements on the use of private property. Moreover, the social nature of property should be obvious once it is pointed out that no property exists without social institutions to first define what is property, and second to protect it; that is, to ensure others do not use it without permission, as exclusivity is an essential aspect of what is private property. The richest man in the world only remains so if the government and the police force are there to defend and protect his property. Society defines property, society defends and protects property, and so it is thus reasonable for society to be able to ensure that property is used towards the common good.

10. A market economy and society require that prices are meaningful; that is, the existing set of prices must reflect economic and social values for them to accurately signal market participants the correct information. In the short run these prices are supposed to reflect supply and demand imbalances, thus working to clear markets. However, the long run role of prices is to reflect social values, the forces that generate order in the economy and society. Often, however, short run prices are prevented from realizing this move towards long run prices because of market imperfections such as economic power. The tremendous influence of large corporations to set prices and to manipulate supply and demand in order to keep prices high, along with other forms of economic power, prevent the market from moving towards long run prices that reflect social values. This often requires that some institution must intervene in the market to ensure that prices be more meaningful.

For example, the long run price of any good or service in a market economy needs to reflect the full cost of production of that good or service. This is a need that reflects both the efficiency and equity requirements of the economy. In terms of the price paid for labor services, this means a just wage that supports the worker and their dependents. Wages often fall below what would be a just wage because of the extreme imbalance of economic power between workers and owners. Thus, wages are often well below a just wage, which means that workers are subsidizing the wealth of the owners by working for less than their just due. While economic theory has a hard time dealing with the issue of what is a fair wage, because its underlying value is consumption of utility and not the dignity of each human, CST has been able to assert the need for just wages and just prices (going back to Aquinas) noting both the efficiency and equity criteria for paying workers a just wage (which is merely a just price for labor).

The list could go on to many important issues, but my goal is to present a brief case as to why the introduction of CST into a business education would improve it in every sense – both in terms of making it more realistic and useful for the student, and in terms of helping our students realize their potential as humans.

“Society defines property, society defends and protects property, it is thus reasonable for society to be able to ensure that property is used towards the common good.”
References


Endnotes

1 John Paul II’s encyclical “Faith and Reason” is, of course, the most important text to be consulted here, but I would also highly recommend the works of C.K. Chesterton on these matters, starting with “Orthodoxy.” As he often noted, all scientists, even the most ardent atheists, positivist, pragmatist, whatever the school or predilections, start off with a level of faith in the power of reason, especially their own, that would put many a saint or martyr to shame.
2 Here we present only an outline of the CST tradition. For an excellent introduction see Massaro, 2000, and Kammer, 1991, and for a more rigorous treatment see Dorr, 1992.
4 “For the teaching of Christ joins, as it were, earth and heaven, in that it embraces the whole man, namely, his soul and body, intellect and will, and bids him to lift up his mind from the changing conditions of human existence to that heavenly country where he will one day enjoy unending happiness and peace.” (MM 2)
5 See Mich’s Catholic Social Teaching and Movements, which highlights the fact that this tradition has never been merely the voice of the Church hierarchy, but has been a struggle for social justice at all levels of the Church.
6 As St. Thomas Aquinas noted: “Human reason is the norm of the human will, according to which its goodness is measured, because reason derives from the eternal law which is the divine reason itself. It is evident then that the goodness of the human will depends much more on the eternal law than on human reason.” (Quoted in PT 38).
7 This section is adopted from my “Catholic Social Thought and Business Education,” Vincentian Chair of Social Justice, 6, 2001, 35-37.
Catholic Social Thought and Business Ethics: The Application of 10 Principles

Jim Wishloff, The University of Lethbridge, Edmonton, Canada

Abstract
Catholic Social Thought is a treasure trove of moral wisdom formulated to inform the conduct of believers. This doctrine is designed to help form the consciences and guide the actions of people the world over, not the least of who are those responsible for leading business institutions.

Introduction
The Magisterium, or teaching authority of the Catholic Church, provides a comprehensive body of doctrine to guide those of the faith. This guidance extends to the moral aspects of economic activity. The resources of Catholic Social Thought (CST) have been underutilized in this regard, however. The moral wisdom they provide has simply not been tapped into sufficiently. This paper is an attempt to rectify the situation. My goal is to link 10 themes of CST to their applications to present day political/economic realities.

Ten Themes of Catholic Social Thought

Trinitarian Love: God’s Existence and Nature
It is evident from the normative expression of the Christian faith found in the Church’s Creeds that the Christian worldview is theistic – i.e., the touchstone proposition is the belief in the existence of one supremely powerful, transcendent and personal God. The theism of Christianity is thus distinguishable from worldviews that deny the existence of God (atheism), that hold that many gods exist (polytheism), that believe that everything that exists is God (pantheism), or that assert that the God who created the Universe has now fully withdrawn himself (deism). But Christianity differs from the theism of Judaism and Islam in its belief that the New Testament discloses in Jesus Christ a person both fully God and fully man - i.e., God became incarnate in his only begotten son Jesus Christ.

To understand the basic Christian beliefs about man and the universe, to understand the fundamental assumptions that make the Christian see the world as he or she does, the place to naturally begin is with God. That is, since the Christian worldview is theocentric, insight is particularly sought into the Being at the center of this belief system.

What is God’s nature? What has God done? What is God continuing to do? The first item of the Catechism provides a concise summary of the Catholic vision or understanding of reality:

- God, infinitely perfect and blessed in himself [who God is] in a plan of sheer goodness freely created man [what God did] to make him share in his own blessed life [why God made man]. For this reason, at every time and in every place, God draws close to man. He calls man to seek him, to know him, to love him with all his strength. He calls together all men, scattered and divided by sin, into the unity of his family, the Church [how God accomplishes his purposes]. To accomplish this, when the fullness of time had come, God sent his Son as Redeemer and Savior. In his Son and through him, he invites men to become, in the Holy Spirit, his adopted children and thus heirs of his blessed life [3:1].

Human Personhood: Sacred, Social, Inclined to Evil
“God created man in his own image, in the image of God he created him: male and female he created them” (Genesis 1:27). Human beings are the crowning glory of God’s creative work in the universe. We are the only creatures on Earth that God has willed for its own sake and everything has been created by God for us. In a word, man has been loved into existence by God, formed in the very likeness of God and deliberately designed as male and female.

The vocation of being human is to come to the fullest development of the distinctive human powers of intellect and will by knowing truth and loving goodness. The supreme truth is God and the supreme goodness is God. Therefore, the ultimate purpose is to know and love God, and since our imperishable soul destines us eternally, to enjoy Him forever. In short, God made human beings for loving fellowship with Himself. Settling on anything less than this communion leaves the human heart restless [3:30].

There are a number of profound implications to the fact that by virtue of being human men and women are made in the image of God.
• The end for which we have been created confers an unsurpassable and inalienable dignity on us. As a child of God, made by God and for God, the human person is a sacred or holy being.
• The human person is in possession of inherent and inviolable rights. Violating those rights is a grave moral failure. For example, to wantonly kill (murder) another human being whose life is sacred is an attack on God, in whose image the person is made.
• Human beings are of infinite worth. Every person’s value is immeasurable and God knows each person in intimate detail.
• In the light of God all human beings are equal. Conditions such as race, gender and societal position are of no significance to God in establishing our worth.
• Human beings occupy a special place in the order of creation. The great privilege of being stewards of God’s creation is accompanied by the onerous responsibility of emulating God’s providence.

Human beings are inherently social beings. This is clear from the Genesis account of creation; “it is not good for man to be alone” [Genesis 2:18] and from the Catechism “God did not create man a solitary being” [3:383]. How deeply is our nature social? We could not come into existence unless other human beings procreated us. We would not stay in existence unless other human beings maintained us in it. We have needs that we cannot supply ourselves. We have powers, such as the ability to teach, that can never be used except in relation to others. Without other human beings none of us would ever reach maturity. The documents of the Second Vatican Council concisely state the understanding: “For by his innermost nature man is a social being; and if he does not enter into relations with others he can neither live nor develop his gifts” [Gaudium et spes:12].

The essential question of the human condition is how freedom will be used. Will human beings give their hearts to God, voluntarily returning his love, or will they turn away from God? The doctrine of original sin says that our first parents tragically decided to reject their divine destiny and that their fall from goodness has been transmitted to all subsequent generations so that we exist in a state of fallenness. “Man has a wounded nature inclined to evil” [3:407]. Though originally created by God for fellowship with him, human beings have rebelled against God. Christianity asserts that the reality of our condition is that we have chosen to be alienated from God.

Authentic Liberty: Adhering to Natural Moral Law

The theological doctrines of the Catholic faith, as summarized in the Creeds, are not given as an end in themselves. Right belief (orthodoxy) is meant to result in right practice (orthopraxy). The linchpin proposition of Christianity is this: Jesus Christ was God incarnate but was nevertheless crucified and for our sake he was resurrected from the grave. The Church honors this fact and thereby stays true to its Founder, in formulating the Catechism. “The first and last point of reference of this catechesis will always be Jesus Christ himself, who is ‘the way, the truth and the life’” [3:1698].

Morality is not just a way of behaving but is more essentially a way of being. This brings out Catholicism’s commitment to metaphysical and moral realism. What this means is that the starting point in thinking about our lives and our world is with things in reality, not with things imagined. Reflection is on the world of real existence, which men have not made or constructed, with the idea that the knowledge gained of this reality is the only reliable guide to human conduct. That is, sanity, and thus the possibility of sanctity, depends on adapting one’s self to ultimate reality. Metaphysics uncovers this reality. Morality is a right response to the discovery. What one ought to be and do is based on what [metaphysically] is.

In the Christian worldview God’s creation is thought to be ordered, structured and law-governed. It is believed that just as there are natural laws governing the physical world, so too, there are natural moral laws which apply to the human soul. God built both sets of laws into the very structure of reality. Human beings thus feel the physical laws press on their beings (e.g., effects of gravity), and they feel God’s moral code, patterned on his own holiness, pressing on them (e.g., stirrings of conscience).

“In Catholic economics the ruling purpose of the economy is not power or profit, but human well being in its totality.”
What are some of the characteristics of the natural moral law?

- **Teleological**: The most important question of our moral lives is: What is the *summum bonum*, the greatest good or ultimate end? What are our lives for, in an ultimate sense? The Catechism answers, “we all want to live happily; in the whole human race there is no one who does not assent to this proposition” [3:1718], but then goes on to disclose wherein true happiness lies - “the joy of the Trinitarian life” [3:1721].

- **Virtue Theory**: “A virtue is an habitual and firm disposition to do the good” [3:1803]. Virtues form a person’s character - i.e., in possession of them, not only does a person do good acts but also he becomes good. The Catechism distinguishes between the human virtues, those virtues that perfect the distinctly human powers and protect against concupiscence, and the theological virtues, those virtues that adapt man’s faculties for participation in the divine nature. Traditionally, four virtues have been recognized as cardinal or pivotal human virtues (from the Latin *cardine*, meaning hinge). They are prudence, justice, fortitude and temperance, and they serve to organize all the other virtues. For example, honesty would be an integral component of the virtue of justice. The three theological virtues, faith, hope and charity, are infused by God into the souls of the faithful and have God as their object. God provides these virtues to make people capable of acting as his children and meriting eternal life. The theological virtues are not added onto the natural virtues but inform and give life to them. Faith, hope and charity “are the foundation of Christian moral activity; they animate it and give it its special character.” Since morality is based on human nature and since human nature is perfected in Christ, the ultimate end of morality is to become Christ-like. “The goal of a virtuous life is to become like God” [3:1803 and Matthew 5:48]. The perfection of charity or supreme happiness, the very countenance of Jesus Christ, are depicted in the Beatitudes. Such goodness is beyond human nature, reason, and power. It is a free gift of God. Supernatural grace perfects human nature and makes us “partakers of the divine nature” [2 Pet. 1:4]. God’s essence is love, and in Christ we have God loving human beings to death, literally. God’s love is universal, active, pursuing, personal, substantial and sacrificial. Christians are called to just that kind of love. In imitating Jesus, they must be prepared to take up the Cross.

- **Deontological**: This type of theory identifies the binding moral obligations and duties that human beings have by virtue of being human. In Catholic morality these are summarized in the Decalogue and the Golden Rule. If the telos of the human person is God, then the Ten Commandments describe the path that leads a person home to this destination. Since God is love and human beings are made by love and for love, the commandments have to do with the right ordering of love. The commandments of the first tablet (#1-3) have to do with loving God. Jesus summed up how we ought to love God: “with all your heart and with all your soul and with all your mind” [Matthew 22:37]. God deserves such total love because he is the infinitely good Creator of our existence. The commandments of the second tablet (#4-10) have to do with loving others. Jesus again encapsulated how we ought to love others: “love your neighbor as yourself” [Mark 12:31]. This means that we are to will the good of others since this is what we always will for ourselves in loving ourselves. People deserve this love because they too are persons made in God’s image. Things of the world are to be loved according to their nature, animals as animals, plants as plants, and matter as matter. God made these other orders of beings for use by people. To reverse this order, to treat things as ends and use people as means, is a basic moral perversion.

- **Consequentialist**: While the effects of one’s actions are taken into account, a pure utilitarian calculus is rejected as insufficient. “One may not do evil so that good may result from it” [3:1756]. Motives or intentions also matter. “The end does not justify the means” [3:1753]. The stringent evaluation of moral acts involves asking: have I done the right thing (the act itself), for the right reason (the purpose), in the right way (given the circumstances) [3:1757]. God created man a free being. “By virtue of his soul and his spiritual powers of intellect and will, man is endowed with freedom, an ‘outstanding manifestation of the divine image’” [3:1705]. Since the human will is free, the human person is responsible for his or her voluntary acts. Every
human person has the “natural right to be recognized as a free and responsible being” [3:1738] and since rights always entail obligations, “all owe to each other this duty of respect” [3:1738]. The exercise of freedom is not an unlimited right however. There is no right to say and do everything. True freedom only comes in the service of what is good and just. Deviating from the moral law violates one’s freedom and leads to one being enslaved by sin.

Common Good: Basic Human Communities

We are social beings by nature. This is not an assertion plucked out of thin air but a conclusion arrived at by careful observation of human development. Human beings start in a state of utter dependence and must be fed, nurtured, clothed, educated over an extended period of time. A full human life requires material necessities and moral, social, intellectual and spiritual progress that cannot be achieved in isolation. In a word, social life is necessary for our perfection. As persons, as subjects of responsibility and love, our lives are always lives-in-community. Thus, associations of greater to lesser intimacy are demanded metaphysically, by the very order of ultimate reality, as it were.

The first form of communion between persons, instituted by God by design, is the partnership of man and woman. God is the author of marriage [3:1603], the indissoluble union of a man and a woman ordered to the good of the spouses and the procreation and education of children. The human family, then, is a part, the central element, of the divine plan from the time of creation. It is the original cell of social life existing prior to and above all other levels of social organization and deserving of recognition as such. The family constitutes nothing less than the foundation of society.

Beyond the family is the local or civic community. This encompasses all the associations or groups intermediary between the family and the state. The political community overarches all, ideally providing a stability that allows for harmonious living between citizens of the polis. This series of natural nested communities can be diagrammed as Exhibit 1.

EXHIBIT 1: NATURAL NESTED COMMUNITIES

This allows us to see that our own good, our own development as persons, is linked to the good of our family, our community and the political society we live in. But these communities are moral units, which achieve their unity by the voluntary union of the many persons who comprise the community. Thus the formation of community is not a technical problem to be solved (once and for all, like building a bridge) but a moral struggle, to be faced with as much equanimity as possible. Human community will only be established if it is desired, generated, and nourished by the people who form the community. Said another way, community can only thrive if the people of the community value it and are disposed morally to make it work. Human society, the moral union of all the wills aiming at the same end, is the result of love.

What is this end? In a teleological perspective, something is good if it fulfills its purpose. For example, a good watch keeps time accurately. The good of the human person as a citizen is the common good of the society in which he lives, where the common good is understood to be: “the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and more easily” [3:1906]. In other words, the common good is the social order that empowers or facilitates every individual in it to attain, as closely as possible, his or her perfection. Such a social order can only be secured by the moral perfection of the individual persons of that society.
Thus it can be seen that the common good is not in opposition to any individual's good, for it is precisely in the social order that the individual develops. That is, virtue is not achieved in isolation but only through participation in the ordered social whole. Far from there being an inherent incompatibility between the individual and the society, they can be seen to be complementary — i.e., they exist for each other. The individual develops in society or by contributing to society, and society exists for the development of individuals. Self-sacrifice for the common good is not the denial of self but self-fulfillment. We transcend ourselves, or develop as we ought to, by self-giving love, a process Josef Pieper referred to as "selfless self-preservation."

"The right to hold property is accompanied by responsibilities in its use."

Governance: Legitimate Public Authority and Subsidiarity

The Catholic perspective explicitly opposes the doctrine of economic laissez faire [literally, "leave alone"]. "Political authority has the right and duty to regulate the legitimate exercise of the right of ownership for the common good" [3:2406]. "Reasonable regulation of the marketplace and economic initiatives in keeping with a just hierarchy of values and view to the common good is to be commended" [3:2425]. Implicit in this position, however, is a quite severe curtailment of state intervention in the economic activities of its citizens. The Social Assistance or Welfare State is also opposed. Understanding the role government is to play in economic life requires a discussion of authority in the Christian worldview.

The telos or end of political bodies is identifiable. "The political community, then, exists for the common good: this is its full justification and meaning and the source of its specific and basic right to exist" [Guadium et spes:74]. "It is the role of the state to defend and promote the common good of civil society, its citizens and intermediate bodies" [3:1910]. Thus, political authority is constrained in its actions to those interventions that contribute to the common good. What are these? What does the Catechism put forward as the legitimate role of government?

i) Setting up the institutional, juridical, political order necessary in a responsible free enterprise system — i.e., guaranteeing people the security needed for the exercise of freedom in the economic field: This would include the protection of private property, the maintenance of a stable currency, and the provision of efficient public services [3:2431].

ii) Overseeing and directing the exercise of human rights in the economic sector: Business enterprises have a responsibility to society for the effects of their operations. Individuals have a responsibility to govern themselves and to observe the just procurement of the common good by authorities. Consequently, the primary responsibility for directing the exercise of human freedom lies with individuals and the groups and associations which make up society. When people fail to act responsibly, political authority must step in. At a minimum, government must "restrain the heartless."

iii) Harmonizing and guiding development [16:48]: The state can become involved in business systems, for example when a sector is just beginning to develop and would be aided in its development by government assistance. This must be done judiciously, however. The ever-present danger is that state intervention becomes excessive and diminishes human freedom and initiative. The guiding principle to be respected is that of subsidiarity, according to which "a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to co-ordinate its activity with the activities of the rest of society, always with a view to the common good" [3:1883]. In sum, government can assist in economic development but must avoid taking over functions properly belonging to business.

iv) Breaking up monopolies [16:48]: Not all corporate concentration of economic resources is bad, but political authorities must act when monopolies delay or obstruct development.

v) Ensuring employment: "Unemployment almost always wounds its victim's dignity and threatens the equilibrium of his life. Besides the harm done to him personally, it entails many risks for his family" [3:2436]. For this reason the state has a duty to rationally coordinate a full employment policy [14:18].
Human Solidarity: Global and Participative

Solidarity, “a firm and persevering determination to commit oneself to the common good … to the good of all and of each individual, because we are all really responsible for all” [15:38], is a virtue that has been emphasized in the Catholic tradition, albeit under different names, as one of the fundamental principles of social organization. Today, when our economic system has made the global nature of our interdependency so tangibly evident, it is valuable to review the profound depth at which human fellowship exists in the Christian worldview. The human race forms a unity because of its common origin (created by God), its common nature (each person is an ensouled body), its common dwelling place (life on earth), its common mission (salvation of souls) and supernatural end (God himself), and the common means for attaining this end (Christ’s redemption was for all men). The ultimate and unshakeable basis for human solidarity, the reason that “all men are truly brethren” [3:361], is the Fatherhood of God made incarnate in the Body of Christ.

Justice: Distributive, Commutative and Social

“Justice is the habit whereby a man renders to each one his due by a constant and perpetual will.” —St. Thomas Aquinas

Unpacking Aquinas’ classic definition will enable us to see why a closer scrutiny of justice is called for. First of all, justice is a moral habit requiring a certain constant rectitude to the will. That is, it is a virtue, indeed one of the four cardinal virtues, something whereby a person becomes good as a person. Secondly, the essence of the virtue is to give to other people what is their right by virtue of their nature as human beings. Thus, justice, in inclining us to think of, to be attentive to, our obligations to others, is a basic social virtue. Justice allows us to shoulder the responsibilities of social life. It orders our relationships with others. Without justice, social stability is impossible. Not the least of what justice governs is the rightful possession and use of property.

Following Aquinas’ masterful treatment of the virtue, the Catechism distinguishes among three forms of justice: distributive, commutative and legal [3:2411].

- Distributive justice “regulates what the community owes its citizens in proportion to their contributions and needs” [3:2411]. It pertains especially to those in authority, for the social whole (whether a political state or a commercial enterprise) exercises distributive justice through its officials. In applying the virtue, such officials must be no respecter of persons – i.e., people should not be favored because of who they are. That said, honors and rewards ought to be apportioned according to merit. Help or aid ought to be dispensed according to need. Duties and burdens ought to be assigned according to capability.
- Commutative justice “regulates exchanges between persons in accordance with a strict respect for their rights” [3:2411]. The principle act of commutative justice is restitution.
- At the very least, individuals ought to obey the just laws of the state and respect the state in its legitimate procurement of the common good, hence the name “legal” justice. But such a moral minimum does not begin to capture what individuals working alone or in concert with others can contribute to the social whole, thus the idea of “social” justice.

To possess social justice or civic virtue is to have an intelligent, dutiful concern for the public weal, an efficacious voluntary interest in the welfare of the community. It is to constantly will one’s greatest contribution to the common good. Exhibit 2 captures the basic forms of justice.

EXHIBIT 2: THE SOCIAL WHOLE
“The justification of enterprise is the contribution the enterprise makes to human flourishing, the correspondence of the economic activity with God’s plan for man.”

Private Property: Subordinate Natural Right

The right to possess things privately as one’s own is a natural right – i.e., it is a right human beings have by virtue of what they are as human beings, by virtue of “what makes man man” [12:11]. Three reasons are given to legitimate private ownership [3:2402]:

i) It guarantees the freedom and dignity of persons

ii) It helps each of us meet our basic needs and the needs of those in our charge

iii) It allows for a natural solidarity to develop between men

In other words, it fits with what we are as human beings. The right to private property respects the transcendent dignity of the human person [16:13]. It honors our nature as i) spiritual beings in possession of the faculties of intellect and will and thereby capable of initiating thoughtful action and assuming responsibility, ii) material beings in need of physical sustenance on a recurring basis, iii) social beings whose lives are made by loving relationships with others.

God’s original gift of the earth was to the whole of mankind. Private property rights are therefore not absolute but are subordinate to this reality, to this prior and more basic claim. Taking the goods of another to meet immediate, essential needs when this is the only option (e.g., Jean Valjean’s stealing of a loaf of bread in Victor Hugo’s classic Les Miserables) is not theft, because the universal destination of goods is primordial. The right to life and subsistence is more fundamental than the claim of ownership.

It is a great privilege to have been entrusted by God with material resources. It makes one a steward of Providence. The awesome responsibility entailed by ownership is to emulate God’s goodness in making the property fruitful and communicating its benefits to others. We are obliged to use what we possess to benefit others as well as ourselves, since private property is “based upon and justified precisely by the principle of the universal destination of goods” [15:42]. The profound unity of the human race demands such attention to others. In sum, “private property is under a social mortgage … it has an intrinsically social function” [15:42].

Dignity of Work: Sharing in the Activity of the Creator

Work is clearly a central reality of human existence and has great meaning in the lives of human beings. Where does work come from? What gives work its dignity? What is the end of work? What should work be for human beings? The Catechism addresses all of these questions summarily [3:2427,2428]. Work was ordained by God from the beginning. Man is destined by his Creator to “fill the earth and subdue it; and have dominion over the birds of the air and over every living thing that moves upon the earth” [Genesis 1:28]. Thus, work is a duty. It is God’s will that we are to work to the best of our capacities. We are not to be a burden to others because we are idle busybodies [2 Thess. 3:6-12]. Our responsibility is to work [1 Thess. 4:11], very hard if necessary [2 Thess. 3:8]. We are equipped for our God-given mandate by virtue of our humanity. Made in the “image of God” [Genesis 1:27], a human being is a person, a “subjective being capable of acting in a planned and rational way, capable of deciding about himself, with a tendency to self-realization” [14:6]. Thus, work has a profound two-fold dignity. First, it is a calling of God, an extraordinary gift from God. God has given human beings the task of completing the work of creation, of perfecting its own harmony for their good and the good of their neighbors. Secondly, work has dignity because of the dignity of the human person doing the work – i.e., it is human work. Work helps us to attain our innate potential.

“Work is a good thing for man – a good thing for his humanity – because through work man not only transforms nature, adapting it to his own needs, but he also achieves fulfillment as a human being and indeed, in a sense, becomes ‘more a human being’” [14:9].

The significance of this is that work can never be looked on as just an economic issue even though there are obvious economic consequences. Beyond what is accomplished objectively, work is by man and for man. The human person in his or her dignity is the author of work, and as the subject of work is its beneficiary. Man is the “true purpose of the whole of production” [14:7].
The non-negotiable moral vision of Catholic economics is that there should be “suitable employment for all who are capable of it” [14:18]. Everyone ought to be elevated by work. This stands in stark contrast to the corporate vision of work being just another commodity to be sold and bought. Reducing human effort to a category of merchandise empties work of its dignity.

Stewardship: Caring for God’s Creation

Man has been given dominion over the inanimate world and over plants and animals [Genesis 1:28-31]. That is, they are destined for the good of humanity. This dominion is not absolute, however, having been granted by God the only absolute in Catholicism. Man’s mastery and possession of nature is not unlimited. It is not to be an “arbitrary and destructive domination” [3:373]. Things are not to be used in a “disordered” way [3:329]. The natural world is God’s masterpiece. To scar or deface the Artist’s work is to disrespect the Artist. Destroying the creation shows contempt for God with disastrous consequences to the environment and to human beings who must make their home there. At the root of our irresponsible exploitation of the earth is a refusal to accept the inherent limitations of our creatureliness.

“Man who discovers his capacity to transform and in a certain sense create the world through his own work, forgets that this is always based on God’s prior and original gift of the things that are. Man thinks that he can make arbitrary use of the earth, subjecting it without restraint to his will, as though it did not have its own requisites and a prior God-given purpose, which man can indeed develop but must not betray. Instead of carrying out his role as a cooperater with God in the work of creation, man sets himself up in the place of God and thus ends up provoking a rebellion on the part of nature, which is more tyrannized than governed by him” [16:37].

Christians are called to be good stewards of God’s material world, caring for it, maintaining it in its integrity and perfecting it by opening it up to God through their own divinization. Even this does not capture the radical nature of the stewardship call in the Christian worldview. It is not just about being a trustee or manager of God’s resources by making good moral choices. The rich young man had done this [Matthew 19:18-20] and it wasn’t enough. Jesus wants his followers to do more by risking more. He wants his disciples to seek intimacy and restored relationships with each other and the whole creation. In sum, stewardship is the process of recreating community by establishing relationships that are life-giving, transforming and healing, risking all and trusting God in doing it. Life is lived in thanksgiving without fear because of God’s providence.

Implications of 10 Themes to Business

Ultimate and Basic Purpose of Economic Production

The fundamental question here is what justifies an institution’s existence? Catholicism’s answer is that “the human person … is and ought to be the principle, the subject and the end of all social institutions” [3:1892]. Economic enterprises are not excluded. In Catholic economics the ruling purpose of the economy is not power or profit, but human well-being in its totality. “Economic life … is ordered first of all to the service of persons, of the whole man, and of the entire human community” [3:2426] because of the grandeur of the human person. In the Catholic worldview human beings are a high and holy mystery, God’s own children. As such they are infinitely more worthy than any material goods that might be produced or the organizational entities created to generate that production. Catholicism’s belief that human beings are endowed with a spiritual and immortal soul is the safeguard against totalitarianism, including the totalitarian tendencies of expansive commercial enterprise [26]. Long after organizations and nations have died the soul of each human being will still exist.

The ultimate institutional purpose of the good of persons must be fulfilled by morally consistent means. Human actions taken in the service of enterprise must conform to the moral order. The right to hold property is accompanied by responsibilities in its use. Profitability is still important. It is a necessary condition for the viability of the firm, but not sufficient to legitimate the institution. We need oxygen to stay alive but no one would contend that breathing is the ultimate reason for our existence. The justification of enterprise is the contribution the enterprise makes to human flourishing, the correspondence of the economic activity with God’s plan for man.

Out of this understanding, the following generic corporate mission statement can be formulated: [To do well financially] by producing and exchanging needed goods and services humanely. Questions can be proposed to assess the fidelity of the firm’s operations to the institutional purpose. Is what we are doing worth doing at all? In what sense are we contributing to human flourishing? To what degree are our products essential, useful, reliable, durable, recyclable? Is there real value being offered? Are genuine human needs being served?
This type of interrogation would help the Catholic see that he ought to exclude himself from involvement with enterprises that kill the body physically, like tobacco, or kill the soul morally, like pornography. In the face of a “culture of death” [18:12] the mission must be to “respect, protect, love and serve life, every human life” [18:5]. No matter what one’s vocation, whether businessman, teacher, physician or so on, it must be a channel of public service, it must contribute to “the building of an authentic civilization of truth and love” [18:6].

Right Ordering of the World’s Goods

It is clearly evident that the goods of the world are not being ordered to God’s providence. Some 800 million people, immortal beings made in the image of God, lack the basic necessities of life. This reality subverts human dignity and is a moral affront since the resources already exist to ameliorate the desperate conditions people live under. In Canada alone the net worth of the 50 richest people exceeds $100 billion [29]. In today’s economic world practical and artistic skills can grant the person possessing them an opulence that is hard to even comprehend. Alex Rodriguez will receive $252 million dollars over 10 years to play baseball [9]. Talk show personality Rush Limbaugh recently agreed to a similar pay schedule.

Remedying such a staggering maldistribution of resources will require a return to the first principle of the whole ethical and social order, the principle of the common use [or universal destination] of goods [14:19]. The gifts of creation are God’s gifts, something Saint Augustine surely had in mind when he said that he who possesses a surplus possesses the goods of others. The moral legitimacy of a global economic system whose concept of justice is unrelated to both human need and the contribution one’s efforts make to the well being of others is to be questioned. Perverse mechanisms, international economic and financial institutions that impede development, must be dismantled. Immediate direct aid must be given. Poverty, in all its forms – material, cultural, spiritual – must be met with love.

To emphasize that a right ordering of the world’s goods demands an active love for the poor, the Catechism employs rhetorical questioning to summarize, the only place in its 2865 items that this technique is utilized.

“How can we not recognize Lazarus, the hungry beggar in the parable [cf. Luke 17:19-31], in the multitude of human beings without bread, a roof or a place to stay? How can we fail to hear Jesus: “As you did it not to one of the least of these, you did it not to me? [Mt 25:45]” [3:2463].

How can those directing commercial enterprises have this heard in their firms?

i) Firstly and primarily, business can show its love of the poor by fulfilling its mission well. By providing good quality products and services that meet authentic human needs, the firm adds to the prosperity of society generating the wealth needed to alleviate misery and enhance the culture. The point is that if corporal works of mercy include feeding the hungry, sheltering the homeless, and clothing the naked [3:2447], the supermarkets, homebuilders and apparel manufacturers are coming to the aid of those in need. This is a fact that is easily overlooked when thinking about our commercial system.

ii) Firms can engage in philanthropy. When the successful company Thompson-McCully was sold for $400 million, its owners, Bob and Ellen Thompson, handed out $128 million to employees [1]. The Thompson’s goal is to give away $300 million more in the next 10 years. Already they have set up 1,000 scholarships for inner-city kids and have given $1.5 million to a Michigan hospital.

iii) Organizations in the commercial sector can enter into creative partnerships with other sectors of society seeking to alleviate poverty and unnecessary human suffering. For example, Habitat for Humanity’s building fund offers a wise, just and honorable way for anyone to give.

iv) The poor can be given help to obtain the capital they need to start their own ventures. The Edmonton Community Loan Foundation provides financing and business support to aspiring entrepreneurs who are socially or economically disadvantaged [27]. Since 1995, $600,000 has gone into small businesses, creating 100 jobs. Capital City Savings and Credit Union has joined with the Foundation by providing a $30,000 donation, a $100,000 line of credit and staff mentoring.
Individuals and groups can use their talents to benefit others instead of consuming immoderately and selfishly or accumulating ever more. For example, before his untimely death, the great songwriter and singer Harry Chapin performed more than half of his concerts for charity.

Monetary Compensation

The market mechanisms that a responsible free enterprise system creates and utilizes have much to commend them. Resources are better utilized, the exchange of products is promoted and the desires of contracting parties can be jointly met [16:40]. For all this, markets are ultimately inadequate. "Regulating the economy solely by the marketplace fails social justice for there are many human needs which cannot be satisfied by the market" [3:2425]. The anthropological error here is to assume that economic freedom is all of human freedom and not just one aspect of it. *Homo sapiens* is reduced to *homo economicus* with the result that only those needs and resources that can be assigned a price are given significance, or worse, that goods which by their very nature cannot and must not be sold are treated as mere commodities. "Any system in which social relationships are determined entirely by economic factors is contrary to the nature of the human person and his acts" [3:2423].

Remuneration, or the payment of wages, is one aspect of enterprise that escapes the logic of the market. Under market idolatry the lowest wages possible globally are sought out. If labor can be acquired for $0.25 an hour in China when Mexican workers are being paid $1.00 per hour, then production will be moved. But to pay someone as little as you can is the antithesis ofliberality, and therefore the antithesis of the generosity of Jesus, who “though he was rich, yet for your sakes he became poor, so that by his poverty you might become rich” [2 Cor. 8:9]. The basic dignity of people is over the marketplace.

“A living wage must be paid: “Everyone should be able to draw from work the means of providing for his life and that of his family, and of serving the human community” [3:2428]. The Market made me do it is insufficient rationale: “Agreement between parties is not sufficient to justify morally the amount to be received in wages” [3:2434].

The entirely sensible prescription offered by Block [2] is to be commended. His idea is that the philosophy that guides executive compensation schemes should inform the pay structures at all levels of the organization. One compensation system having the following features would be put in place [2:176].

1. Earnings would be connected to real outcomes.
2. The objective would be to pay as much as possible [instead of as little as possible].
3. Special earnings possibilities or tax advantages would be offered.
4. A soft landing would be provided to people in cases of termination, acquisition, or contraction.
5. Some equity would be sought across the institution.

It must be noted that Block’s thesis is that it is our authoritarian tendencies, our desires for positions of privilege and power, that prevent us from developing such a policy.

Working Conditions

Economic production is accomplished by human beings using material means. The question is which takes precedence? Is capital to serve labor, or is labor to serve capital? The *Catechism* affirms the “primordial value of labor” [3:2428], once again on the basis of human dignity.

“A system that “subordinates the basic rights of individuals and of groups to the collective organization of production” is contrary to human dignity. Every practice that reduces persons to nothing more than a means of profit enslaves man, leads to idolizing money, and contributes to the spread of atheism” [3:2424].

It is the case, however, that work environments that should never be countenanced, work environments that are harmful to the physical health and moral integrity of the people working in them, exist in the world today.
i) Hundreds of millions of tons of hazardous toxic wastes are shipped from North America to the Third World every year even though it is known that the recipient countries lack the money, the technology, and the environmental safeguards to dispose of the waste properly [6]. For example, despite the fact that even very low levels of lead exposure impairs the brain development of young children, millions of lead acid batteries are routinely sent to India for processing by young workers lacking protective gear. The unconscionable scene is of children breaking open batteries with their bare hands and putting the lead on pans for cooking [24].

ii) Women working in the duty-free Mexican branch plants of companies such as Zenith, Sanyo, General Electric, and Sunbeam are subjected to pregnancy testing exams [5]. These may be as crude as having a company doctor or nurse press down on the women's abdomens with their fists to see if they can feel a baby.

iii) Even slavery, which should be met with revulsion because of its disregard for personal dignity, has been given a new lease on life [22]. Many of the consumer products we enjoy – sugared drinks, charcoal and clothes – are produced by bonded and indentured workers and children around the world.

In Catholicism all life is considered to be the gift of a personal God and is therefore sacred. Human beings are seen to be the special and supreme creation of this loving God. Made in God's own image, the human reality is a personal one as well. Each person is viewed as having infinite value because of the immortal being that he or she is. Relationships to others are personal in character. The other person is not an insignificant cog in a machine or an anonymous element of the collective, but “someone” who can be known personally and is deserving of respect. When people come together to attain objectives that exceed individual capacities, as they naturally do, they form a community of persons. The firm exists “as a community of persons who in various ways are endeavoring to satisfy their basic needs and who form a particular group at the service of the whole of society” [16:35]. These assemblies or societies (organizations) are at once visible and spiritual since they are made up of persons united body and soul in a single nature. The physical dimensions of this reality ought to be subordinated to the spiritual ones lest persons be viewed as a mere means. This is to say that social institutions ought to rest on our concern for others and not just on contractual exchange.

“Social institutions ought to rest on our concern for others and not just on contractual exchange.”

“Governing them [human communities] well is not limited to guaranteeing rights and fulfilling duties such as honoring contracts. Right relations between employers and employees ... presuppose a natural good will in keeping with the dignity of human persons concerned for justice and fraternity” [3:2213].

The model for this fraternity is the fellowship that operates in the Trinity. The ideal in the Christian worldview is to be in partnership with other persons out of love. In charity one sees in the other person “another self” [3:1944] and wills the good of the other. In charity one pours out one's life for another and in doing so realizes one's own self.

“This is my commandment, that you love one another as I have loved you. No one has greater love than this, to lay down one's life for one's friends” [John 15:12,13].

“Whoever seeks to gain his life will lose it, but whoever loses his life will preserve it” [Luke 7:33].

Charity would strive for greater respect, participation (voice), and ownership for all persons in the firm. For example, people would be assigned responsibilities and would be asked to accept challenges so that they might come to a higher development of their distinctly human faculties. Workplace participation that builds an authentic human community and elevates or fulfills the individual human person is the moral ideal [11].

Today's reality is that both men and women are in the paid workforce. That is, many families are now dual-income households. As a result, the two adults in these households experience a great deal of stress in meeting both work and family responsibilities. Corporations can and should assist parents in this challenge. There is a moral topline in addition to a financial bottom line. Attending to it means that firms will not just wash their hands of the matter, leaving it to the rest of society to cope with the complexity of modern life, but will actively look for ways to be on the moral frontier in accommodating parental needs. Many of these means have already been identified and implemented: part-time work, flexible working hours, work from home options, generous parental leaves, and cafeteria style...
benefit packages. The company sincerely desiring to do good can examine more radical options as they appear: providing lactation facilities for nursing mothers [23], and encouraging employee volunteering by providing paid leave [7]. In all these measures the aim is to work flexibly with each individual and family, to seek personal and working relationships that make a good life for them and their families possible, thereby contributing to building up the basic social structures of our existence.

Conclusion

It is the role of the Magisterium to shed light on the mysteries of the Catholic faith and in doing so to enlighten believers. This includes instruction on how to use the economic resources entrusted to us by God. In the limited space available, it has only been possible to skim the surface of the wisdom contained in the documents of the Church regarding a right ordering of the world’s goods based on the dignity of the human person. Hopefully this brief survey of Catholic Social Thought will have implanted in the reader a desire to acquire greater spiritual insight in these matters for himself or herself, and will have made a convincing case for the ultimate pragmatism of the application of these principles to commercial endeavors.

References

The Evolution of Business as a Christian Calling

Gary L. Chamberlain, Seattle University – With Assistance from Dianna Dickins

Abstract
Looking at business as a calling sheds new light on the role business can play in the life of a Christian. In this article we first look at the development of the concept of business as a calling, particularly in recent Roman Catholic social teachings, and then examine how many of the key concepts of Catholic social thought can deepen our understanding of the purpose of business.

Introduction
Worldcom. Tyco. Enron. Arthur Andersen. Qwest. Global Crossing. The list continues of business companies involved in questionable if not illegal business activities. Business Week, in its July 1, 2002 edition, admonishes the business community that enforcement of existing laws is simply not enough; currently cases against major and smaller businesses are pending in 17 attorney general offices across the country. Regulation must follow. Jane Bryant Quinn, financial columnist for Newsweek, notes that “the rot runs deep.” These authors and many others in the U.S. worry that business in general is tainted with the brush of these abuses of power and misuse of wealth, no matter how legal many of the abuses might be. It would seem that now is an excellent time to begin a discussion of the “vocation” of business, as well as how business is a “vocation” in terms of a calling by God.

In this article I will explore the “calling” or “vocation” of business itself as a human enterprise. In spite of the many difficulties theoretically with Max Weber’s analysis and the danger of a monocausal approach to the dynamics of modern capitalism, I begin with Weber’s analysis of “calling” in its transition from the medieval Catholic tradition to its place in John Calvin’s Geneva, as a means to examine the developing meanings of “vocation” in Catholic thought. Weber demonstrates that Calvin developed a worldview around “calling,” or “vocation” which provided the needed impulse for the dynamism associated with modern capitalism. Following this inquiry of “calling” the article moves to business today, where the psychological and sociological dynamics of Calvin’s sense of engagement in worldly, economic activity continues without religious restraint, motivation and goal, and often in defiance of legal restraints. As Weber notes, “Where the fulfillment of the calling [vocation] cannot directly be related to the highest spiritual values or need not simply be felt as economic compulsion, the individual generally abandons the attempt to justify it at all” [13:182]. The result often leads to a business “ethic” of relentless competition, low wages, and unrestrained acquisition of wealth, troubling to religious reformers after Calvin and certainly disturbing to observers and reporters of today’s business scene.

Next I will examine the emergence of a broadened sense of a “calling” for business and economic activity in Catholic Social Teachings. In his major encyclical Sollicitudo Rei Socialis in 1987, Pope John Paul II utilizes a new understanding of vocation in relation to development: “… the notion of development [of each person and of all persons] is not only ‘lay’ or ‘profane,’ but it is also seen to be … the modern expression of an essential dimension of man’s vocation, [author’s emphasis] … the difficult yet noble task of improving the lot of man in his totality, and of all people” [8:414]. However, the meaning of the word “calling” or “vocation,” here, is quite different from its meaning as used in medieval texts and even among Roman Catholics until quite recently.

Through an analysis especially of Pope John Paul’s works, we will examine the question of whether there are principles and approaches in Catholic Social Thinking which can provide substantive guides to business theory and practice. I believe we will find such principles and approaches in the themes of common good, subsidiarity, solidarity and participation by workers in corporate ownership, and these will enable us to formulate a framework which can guide business and economic activity in achieving the goals of contributing to the well-being of local, national and international communities. I have chosen these four themes from among the many themes of Catholic Social Teaching because of their direct relationship to business as a vocation, and the vocation of business itself. In this sense business is being “called” to take up its place in global society; where Calvin once saw economic engagement as building up the Holy Community, Catholic Social Teaching moves the dynamic to building up global, sustainable community.
Vocation in Protestant Teaching

In his classic analysis of “vocation,” Weber addresses the crucial transition of the term from its Roman Catholic meaning in the medieval world to the new understanding employed by Martin Luther, which has come to dominate Protestant understandings of the meaning of “vocation.” In the Catholic understanding, vocation was a response to God’s calling by removing oneself from the cares and concerns of this world. Weber notes that in Jewish traditions, among the Greek and Roman classics, and in the medieval world of Catholicism, vocation had none of the contemporary meaning of a fulfillment of one’s duties to God by active engagement in the contemporary world. Further, in the medieval world someone who engaged in business was certainly suspect, was too easily tempted to greed, and was known more as a reprobate than as a saint: today’s business state of mind “would both in ancient times and in the Middle Ages have been proscribed as the lowest sort of avarice and as an attitude entirely lacking in self-respect” [13:56]. The most devout and ethical of Christians were kept from the trade of economics: “Business was only possible for those lax in ethical thinking” [14:220]. According to Thomas Aquinas, there is “something shameful about it [commerce], being without any honorable or necessary defining goal” [quoted in 11:5]. In Calvin’s Geneva, on the other hand, a business person was one of the more respected and responsible members of the community, precisely because he went about his business with a conviction that God had called him or her to this work. How account for such a transition?

Weber begins his analysis with the transitions of the word “calling” or “vocation” in Martin Luther’s idea that the “fulfillment of duty in worldly affairs” was “the highest form which the moral activity of the individual could assume” [13:80]. No longer was worldly activity just a necessary matter of the flesh, a neutral matter, but “vocation” was now a way of living acceptable to God precisely in “the fulfillment of one’s obligations imposed upon the individual by his position in the world. That was his calling” [13:80]. However, in itself the Lutheran evaluation of work was not sufficient to serve as the spirit which impelled capitalism to the fore. For Lutheranism did not require a transformation of the world in a rationalized, ethical direction, the cornerstone of modern capitalism [14:198]. That further understanding awaited the workings of the Protestant sects, following Calvin’s understandings of economic activity and predestination.

The key to understanding this transition lies in the pietistic sects (a term used by Weber to denote a withdrawal from the world) which flowed from Calvinism, and the “inner-worldly asceticism” emerging from their understanding of the relationship with the world and especially of economic activity. In this view, the Protestant “takes as his mission, as sphere of his religious ‘vocation,’ the bringing of this world and its sins under the rational norms of revealed divine will, for the glory of God and as an identifying mark of his own salvation” [14:257-58]. By conceiving of human relationships to a transcendent God without the necessity of intervening hierarchies of saints, priests, and other intermediaries found in Catholic piety, ascetic Protestantism was able to restructure the quest for salvation:

Only ascetic Protestantism completely eliminated magic and the supernatural quest for salvation, of which the highest form was intellectualist, contemplative illumination. It alone created the religious motivations for seeking salvation primarily through immersion in one’s worldly vocation [14:269-70].

As a result the ascetic Protestant, denying in his or her vocational work any impulse toward extravagance which might detract from work itself, engages in worldly work and economic activity “which is faithful to rationalized ethical requirements and conforms to strict legality” [14:166-67]. Moreover, as opposed to the medieval monk, priest or nun whose vocation calls for removal from the world, the ascetic Protestant does not ask questions about the meaning of the world, since that is God’s responsibility. In this way the world possesses unique and religious significance and is the place in which believers now organize their working life as a spiritually valuable portion of their whole life. The ascetic Protestant felt that the world provides them with assurances of religious salvation precisely in an ethic of vocation: “I am doing God’s work in my calling” [14:167;182].

Weber notes that this ethic of inner-worldly asceticism achieved its greatest power in the Puritan interpretation of predestination. The doctrine of predestination produced in its believers the strongest motives for acting in service of God’s desires. “In the case of the Puritans ..., [this] belief in predestination often produced ethical rigorism, legalism, and rationally planned procedures for the patterning of life.” Consequently, the “inner-worldly asceticism and the disciplined quest for salvation in a vocation pleasing to God were the sources of the virtuosity in acquisitiveness characteristic of the Puritans” [14:203].
Ernst Troeltsch, Weber’s contemporary and a church historian, remarked that this ethic of acquisition was held in check by an important set of religious principles:

This peculiar combination of ideas produces a keen interest in politics, but not for the sake of the State; it produces active industry within the economic sphere, but not for the wake of wealth; it produces an eager social organization, but its aim is not material happiness; it produces unceasing labour, ever disciplining the senses, but none of this effort is for the sake of the object of all this industry. The one main controlling idea and purpose of this ethic is to glorify God, to produce the Holy Community, to attain that salvation which in election is held up as the aim [12, Vol. II:607].

As Troeltsch notes, such a conception provides a much freer sense of “vocation” or “calling” than a Catholic or even Lutheran conception, by “a deliberate increasing of the intensity of labor.” Yet, the result in our time is that without the constraints of the “Protestant” religious dimension of the calling, “once this psychological state of mind has been created, it can then, through a process of metamorphosis of purpose, be detached from its original meaning and placed at the disposal of other ideas.” This is the plight of the acquisitive, consumer ethic which pervades modern life [12:611].

As Weber remarked in his conclusion to The Protestant Ethic and the Spirit of Capitalism, ascetic Protestantism created the force so decisive to the effectiveness of the idea that faithful labor is highly pleasing to God: “the psychological sanction of it through the conception of this labor as a calling, as the best, often in the last analysis the only means of attaining certainty of grace” [13:178]. Then, in a phrase which offers a key insight into the question of business as a calling, he adds: “And on the other hand it legalized the exploitation of this specific willingness to work, in that it also interpreted the employer’s business activity as a calling.” Weber then states what Troeltsch only indicated, namely that in our day the religious basis of this asceticism and valuation of work has “died away.” The result is the following:

Since asceticism undertook to remodel the world and to work out its ideals in the world, material goods have gained an increasing and finally an inexorable power over the lives of men as at no previous period in history. Today the spirit of religious asceticism – whether, finally, who knows? – has escaped from the cage. But victorious capitalism, since it rests on mechanical foundations, needs its support no longer [13:182-83].

In an attempt to revitalize that idea of the religious duty in one’s calling we now turn to Catholic Social Teaching.

Vocation in Catholic Social Teaching

As long as the idea of “calling” or “vocation” was tied in the Catholic worldview to a removal from worldly activity in the monastery, nunnery or rectory, the only other meaning of “calling” by extension was to married life. The idea of a “calling” to productive activity in “worldly” work, and much less in business, was foreign to this worldview. Correspondingly, theologian David Hollenbach notes that it was not until the 1960s that Catholic Social Teachings themselves shed the hierarchical model of society in which one’s state in life was generally fixed by natural conditions of birth, etc. and embraced a more democratic social model and an ecclesiology in which the Church was engaged in the world [5:216-17]. In those transitions the idea of a “calling” to work gradually emerged not as the means of salvation, an idea more to be found in ascetic Protestantism, but as the fulfillment of one’s person through work, a theme enunciated by John Paul II in his 1981 encyclical On Human Work. While the full development of these transitions is beyond the scope of this paper, we can trace the emergence of this contemporary understanding in Catholic Social Teachings (CST).
In order to understand the contemporary uses of vocation and calling in CST, especially in relation to business, it is instructive to return to the uses of “vocation” and “calling” in _Rerum Novarum_, Leo XIII’s 1891 encyclical on the condition of labor. There Leo reiterates the traditional understanding of vocation as a “call” to a state of life: “In choosing a state of life [calling], it is indisputable that all are at full liberty either to follow the counsel of Jesus Christ as to virginity, or to enter into the bonds of marriage” [8:18, #9]. Even by John XXIII’s writings in 1959, the word “vocation” was still used to refer to priestly vocations or more generally a calling of persons to Christian faith, i.e., a religious response to God’s call (_Principis Pastorium_).

It is not until John XXIII’s 1961 encyclical, _Mater et Magistra_, that the meaning of vocation is extended to include a more contemporary understanding of work as vocational: this requires “the establishment of economic and vocational bodies which would be autonomous” [937 in 9]. And here, although there is a connection between work and calling, it can be seen that the word still lacks the power of an ethical call to transform the world in relation to service of God. However, in one brief reference John does imbue the word with a meaning which will emerge later, vocation as work in an industry or labor affecting the world. Here the reference is to agriculture: such work as agricultural labor “should be thought of as a vocation, a God-given mission” [149 in 9]. This is the closest John comes to a link between ordinary work in the world and vocation.

As the Second Vatican Council of 1963-65 wrestled with the difficult question of relating the Church to the larger world, the bishops refer to calling in the broader sense indicated by John XXIII, i.e., the understanding that all people, because created in God’s likeness, “enjoy the same divine calling and destiny,” a transcendent call to union with God [Gaudium et Spes, #29, in 8:182]. Yet, then, in one small remark the bishops open up the meaning of the word to a more specific understanding as a calling to specific work in the world:

> This Council exhorts Christians, as citizens of two cities, to strive to discharge their earthly duties conscientiously and in response to the Gospel spirit. They are mistaken, who, knowing that we have here no abiding city but seek one which is to come, think that they may therefore shirk their earthly responsibilities. For they are forgetting that by the faith itself they are more than ever obliged to measure up to those duties, each according to his proper vocation (my italics) [GS #43; in 8:192].

In this quote we begin to see a movement toward a Catholic understanding of vocation as engagement in the world as part of one’s responsibilities and duties required by faith itself. While couched in the language of “two cities,” the idea has begun to develop, and later John Paul II will then use the term in two senses: a transcendent calling to God of all people, and a specific vocation for each person in his or her work.³

**Pope John Paul II on Business and Vocation**

In his 1981 encyclical _On Human Work_, Pope John Paul outlines an important dimension of work essential to the understanding of a business as a vocation and the vocation of business, namely, the subjective nature of work. In the Pope’s words,

> man is a person, a subjective being capable of acting in a planned and rational way, capable of deciding about himself and with a tendency to self-realization. As a person, man is therefore the subject of work . . . [His] actions must all serve to realize his humanity, to fulfill the calling to be a person that is his by reason of his very humanity (author’s italics) [8:358].

Thus all work in this sense involves a calling – a calling to be fully a person. This subjective dimension in turn “conditions the very ethical nature of work” (author’s italics). The ethical value of work is linked “to the fact that the one who carries it out is a person, a conscious and free subject.” This changes the ancient and even medieval view that persons are classed according to their work done, since now the primary basis of the value of work is the person “who is its subject.” This subjective dimension of work has pre-eminence over the objective nature of work “however true it may be that man is destined for work and called to it” (author’s italics) [8:359].

In particular, for Pope John Paul, the “ethical meaning of work” lies in two dimensions; not only do people “transform nature,” i.e., produce products, goods, services, whether material or intellectual, but also and more importantly because people achieve “fulfillment as a human being and indeed in a sense become ‘more a human being’” [8:364]. Then, in words which might echo Weber’s analysis, Pope John Paul notes that this consideration of the ethical nature of work posits industrious as a virtue, that is, as a habit whereby one becomes good as a person in work [8]. Thus through the industriousness in work humans perfect themselves; work “constitutes one of the fundamental dimensions of his earthly existence and of his vocation” (author’s italics) [8:367].
This theme finds itself repeated in Pope John Paul’s 1991 encyclical, Centesimus Annus: “Work thus belongs to the vocation of every person; indeed, man expresses and fulfills himself by working.” This subjective, personalist dimension of work is immediately followed by a reference to the social nature of work: “At the same time, work has a ‘social’ dimension through its intimate relationship ... to the common good” [8:443-44], a theme we will take up later.

At this point, then, vocation has taken on a meaning similar to that found in ascetic Protestantism, i.e., a calling to work in an industrious manner in the world, and in doing so to perfect oneself and to work toward the common good as part of one’s responsibilities to God and to others. Furthermore, vocation has come to express two different but related meanings in John Paul’s writings, perhaps most dramatically reflected in his use of the word “vocation” some 20 times in his 1987 encyclical letter, Solididudo Rei Socialis. First, John Paul refers to the “transcendent vocation of the human being” and the rights which follow from that vocation. This repeats the earlier formulations found in John XXIII of a calling to union with the divine. The rights which follow from this meaning of vocation begin “with the right of freedom to profess and practice one’s own religious belief” [8:427].

Secondly, each person has a “natural and historical vocation,” attained not only “by exploiting the abundance of goods and services” [8:417], but also in one’s specific work. Although Pope John Paul does not develop the idea in this encyclical, the conclusion to that thought involves the subjective nature of work in which one perfects oneself through work. Later in the document, Pope John Paul also notes that a person’s vocation is “at once both earthly and transendent,” and one’s commitment to justice is “to be found in each individual’s role, vocation, and circumstances” (author’s italics) [8:425], a reference to vocation as one’s individual calling to work toward the common good and perfect oneself in a particular occupation and job in life.

In other writings directed toward business people, Pope John Paul’s two-fold understanding of work’s subjective and social dimensions, along with its transcendent and historical meanings, leads him to see business not only as an instrument for production and distribution of goods, but also as a community of persons. Indeed, according to Pope John Paul business people must see “their enterprise as a social function. They must not conceive them only as instruments of production and profit, but as a community of persons” [quoted in 3:11]. As Calvez and Naughton note in their commentary on the Pope’s remarks, “profit and productivity are necessary and critical dimensions; but unless a community develops within a business to provide a proper ordering of these economic dimensions, the possibility of the business becoming a place where people can develop evaporates” [3:12].

Thus we have a sense in which people are called to engagement in the world around them both to produce and take action “industriously,” but more importantly to develop themselves in their full potential. In relation to business, then, when one is called to a particular business, that call challenges the individual to take steps to ensure that his or her potential is developed, and also challenges the business to, first, ensure that employees have opportunities to develop themselves within the meaning of the enterprise, and secondly, that the business itself contributes to the common good of all employees and to the social and international common good.

“The ascetic Protestant felt that the world...provides them with assurances of religious salvation precisely in an ethic of vocation: ‘I am doing God’s work in my calling’...”

In conclusion, in this analysis we have outlined the development of the meaning of vocation in Catholic Social Thought to include: 1) a subjective dimension in which humans perfect themselves through industrious work, providing an internal ethical motivation for work far different from the “acquisitive” habits surrounding work as Weber analyzes it in today’s work ethic and 2) a social dimension in which the worker and the business as community contribute to the common good. Now it is time to turn to the further questions of whether CST can provide substantive guidelines for the meaning of business as a vocation, and the vocation of business through the guiding principles of the common good, subsidiarity, solidarity and participation.
The Common Good: Model and Goal

If vocation is considered as a service to self, others and the community, then the concept of the common good emerges as critical to the flourishing of individuals and communities. In the reigning business model, business is usually interpreted as having the “sole genuine purpose of making money.” However, as one author notes, “Money-making is certainly an important part of why we are in business, but it is not the whole story” [1:38]. Rather, there is a deeper drive that leads people towards a certain work. People strive for other goods for personal development and for community, besides money [1:39,40].

In terms of the common good it is important to distinguish that “business is not responsible for the common good; it is responsible to the common good” [1:41]. That is, business does not determine the content of the common good, but business has a responsibility to operate in such a way that the common good is promoted throughout the community. As defined by Pope John XXIII in *Mater et Magistra*, the common good “embraces the sum total of those conditions of social living, whereby men are enabled more fully and more readily to achieve their own perfection” [8:94]. The common good referred to in this case is “considered to be a human perfection or fulfillment achievable by a community, such that the community’s members all share it, both as a community, and singly, in their persons” [1:41].

The common good model described here thus serves two functions, first as an internal model for the firm or business itself in terms of employees, workers, shareholders and other stakeholders, and secondly as a model for the business in relation to the larger society. In relation to the first, internal dynamic, the common good model preserves the integrity of the business enterprise. “Within the common good model of the firm, managers and employees are expected to create conditions within the firm that foster a holistic notion of human development” (1:41). The goals under which the common good model functions are “the ends of human development that perfect the firm as a community of work, and that benefit its members personally by their participation” (1:66). The model recognizes the personal goals of the employees and their own ends rather than solely focusing on the shareholders and their gain. In this model the entire community is involved and can participate in a sense of ownership. As we shall see in the sections on participation, solidarity and subsidiarity, the common good model in Catholic Social Teaching calls for “employees to be partners in enterprises with which they are associated and wherein they work” [8:98-99].

“The common good model involves a commitment to definite convictions concerning what constitutes genuine human development” [1:71]. It is both a communal and personal model, in that it serves both the community and individual people. The promotion of the person, within the work community, calls for recognition of individual diversity and an appreciation and promotion of each person’s unique talents and skills. In this model of community the particular gifts of the individuals can be utilized and brought together for a more efficient and holistic business, while at the same time each person’s unique contribution is appreciated. When looking at the common good as a guide for business in relation to the larger society, to the vocation of business itself, John XXIII is clear when he argues that a portion of the common good is “to provide employment for as many workers as possible; to take care lest privileged groups arise even among the workers; to maintain a balance between wages and prices…; that the competitive striving of peoples to increase output be free of bad faith; that harmony in economic affairs and a friendly and beneficial cooperation be fostered” [8:97]. This is a difficult but essential task for business in working out its vocation in the larger world of multi-national corporations and globalization, given the dynamics we see in the Enrons of the world.

Subsidiarity: Paradigm and Principle

In his helpful and provocative discussion of business and the principle of subsidiarity, Dennis McCann asks whether in addition to sets of moral conclusions and arguments which businesses are called to develop and follow, there is a paradigm for business in Catholic Social Teaching. He believes such a paradigm is found in the principle of subsidiarity. While McCann’s argument is too long to repeat adequately here, the gist of his proposal is that the principle of subsidiarity specifies the limits and the possibilities of economic institutions. McCann’s analysis rests upon three premises: 1) business is a form of social relationships, in contrast to classic contract theory; 2) in recent Catholic Social Teaching, the principle of subsidiarity has been extended from political to economic institutions; and 3), most importantly, the model of human life in terms of the Christian doctrine of Trinity, in which “persons” are united in love, means that Trinity is in the very structure of human reality, namely, in our human capacity for knowledge and love [7:177-78].

McCann’s first point reflects traditional understandings of Catholic Social Teaching that humans are by nature social, and thus initiate and come together in societies to achieve goals they could not achieve individually. In contrast to contract
“A business firm is not merely an instrument at the service of the well-being of its management; rather, it is itself a common good of both management and labor, at the service of the common good of society.”

—Pope John Paul II

theory, in which individuals surrender individual rights to the larger entity of society, the state, CST argues that the social nature of humans brings them into relationships that are extensions of themselves. Thus economic institutions are another form of this natural propensity.

The classical text for defining the principle of subsidiarity is found in Pius XI’s 1931 encyclical, Quadragesimo Anno:

It is a fundamental principle of social philosophy … that one should not withdraw from individuals and commit to the community what they can accomplish by their own enterprise and industry. So, too, it is an injustice … to transfer to the larger and higher collectivity functions which can be performed and provided for by lesser and subordinate bodies [8:60].

While Pius was concerned with the intrusion of the totalitarian states of fascism and communism into community organizations and groups, in 1961 John XXIII used the principle of subsidiarity to call for an “intervention of public authorities that encourages, stimulates, regulates, supplements and complements” [8:92] the increase in the output of goods and services, all to better serve the common good. Thus the notion of the importance of “intermediary” associations which promote the interests of individuals and service the common appears essential to CST’s view of a flourishing civil society.

McCann’s second point is that subsidiarity has been extended from the political to the economic, and indeed is a generalizable principle to other social institutions [7:174-75]. Here he relies upon the United States Catholic bishops’ 1986 pastoral, Economic Justice for All. The bishops at several junctions call for mediating structures to develop economic “partnerships” on a local, national and international scale, new forms of corporate governance, ranging from “innovative styles of corporate management to employee stock ownership plans, all of which are intended to foster a greater sense of accountability through increased participation throughout the enterprise, consistent with the pastoral letter’s overall theme of justice as participation” [7:175], a theme I will take up later.

Finally, McCann’s analysis develops the important theological theme of the Trinitarian structure of social institutions. Borrowing Augustine’s contention that “the distinctively Trinitarian pattern of divine life is inscribed in the exercise of human intelligence – in our distinctively human capacity for knowledge and love,” McCann asks if we cannot “discover similar traces in the organization of human institutions” [7:177]. He concludes that “the divine life must somehow already be encoded in the institutions where we test and fulfill our vocations. Such … is the Trinitarian theological perspective that is tacitly presupposed in the principle of subsidiarity” [7:178].

The implication for a business model is that the principle of subsidiarity is first of all a truth about God’s relations with us, and consequently “a theological understanding of the modern business corporation must be about God first of all, or it is about nothing at all” [7:179]. Subsequently, subsidiarity is about the “scale and scope” of people and institutions in society. Finally, McCann argues that the principle can provide designs for business strategies likely to advance other principles he identifies, such as solidarity and participation, can help identify patterns of marginalization, and can help “transform these same institutions” producing marginalization [7:180].

One final insight from McCann focuses upon the question raised earlier concerning the transition from a traditional Roman Catholic suspicion, if not disdain, for business. He refers again to the pastoral Economic Justice for All, and the call there for collaboration between bishops and business people. McCann comments: “The invitation is based, first, on the teleological definition of business in terms of its role in achieving the common good …, and second, on a recognition that such an understanding of business should enable Christians to understand their business practice as an opportunity to exercise a ‘vital Christian vocation’” [7:181]. And he concludes with a significant remark that “Business has now become theologically significant for Roman Catholics, as it has long been for Protestants, particularly in the Calvinist traditions” (author’s italics) [7:182]. Up to this
point, then, the principles of common good and subsidiarity have provided strategic guidelines for business in terms of the internal structure of the business as a community, namely the flourishing of the persons involved, as well as a theological basis for economic engagement through work in building the societal common good.

**Solidarity**

In his encyclical letters Pope John Paul II develops a new theme in Catholic Social Teaching, namely, the virtue of solidarity. Although the word “solidarity” appeared in the writings of John XXIII and Paul VI, it acquires new meaning in John Paul II. In light of contemporary global interdependence, solidarity is a virtue, “a firm and persevering determination to commit oneself to the common good; that is to say, to the good of all and of each individual because we are all really responsible for all” (Sollicitudo Rei Socialis, #38.4). In this way interdependence is transformed into solidarity, “based upon the principle that the goods of creation are meant for all.” Solidarity is the virtue which challenges the structures of sin created by all-consuming desire for profit and the thirst for power, a challenge calling for social justice.

In his challenging analysis of solidarity in relation to modern business, Robert G. Kennedy examines the principles of the “economic paradigm” which underlies contemporary views of economic activity and contrasts those principles with those of Catholic Social Teachings. In Kennedy’s view the dominant and powerful “economic paradigm” rests upon a set of philosophical convictions. First, persons are solitary individuals, and human communities are “instruments for the satisfaction of the needs and desires of the individuals who constitute them” [6:51]. Secondly, human happiness lies in possessing. The implications of this statement are that possession in the sense of ownership is separate from responsibility and that the value of work lies in its usefulness to others and the extent to which it brings possessions to the workers [6:52].

In contrast, Catholic Social Teachings emphasize the social nature of persons. Consequently, communities are not instruments but integral to human development. The common good of all involves human flourishing, and happiness then rests on what Pope John Paul II calls “being” rather than “having,” the full flourishing of each person and every person. Secondly, since all goods, as gifts in God’s creation, are thus intended for the benefit of the global community, i.e., human goods have a universal destiny, then “Private property ... is under a ‘social mortgage’” [John Paul II, quoted in 6:54]. Finally, as seen in the earlier discussion of the subjective dimension of work, the best work “is the work that most completely draws out the potential of the worker and develops him as a human person” [6:55].

Kennedy’s summary of the different views at play here reveals the sharp contrast between paradigms:

Under the economic paradigm, rational behavior [remember Weber!] is essentially utility-maximizing or wealth-maximizing behavior. One participates in relationships and in communities in order to acquire the possessions and experiences that are understood to constitute satisfaction and happiness. …

Rationality in the Catholic social tradition takes on a different character. Since human fulfillment consists in being and acting, practical rationality requires that a person seek to develop a certain character (that is, to become virtuous), which in turn both depends upon and results in acting well. … Since human persons are understood to be essentially social, practical rationality requires behavior that supports the common good of the various communities of which they are members [6:58].

In contrast to the economic paradigm in which business is seen as strictly instrumental and in which “participation in the firm’s proper activities by employees is [not] understood to be intrinsically valuable” [6:58], the principle of solidarity “calls businesspeople to be mindful of the impacts of their decisions on others and to make courses of action that benefit others a priority in their decision making” [6:59].

Kennedy defines the object of solidarity as “the just society, characterized first by right relationships among all its members, and second by fairness in the distribution of resources, knowledge, opportunities, cultural participation, and anything else that may be needed for human flourishing” [6:59].

For Kennedy, the Catholic social tradition has a richness and flexibility which the economic paradigm, rooted in inexorable laws of business, lacks:

The “laws” of economics can be amended to place them at the service of human flourishing and the common good. … What is required is a more comprehensive vision of the proper function of business in society, clearer practical guidelines about how management professionals can give life and breadth to that function, and a firm commitment to move forward. In short, what is required is informed solidarity [6:64].
Participation

Given the central dimension of these principles of common good, subsidiarity and solidarity, we now turn to the principle of participation, a relatively recent concept in Catholic Social Teaching. It was in his 1971 pastoral letter, Octagesimo Adveniens, that Pope Paul VI singled out two aspirations emerging in these times: namely, equality and participation, two specific forms of human dignity and freedom (Octagesimo Adveniens, #22). Paul then notes that these two aspirations seem linked to a democratic form of society and thus the Christian in particular has a duty to participate “in the organization and life of political society.” In the context of business as a vocation and the vocation of business, the principle of participation has a centrally important position, for it asks about the ways in which all members of the business are engaged in the enterprise, and the ways in which the enterprise itself participates in the larger society through its contribution to the common good.

Even as far back as 1891, Leo XIII had posited the necessity for workers to be involved in the enterprise, at that time primarily through “associations” or unions. Then in Pius XI’s Quadragesimo Anno and more particularly in John XXIII’s encyclicals, the participation of the workers was enlarged to encompass a form of worker sharing in the means of production: “[I]t is today advisable ... that work agreements be tempered in certain respects with partnership arrangements, so that ‘workers and officials become participants in ownership, or management, or share in some manner in profits’” [8:88].

Further, in his 1961 encyclical, John continues:

We believe that companies should grant to workers some share in the enterprise. ... It is very desirable that workers gradually acquire some share in the enterprise by such methods as seem more appropriate. ... Furthermore, ... we regard as justifiable the desire of employees to be partners in enterprises with which they are associated and wherein they work. ... We do not doubt that employees should have an active part in the affairs of the enterprise wherein they work. ... But it is of utmost importance that productive enterprises assume the character of a true human fellowship whose spirit suffuses the dealings, activities, and standing of all its members. ... This means that the workers may have a say in, and may make a contribution toward, the efficient running and development of the enterprise (#75, 96; #77, 97; #91, 98-99; #92, 99).

Almost 20 years later Pope John Paul II continues this theme when he calls for “proposals for joint ownership of the means of work, sharing by the workers in the management and/or profits of businesses, shareholding by labor, etc. ... it is clear that recognition of the proper position of labor and the worker in the production process demands various adaptations in the sphere of the right to ownership of the means of production” [8:372]. Here John Paul combines the idea of private property’s “social mortgage” with a call for workers to share in the very ownership of a business as a basic right!

Summary and Conclusion

In these pages we have examined the development of the idea of “vocation” from its appropriation as a special calling, to salvation through removal from concerns of the world, to work in the daily world precisely as a form of ensuring salvation. Weber has carefully and forcefully traced that development in the form of “ascetic Protestantism” to what today we call the “work ethic,” an ethic of industriousness shorn of its religious dynamics. Similarly we traced the transition in Catholic social thought to a similar understanding of “vocation” as active engagement in the world, with the goal of building up a just society. In that discussion we also examined the role of work as not only an external activity but also as a means of the full development of the person, the “subjective” dimension of work. In that sense, work in the Catholic tradition has two dimensions related to the nature of the person: a “transcendent” dimension drawing and pushing each person toward a “calling” by God to union with God, and a “historical” dimension to work in a particular area of business as a co-creator with God in using the riches of God’s creation to build a better world in which humans and creation itself flourish.

In addition we examined the nature of a business as a community of persons, concerned not only with producing an object for exchange, but also with the development of each firm member’s gifts and talents. The business then is not just an amalgam of individuals, but a true community fostering the growth of people. This “subjective” nature of the enterprise is complemented in Catholic Social Teachings by a sense of the common good of both the particular business community and of the society, indeed of the global society, in which work takes place. As the U.S. bishops state in Economic Justice for All, “Commitment to the public good and not simply the private good of their firms is at the heart of what it means to call their work a vocation and not simply a career or a job” [8:609].
“In his encyclical letters Pope John Paul II wrote that...the principle of solidarity ‘calls businesspeople to be mindful of the impacts of their decisions on others and to make courses of action that benefit others a priority in their decision making.’”

Finally I have explored the possibilities which Catholic Social Teaching can offer to business as a vocation, and in its vocation, through substantive principles and approaches in the discussion of the common good, subsidiarity solidarity, and participation. In the conception of business as a community, the “common good” of the business itself demands that all involved participate in some way in ownership and management of the enterprise. Through the principle of subsidiarity all members of the business are joined in ways which allow the gifts of each to be fostered and promoted. Here the Trinitarian pattern of relationships can serve as a conceptual and motivating factor in shaping relationships within the business. Solidarity brings the members of the business together to look beyond a strict economic end or instrumental purpose of the business, and it challenges members to envision ways in which their vocation in the business can promote the vocation of business to serve the societal common good.

I hope that in the discussion I have provided a useful, historical analysis of the meaning of vocation itself as it has emerged in recent Catholic Social Teaching, as well as an initial strategic paradigm for the evaluation of business as a calling in which persons flourish, and of the calling of business to serve the common good. Further work remains, in particular a reading of the principle of preferential option for the poor in relation to business practices, and the further development of specific modalities for carrying out the principles examined here.

References


Endnotes
1 In a different translation, the wording misses the meaning of “vocational” in John’s understandings: “This requires, as the teaching of our predecessor indicated, the orderly reorganization of society with smaller professional and economic groups existing in their own right” (Mater et Magistra, #37) [8, p. 89]. Later, John again refers to “vocational” as instructional bodies for workers or “vocational” training (Mater et Magistra, #94) [9].
2 It is important to note that John XXIII’s use of vocation in relation to agriculture refers to a whole culture of the farm, its place in society, and the kind of work involved. John’s own roots were in farming communities (This observation thanks to David Andrews of the Catholic Rural Life Conference, personal observation, July 16, 2003).
3 Paul VI does refer to the broader sense of vocation as a calling to everyone to fulfill his or her own destiny: “In the design of God, every man is called upon to develop and fulfill himself, for every life is a vocation. . . . Endowed with intelligence and freedom, he is responsible for his fulfillment as he is for his salvation” Populorum Progressio, in [8, p. 243].
Business as a Vocation: Implications for Catholic Legal Education

George E. Garvey, Columbus School of Law, The Catholic University of America

Abstract
The business culture and laws of the U.S. stress the obligation of corporate managers to maximize the profits of the firm’s shareholders. An excessive focus on profits, however, can deny managers any meaningful sense of vocation. It reduces the role of managers, and those who they manage, to mere cogs in the productive processes of their firms. Managers informed by the Catholic social tradition can exercise their responsibilities with a sense of vocation. Catholic professional schools, including law schools, should foster the sense of vocation in graduates by presenting the fundamental principles of Catholic social teaching early in the curriculum and inviting students to apply these principles throughout their studies.

Introduction
The notion that conducting the “business of business,” to use a popular American expression, involves a “vocation” in the same sense as the pursuit of a religious or family life, would likely strike contemporary Americans as peculiar. Professionals historically associated with public service, such as teachers, social workers, physicians and nurses, have been identified in the public mind with a calling or vocation. By contrast, managing the productive enterprises that build the goods and provide the services sought by consumers lacks the aura of public service that is often associated with a vocation. As a result, what many individuals spend considerable time doing throughout their productive lives seems divorced from transcendent meaning. One is “called” to serve the poor, teach the young, and minister to the needs of the sick, but not to make safe, efficient and affordable products. Consumers, capital markets, bureaucrats, organized labor, and the law discipline businesses. Business managers, as well as the work forces that build and distribute material goods, satisfy the demands of consumers and make investors wealthy, but they seem to have little more to do with society’s well being. They have professions, careers, or perhaps they just work, but they are not “called” to what they do. The sense of vocation is missing.

The laws regulating business organizations throughout the U.S. tend to reinforce the idea that business managers should focus on the economic bottom line. Modern corporate law allows some charitable giving, and several states permit business managers to consider the interests of constituencies other than shareholders, but the general rule is that officers and directors must enhance the value of the business for the benefit of shareholders. In economic terms, corporate law as it relates to managers’ duties of care and loyalty is primarily intended to address the so-called “agency problem,” i.e., a problem arising from the separation of ownership and control. Managers and those who advise them are committed to anticipating, and perhaps manipulating, consumer preferences in favor of their wares or services and then meeting the resulting demand at competitive prices. The good that ensues from such a crass business environment seems limited to the promotion of allocative efficiency, which, while surely desirable, captures only one aspect of the common good. These observations regarding the nature of business organization and its management in the U.S. suggest a business ethos that cannot be readily reconciled with teachings of the Catholic Church about the social value of human enterprise. In a way, the existing business order establishes a form of institutionalized selfishness. The owners of productive resources have no direct control over the employment of their property, while managers, who do control the use of the resources, must maximize the owners’ financial returns. The result, if carried to an extreme, largely frees both owners and managers from responsibility for the moral and social implications of their decisions.

From the perspective of the Catholic social tradition, an excessively consumer- and profit-oriented business economy will have serious adverse social consequences. While social welfare, as economists generally use that term, may be enhanced, over time the common good can only be diminished by a business culture that fosters morally or ethically indifferent decision-making. The perverse consequences will be experienced by the managers directing the enterprise, as well as by those working under their direction and, surely in the aggregate, by the broader
society. It may seem counterintuitive in modern society, but even the most successful manager who spends her productive life engaged in activities that have little apparent relationship to the well being of society will, in the Holy Father’s view, experience a sense of alienation.7 The Pope teaches that contrary to the presumption of neoclassical economics, the human person has an innate desire to be self-giving, to contribute to the common good.8 If the prevailing business culture equates the value of work, including the work of managers, solely with the satisfaction of consumer demand and the returns to investors, there will be a void in the managers’ lives. Although the individual need to contribute to the common good may be satisfied outside of the workplace, society is surely poorer when those who control so many resources are conditioned by the prevailing business culture to confine their efforts to an extremely narrow conception of the good.

Managers constrained by a shortsighted, profit-maximizing business ethos, are likely to employ productive physical and human resources in ways that diminish the dignity of all who work in the enterprise. Inevitably, workers become merely factors of production, things to be used in the profit-seeking venture. In some respects, a deep-seated aversion to treating human persons as objects captures the essence of modern Catholic social teaching. Since at least 1891, when Pope Leo XIII wrote Rerum Novarum, the Church has been concerned with the loss of personal dignity in the context of the work environment. During the social upheaval of the early industrial era, Leo stated that “it is shameful and inhuman to treat men like chattels to make money by, or to look upon them merely as so much muscle or physical power.”9 John Paul II further developed this theme many decades later: “[I]t should be recognized that the error of early capitalism can be repeated wherever man is in a way treated on the same level as the whole complex of the material means of production, as an instrument and not in accordance with the true dignity of his work – that is to say, where he is not treated as subject and maker, and for this very reason as the true purpose of the whole process of production.”10 A manager compelled to focus exclusively on profits will be hard pressed to maintain an environment in which the firm’s workers can grow as human persons while contributing to the success of the business.

The nature and role of the human person dominates any Catholic analysis of socioeconomic issues. When people are viewed as consuming things, to be manipulated and satiated for profit, society suffers from the “phenomenon of consumerism... a style of life which is presumed to be better when it is directed toward ‘having’ rather than ‘being,’ and which wants to have more, not in order to be more but in order to spend life in enjoyment as an end in itself.”11 Avaricious consumers surely contribute to the phenomenon of consumerism, but the social dilemma cannot be explained or dismissed as a “greedy consumer” problem. This characterization overstates the individual culpability of consumers and minimizes the pervasive, corrosive nature of the desire, in developed societies, to have and consume more and more things.

In sum, the modern consumer- and profit-oriented economy fosters a vicious cycle of sorts. The development of extremely large business concerns in the late 19th century created new forms of ownership and new types of labor. The new industries needed a large force of more-or-less fungible workers, people who lacked value to the firm once their physical strength was sapped. The “worker problem” was thus created and has been a primary focus of Catholic social thought ever since. The social problem, as it relates to the management of business, also arose in the nascent industrial era. The new industrialists needed very large amounts of money to build the plants and machines needed by industry. How could the financial resources be accumulated, however, if those who had the needed capital would have to turn control over to others? Business convention and the law provided a workable answer in the form of a fiduciary duty imposed on managers to maximize the returns to the investors.

Moral Foundation of Commercial Society

Enlightenment thinkers, most notably Adam Smith, had provided a moral foundation for the emerging commercial society. Smith’s “invisible hand of the market” would direct resources to uses desired by the consuming public. Given appropriate structures and constraints, the market would enhance the wealth of all in society. Self-interest would foster
the common good. The neoclassical spin on what Adam Smith began with his magisterial Wealth of Nations lost some of Smith’s moral sensitivities. The more extreme commitment to laissez-faire would largely rely on consumers to mediate moral concerns. That is, consumers would determine what was “good” through their buying decisions. The successful business would identify these products and provide them at the best prices. The problem, of course, is that this system posits moral responsibility in agents – consumers – who are not likely to appreciate this responsibility, know how their purchasing decisions affect the lives of others, or be held accountable for their faulty moral judgments. As already noted, the Pope teaches that humans have an innate need to contribute to the common good. Adam Smith believed that individuals sought the approbation of their fellows, not just the maximization of their material wants, which fosters the virtues of prudence and civility in a market economy. Neoclassical economic reasoning tends to reduce human desires to the satisfaction of material desires. In the context of the firm, this means profits.

This brief abstraction from the complexities of both economic theory and the practice of business ignores many complicating factors. Agency issues, for example, are real and they continue to plague businesses. Recent corporate scandals raise significant concerns about the extent of managerial self-dealing. The shareholder profit-maximizing norm does address this issue of agency costs. Moral decisions regarding the allocation of resources, moreover, are not left solely to consumers. In all but the marginal business firm, managers likely can and do make many decisions that incorporate values other than the maximization of profits. Government also prohibits or regulates the production of unhealthful or immoral products, and ensures that certain minimal standards are met in the employment relationship. Finally, this simplistic model ignores the influence that the modern media gives producers over the appetites of consumers. The model does, however, provide a workable basis for analyzing managerial behavior. The generalization that managers are primarily committed to maximizing profits is sound as a matter of both fact and policy.

Business as a Calling

Here we are exploring the idea of business as a calling, or vocation. These terms, however, are slippery. In a sense, whatever we do with our lives is our calling or vocation. To say that managing business is a manager’s vocation is a reasonable use of the term. The statement, however, is tautological. Managing is a manager’s vocation because that is what she does. Vocation, however, should suggest a higher calling. When understood in this way and applied categorically, it may be difficult to list the managers of profit-making organizations among those who have vocations.

This article follows the lead of the U.S. Bishops and distinguishes between a career and a vocation, although the distinction is arbitrary. The words are often used interchangeably. Career, however, does not carry the connotation of public service that frequently applies to vocation. A career, therefore, as I am using the term, identifies work that is instrumental. A vocation, by contrast, involves human effort that is integral to the person. Stated more concretely, a career is a way to make money or achieve status and power, while a vocation is a contribution of oneself to something of value to society. This does not suggest that there is something wrong per se with having a career. We all have to make a living. The difference, moreover, between the terms is highly subjective and reflects the attitude of the actor rather than the nature of the function. Accordingly, a career becomes a vocation when the actor approaches the position as a free, moral person wishing to contribute to the common good.

For reasons previously discussed, a purely careerist approach to the management of business is likely to impose costs on society. The common good is subordinated to the bottom line. Maximizing profits becomes the sumnum bonum for business proprietors, officers and managers. Moral sensitivities may come to play in their “private” lives, but seldom in their business decisions. Ethical standards, however, at least those rooted in religious tradition, call for more. Catholic social teaching provides one particularly rich source for any businessman or woman wishing to better understand the moral and social implications of business. It invites those who direct business ventures to approach their jobs as a vocation, and that calls for more than generating profits.

What then does the Church have to say to the business professional? Theology naturally informs the Catholic conception of vocation. Pope John Paul II recently asked the rhetorical question: “What is the vocation of a Christian?” The answer [the Pope said] is demanding, but clear: “The vocation of a Christian is holiness.” The Holy Father, who has contributed so much to the Church’s teaching about the value and dignity of human work, has elsewhere identified a vocation to serve, a vocation to freedom, and a vocation to love. The Pope, I believe, is referring to a spiritual imperative that applies to every Christian in every aspect of his or her life. The business professional, as well as the line
worker, should freely approach every task with a sense of service and love. Every Catholic must take these papal missives to heart. How do they apply, however, to people making their living in the world of business at the end of the Modern era?

The U.S. Catholic Bishops have addressed the issue directly. The Pastoral teaching, *Economic Justice for All*, states:

The economy’s success in fulfilling the demands of justice will depend on how its vast resources and wealth are managed. Property owners, managers, and investors of financial capital must all contribute to creating a more just society. Securing economic justice depends heavily on the leadership of men and women in business. ... Pope John Paul II has pointed out that the degree of well-being which society today enjoys would be unthinkable without the dynamic figure of the business person, whose function consists of organizing human labor and the means of production so as to give rise to the goods and services necessary for the prosperity and progress of the community.

Persons in management face many hard choices each day, choices on which the well-being of many others depends. Commitment to the public good and not simply the private good of their firms is at the heart of what it means to call their work a vocation and not simply a career or a job.18

This extensive quote captures the Church’s appreciation for the beneficial role that businessmen and women play in society, but it also recognizes the challenges they face when exercising their responsibilities. A commitment to the “public good” is the essence of the vocation of management.

Catholic Social Thought and “Vocation”

Catholic social teaching addresses the mundane and profane, as well as the profound and spiritual. It is intended to provide guidance for men and women wishing to live their faith in the workplace. In Catholic teaching, virtually any human enterprise that advances the common good merits the appellation “vocation” in its most elevated usage, and that includes the work of business managers and related professionals. A key to understanding this lies in the Church’s teachings about the nature and dignity of work.19 Work, properly understood, is the way that human persons develop as individuals, becoming “more human,” and also contribute to the common good. The challenge for Catholic educators is to deliver the Church’s message in a way that has utility for the next generation of business leaders. Overly broad exhortations to holiness and to establish economic justice will have little meaning to the business or law student. Students will properly want to know how a holy or virtuous life relates to the decisions they will have to make in the real world of business, law or finance. They must be prepared to face complex, troublesome issues in a business environment where only some Christian virtues are appreciated. This will require the businessperson to approach his or her job as a vocation, again with the connotation of higher calling.

At the outset, students must understand that Catholic social teaching provides no precise formulas. It does not offer a single acceptable answer for each of the vexing issues business people must address on a regular basis. Moreover, it is difficult for many reasons to put the Church’s social teachings into application. Pope John XXIII taught, “If it is indeed difficult to apply teaching of any sort to concrete situations, it is even more so when one tries to put into practice the teachings of the Catholic Church regarding social affairs.”20 Catholic social doctrine, Pope John concluded, should be applied by: (1) examining the actual situation presented to the decision-maker; (2) evaluating the situation carefully in the light of Catholic teachings; and (3) deciding what is the right thing to do.” The Holy Father summarized this instruction with the slogan: “observe, judge, act.”

The U.S. bishops have made it explicitly clear that Catholic educators must bring the message of the Church’s social doctrine to bear as they fulfill their teaching mission.
The Church must incorporate into all levels of her educational system the teaching of social justice and the biblical and ethical principles that support it. We call on our universities, in particular, to make Catholic social teaching, and the social encyclicals of the popes a part of their curriculum, especially for those whose vocation will call them to an active role in U.S. economic and political decision-making. Faith and technological progress are not opposed one to another, but this progress must not be channeled and directed by greed, self-indulgence, or novelty for its own sake, but by values that respect human dignity and foster social solidarity.

The bishops’ instruction to Catholic universities poses quite a challenge. How do those involved in the education of business professionals instill an appreciation for Catholic teachings while preparing students for the demands of modern business? Professionals trained at Catholic universities should know the critical Catholic principles applicable to all economic decision-making. Moreover, the instruction at Catholic professional schools must demonstrate that economic success and the common good are not irreconcilable. To be sure, a manager or an attorney seeking to live within the bounds of Catholic teaching, or any other ethical construct, may have to remove him or herself from a desired position at times. Managers are not free to participate in evil or injustice, even if the prevailing business environment and law would tolerate the action. The Church, however, values the work of managers and has never suggested that one cannot manage a business well and be true to Catholic social doctrine. Over the long-term, firms that promote the common good – each in their own distinctive ways – should prove to be as successful as those that are driven solely by the maximization of profits. Given the author’s expertise, this essay focuses on the training of law students. The business lawyer, like anyone else involved in the management of a business, should approach his duties with a sense of vocation. How can legal educators at a Catholic law school influence the attitudes of students in ways that foster a sense of vocation? Catholic social teaching provides the basis for distinguishing between a Catholic professional education and that which is provided by non-Catholic institutions. Catholic universities are repositories of this rich teaching, which can help students to understand how the work-a-day world they will enter fits into a broader moral and social matrix. The task, I suggest, should be approached in a threefold manner:

- First, law students should be exposed to the core of the Catholic social canon; i.e., they must be introduced to the principles that will inform their decisions when representing and counseling business clients.
- Second, law students should understand how these Catholic principles relate to their personal lives and their responsibilities as attorneys.
- Finally, students should be challenged to apply these principles to complex real or simulated problems, and to do so in a context that is relevant to legal analysis.

A critical part of all legal education is the preparation of students to analyze and resolve complex problems. The unique contribution of lawyers to the resolution of problems is, of course, an understanding of the legal consequences of alternative outcomes. The well-trained, mature lawyer, however, will appreciate the economic and human consequences of decisions.

Catholic Social Thought and Business Education

The first goal in this pedagogical paradigm is critical. The business-oriented student should be taught the core principles of Catholic social teaching, particularly those that inform economic decision-making. A complete explication of these principles is beyond the scope of this paper, but principles of note for business men and women include the right to private property and the legitimacy of profits, on the other hand, and the universal destination of goods (a limitation to private property rights) and the aversion to consumerism or economism (limitations on the quest for profits), on the other. Ideally, law students at Catholic schools should be introduced to the core principles in their first year of studies.

To elaborate, graduates of Catholic schools should particularly appreciate what the Church teaches about the dignity of the human person and the promotion of the common good. The notion of business as a calling or vocation is rooted, I believe, in these first principles. Those who organize and direct human and physical resources have
a special opportunity, for better or for worse, to affect the dignity of persons and to enhance or detract from the common weal. Conditions in the workplace first prompted the development of the Church’s modern social teaching. The social question was originally the worker question. In the Leonine era, the humiliating working conditions of the emerging industrial order violated the dignity of the working classes. In the mid-20th century, the focus shifted to the indignity caused by unemployment, inadequate training and widespread poverty in the undeveloped and underdeveloped nations of the world. Economic development was considered essential to both economic justice and peace. Pope John Paul II has developed a more comprehensive vision of the requisites of human dignity. The poor and working classes are not the only victims of indignity in the modern economy. Rather, a pervasive materialistic and hedonistic culture diminishes the dignity of persons in many capacities, e.g., workers, consumers and managers. The ultimate indignity occurs when human persons become objects, things that work and consume. The Church associates this social condition with the phenomena of economism and consumerism.

Those who manage businesses obviously influence the prevailing business culture. They may treat workers, suppliers, the natural environment and consumers alike as objects to be used to generate profits. By contrast, managers may run their firms in ways that recognize the inherent value of workers, permitting them to participate in a process producing desirable products, which in turn contribute to the common good. The well-managed firm, as measured by Catholic teaching, would also provide consumers with a good product or service, honest information and a fair price. The firm conducting its business within the bounds of Catholic social teaching would not likely suffer in the market place. A business with satisfied customers, and workers who share an interest with managers and equity holders in the success of a firm, as well as the quality of its products, is likely to be quite successful. The Church has no aversion to profitability. Catholic teaching recognizes that profits provide a reasonable return for the risks of investing and also provide a basis for measuring the success of a business venture.26

The introduction to Catholic social thought should also emphasize the Church’s teachings about private property, solidarity and subsidiarity. The right to private property is essential to Catholic teaching, but responsibility attaches to that right. Property must be employed in ways that foster the good of society. Solidarity, which the Holy Father identifies as a “virtue,” demands much of Catholics. “[It] is not a feeling of vague compassion or shallow distress at the misfortunes of so many people, both near and far. On the contrary, it is a firm and persevering determination to commit oneself to the common good; that is to say to the good of all and of each individual, because we are all really responsible for all.”27 Pope John Paul II, applying the principle of subsidiarity to the state, indicates that reserving decision making to the lowest appropriate social unit will “create favorable conditions for the free exercise of economic activity, which will lead to abundant opportunities for employment and sources of wealth.”28 This principle applies to economic organizations, particularly very large ones, as well as governments. Economic performance would likely be enhanced by fostering greater participation among a firm’s workers and by fixing responsibility where it can most properly be exercised.

“Commitment to the public good and not simply the private good of their firms is at the heart of what it means to call their work a vocation and not simply a career or a job.”

The second pedagogical goal is to demonstrate how Catholic principles relate specifically to the legal profession the students aspire to join. The Church’s teaching about the dignity of the person includes the self. Every worker, regardless of the nature of the calling, should appreciate the significance of her own work. Work, at least when it contributes to the common good, is dignified because it is the labor of a human person. The fact that a task is mundane and lacks social significance does not diminish its dignity. And, naturally, the fact that a person holds a position of some status does not as such enhance the dignity of that person. As the Holy Father has taught so well, the dignity of labor inheres in the subject of the work, a person. Every person shares a common “vocation” to help make the resources of the earth useful to themselves, their families and the human community generally. Internalizing this conception of the value of self and of the contributions one makes to society through labor should foster a sense of vocation.
A person, however, can employ his labor and physical or financial resources in ways that detract from his own dignity. From the perspective of Catholic social teaching, violating the dignity of another will never lessen the dignity of the victim. The person who subjects others to indignity, or engages in work that diminishes the common good, however, will diminish himself. He will have failed in his Christian vocation to become “more human.” The Church makes it clear that every person – manager, investor, worker and consumer – is responsible for the moral consequences of their choices. Graduates of Catholic professional schools should understand this responsibility and also the consequences of failing to incorporate the Catholic notion of vocation into their professional lives.

Finally, Catholic law schools should invite students to apply this moral teaching throughout their years of legal studies. As already noted, the Church does not offer precise formulas or concrete solutions to complex economic and social questions. She offers “principles for reflection, criteria for judgment and directives for action.” The vocation of the businessperson is to apply these principles in their areas of expertise and responsibility. Every person is “called” to contribute to the common good. For most people, that is done through the employment of their physical, mental or material resources. In the course of legal studies, students should learn to value the critical role that business organizations and legal regulations play in modern society. Those who are destined to represent management, become part of management, or even to oppose management as lawyers should recognize the power of sound business organization to exploit and efficiently allocate the world’s limited resources. The business-oriented lawyer must understand the nature of the firm, the role played by various inputs, including capital, labor, technology and know-how, and the competing claims to the profits of the enterprise. A successful, i.e., profitable, firm provides jobs for workers and desired, often essential, goods for consumers. But the quest for profits can cross lines that are unacceptable in Catholic social teaching. Students in appropriate courses can be challenged to begin the reflective process that can turn the management of business into a vocation. The cases and problems of legal studies provide many opportunities for reflective application of the Church’s social thought.

Conclusion

Management, business and law schools affiliated with Catholic universities must train business leaders who can strive for efficiency and profitability without losing their moral and social balance. Graduates of American law schools in recent decades have brought a heightened level of economic sophistication to the practice of law. As an important part of any management team, it is appropriate for a business lawyer to bring sound economic sense to the table when business decisions are made. They should also, however, appreciate the human dimension of business decisions. Catholic social teaching provides a solid foundation for a humanistic approach to the organization and management of business. It reminds the business professional that a business firm is a community of persons working together to promote the common good.

Catholic social teaching surely poses a challenge for business managers and their legal advisors – it is rooted in the Gospel, which is a perpetual challenge to humankind – but a business ethic informed by Catholic teaching is not at war with sound business practices. The Catholic Church’s rich social doctrine places economic production and development within a sound ethical framework. The Church, moreover, should and does expect Catholic educational institutions to be committed to delivering the Church’s social vision. If the job is done well, those of us who are called to train professionals will produce a generation of business leaders who also see their task as a vocation. They will understand that their goal is not simply to make a profit, but rather to do so in ways that promote the common good. Managers trained in the Catholic social tradition will know that human persons were not created to serve the firm – regardless of the person’s relationship to the firm – but that the firm exists to serve people. As stated by the Fathers of the Second Vatican Council:

In the economic and social realms, too, the dignity and complete vocation of the human person and the welfare of society as a whole are to be respected and promoted. For man is the source, the center, and the purpose of all economic and social life.
This essay uses the term *business manager* in a rough, functional manner. It will generally include all those who participate in the organization, direction or control of a business organization, including the highest echelon executives, so-called *middle* management and in-house or outside legal and financial advisors. The focus of this analysis is on decision-making regarding the employment of human and physical resources, rather than the creation or transformation of goods.


See *ALI Principles of Corporate Governance: Analysis and Recommendations* (1994) 2.01.


I am assuming that profits are maximized by producing the best goods and services for the lowest prices. It is also likely, although ethically and legally problematic, that those who manage business may seek to enhance a monopolistic position and take monopoly rents. The former furthers the economic and social good of allocative efficiency. The latter results in the inefficient allocation of resources.

A leading economics text defines *allocative efficiency* as a situation in which no reorganization or trade could raise the utility or satisfaction of one individual without lowering the utility or satisfaction of another individual. Under certain limited conditions, perfect competition leads to allocative efficiency. Paul A. Samuelson and William D. Nordhaus, *Microeconomics*, 16th Ed. (Boston: Irwin, McGraw-Hill, 1998) 436.

Pope John Paul II, *Centesimus Annus* 41.

Ibid.


*Centesimus Annus* 36.


See quotation referenced in note 17, infra.


Pope John Paul II, *Veritatis Splendor* 17.

*Veritatis Splendor* 18.


*Mater et Magistra*, 236.

*Mater et Magistra*, 236.

*Economic Justice for All*, 342.

This paper focuses on the preparation of law students for the world of business. The lessons of Catholic social teaching, however, have application across the broad range of activities engaged in by attorneys. They should bring the notion of vocation to whatever type of practice they encounter.

Dean Douglas Kmiec of the Catholic University Law School, for example, introduced a mandatory, first-year course on Catholic Social Teaching beginning in the 2002-03 school year. Dean Kmiec is leaving CUA but the course remains in the first-year curriculum. This writer will teach one of the sections in the coming year and plans to apply the pedagogical suggestions presented in this paper.

*Centesimus Annus*, 35.

Pope John Paul II, *Sollicitudo Rei Socialis*, 38.

*Centesimus Annus*, 15.


The law and economics movement has had a pervasive impact on the way the law is taught, practiced and interpreted in the United States. The tools of neoclassical economics are now regularly employed in the analysis of law. Some fields of law, particularly antitrust law, have been transformed by the insights of economists.

The Stunted Vocation: An Analysis of Jack Welch’s Vision of Business Leadership

Phillip M. Thompson, Director, Center for Ethics and Leadership, St. Edward's University

Abstract

Jack Welch, the former CEO of General Electric, is often used as a model of business leadership. Welch’s excessive focus on immediate business objectives prevented him from leading through a broader and more humane moral horizon. According to the more comprehensive and compelling moral vision of Catholic social thought, Jack Welch is not a model of leadership that should be employed by current business leaders.

The Business Ethics Crisis

On July 9, 2002, President George W. Bush announced in the wake of a series of business scandals that America’s “greatest economic need” was “higher ethical standards to be upheld by responsible business leaders.” This unprecedented presidential plea for ethical behavior as a key to economic renewal directly challenged the business leadership of the United States.

After the President’s speech, there were mixed responses to the challenge. Chris Galvin, the president of Motorola, immediately sent a forceful memorandum on the importance of ethics to his employees around the globe. Everyone at Motorola was reminded that “the highest ethics” were expected of them and that each employee should take “pride and confidence in this part of our culture.” There were also some initial indications that the President’s plea might not have traction. A Wall Street Journal and Harris interactive survey of corporate recruiters indicated in September of 2002 that a sense of corporate citizenship and responsibility rated dead last among a list of 24 attributes that they sought in potential employees.

The corporate recruiter survey suggests that the problem may have deep roots. Indeed, a national survey in 1999 of MBA students discovered that 73% would acquire a patent from an opposing company by hiring a competitor, if asked to by their boss. Interestingly, only 60% of convicts asked the same question responded in the affirmative. A national business ethics survey in 2000 of employees at all levels in companies across the U.S. disclosed that 26% had observed people in their business lying to customers, vendors or the public, with another 24% witnessing abusive or intimidating behavior towards employees.

These discouraging behaviors are partly the consequence of defective theories. The regnant models of leadership promoted in scores of management texts and business classes seem to have been ineffective in preventing the ethics crisis. Perhaps it is an appropriate moment for Christian scholars to contribute their insights and assistance in the shaping of alternative management paradigms. This article responds to this challenge by offering a critique from the perspective of Catholic social thought. Specifically, I will assess the leadership of Jack Welch, the former Chief Executive Officer (CEO) and Chairman of the General Electric Corporation (G.E.), according to criteria developed in the teachings of John Paul II. Welch was a prominent model of business leadership in the resurgent U.S. economy of the 1990s. This “global legend” was described by Business Week as “the gold standard against which other CEOs are measured.”

When I started to research Jack Welch a few years ago, the “gold standard” had largely avoided any tarnish of scandal, and had achieved spectacular results for his stockholders. The stock price of G.E. shares rose 1,155% from 1982 to 1997. To achieve this success, Welch, who happens to be a Catholic, espoused a very uncompromising and narrowly focused business leadership model. Unfortunately, the hagiography bestowed upon Welch from much of the business press has obscured serious ethical deficiencies.

The Vision Problem

Jack Welch remains a positive icon in the business world because of his phenomenal “success” in making G.E. the most profitable company in the U.S. Within a decade of his assumption of corporate leadership, the company and its
“President George W. Bush announced in the wake of a series of business scandals that America’s ‘greatest economic need’ was ‘higher ethical standards to be upheld by responsible business leaders.’”

subsidiaries were ranked number one or two worldwide, in every field. Welch ruthlessly and, it must be conceded, effectively pursued the ultimate end of “success” as measured by profitability, market share, etc., through a relentless push for more productivity, the massive dismissal of employees in less profitable portions of the company, the removal of layers of bureaucracy, the improvement of communication between portions of the company, and the rewarding of those who improved the bottom line. There are certainly some worthwhile dimensions of G.E.’s revolutionary approaches to innovation, such as the improved communication and openness between departments. The instigator of change exulted in his ability to transform an institution.

We took a bureaucracy and we shook it. We created a world-class organization, whose excellence is accepted on every continent. I believe the G.E. I’m leaving is a true meritocracy, a place filled with involved and excited people, with good values and high integrity.6

As his words attest, Welch is a driven and “successful” executive. He is also a Catholic, although the faith in which he was reared, and has never completely rejected, failed to significantly impact his moral trajectory. Hence, it is worth pondering to what extent his model of business leadership might not be consonant with Catholic social teaching. Unprepared to resist and perhaps naturally disposed to value economic success above any other concern, he adopted certain business goals as virtually unqualified idols. An idol in economic need was ‘higher ethical standards to be upheld by responsible business leaders.’7 The values that would guide this quest are expressed in the descriptive terms that he finds positive in an explanation of his success in the “Prologue” to his autobiography.8 These include the following:

- creative
- honest
- hard working
- informal
- smart
- earthy
- adaptability
- smartest
- committed
- outspoken
- competitive
- loud
- agility
- high spirited

These words and phrases suggest some of the keys to a macho, tough, efficient and profitable corporate culture. They also suggest a circumscribed set of human qualities and ends. Other than honesty, the words have limited moral connotations.

Causes and Effects

Why does Jack Welch seem so blithely unaware of a broader moral framework? The answer can be discovered, at least in part, in his constricted understanding of human nature. Business executives are persons of action and not speculative philosophers, but they are nonetheless guided by certain implicit assumptions about human beings and their fundamental purposes, traits and goals. Such implicit assumptions are often revealed in both their actions and their explanations for those actions.

The roots of Welch’s views of human nature seem to have arisen early. In his autobiography, he observes that, “I’ve never really changed that much from the boy my mother raised in Salem, Massachusetts.” Welch was raised by a devout Irish mother who had visions of her son becoming a priest; she sent him regularly to Church to be an altar boy. Mrs. Welch went to mass every day, hung crucifixes in her house, regularly prayed the rosary, and considered the priest of her parish a saint. From his pious but formidable mother, young Jack learned “good values” such as toughness, aggressiveness, realism, perseverance and a very strong work ethic. The most important gift from his mother may have been self-confidence. In response to a boyhood stuttering problem, his mother constantly stroked his ego. It is not an accident that self-confidence became the most essential quality of a Welch era G.E. executive.9

Key values such as determination and self-confidence are also essential traits for competition, whether in the boardroom or on the golf course. The value of competition was permanently ingrained in Welch at the “Pit.” The “Pit” was a dusty lot in Salem that hosted basketball, football and hockey pickup games. Here, young men learned how to be “scrappy” and to compete in a struggle that valued the survival of the fittest. Welch was one of the organizers of the games. This experience provided certain fundamental lessons in how to manage competition and motivate performance.10

From my days in the Pit, I learned that the game is all about fielding the best athletes. Whoever fielded the best team there won. ... it was no different in business. Winning teams come from differentiation, rewarding the best and removing the weakest, always fighting to raise the bar.11

The survival values learned from his mother and the “Pit” were not inherently problematic. Such values do become problematic, however, if they are raised to the status of final ends and are not guided by a more expansive and just moral
vision. Welch’s restricted vision locked him into what the social thinker Jean Bethke Elshtain has called “a dense wall of immanence where every reference point is anthropocentric.”12 Such a wall encloses only material objectives such as production, efficiency and profitability. There is a terrible irony in a man who is relentlessly promoting “great ideas” and “better ways” being oblivious to the limits of his vision. He and his managers were open to new ideas, but only if they did not challenge the fundamental assumptions or framework guiding the G.E. model.

A study of Welch fails to reveal why he did not develop a broader moral horizon or any contrapuntal values, such as mercy and compassion, from his experiences of stuttering and the devotion of his mother. Religion as a source for a broader moral horizon was ignored, and there are only two references to God in the autobiography. In one instance, success in the plastics division of G.E. was described as being like “God coming down and saying, ‘Jack, this is your moment. Take it.’” The other reference was upon the passing of his mother, who died from congenital heart problems. Welch, a man who was until her death an “incredibly serious, believing Catholic,” felt “cheated, angry, and mad at God for taking my mother from me.” In both instances, God is judged by what was done to promote or aid Jack Welch, or to cause him distress. After his mother’s death, God is dismissed from the realm of Welch for this failure. No person or entity is beyond judgment for failing to assist the boss.13

In these pivotal moments of personal challenge and loss, Welch can only reflect on how an event impacts his life. Grieving for a beloved parent is, of course, very normal. The hyper-competitive and self-absorbed young boy who played at the “Pit” was eventually complemented by a chip on the shoulder about his modest background. He attributes his failure to get into an Ivy League school to his father’s lack of connections, and relishes the story of how, when he was a caddie, a man told him to wade into a pond to retrieve a ball. He told the wealthy patron to go to hell, and tossed the man’s golf bag into the pond. Upon entering the corporate world, the myopic and confident young man with the chip on his shoulder devoted himself completely to G.E., becoming in his own words the “ultimate workaholic,” who is oblivious to how a devotion to work might impact his domestic life. He mentions his first wife of 28 years and the children from that marriage only in a few passing references in the autobiography. Apparently, he has developed only one hobby – golf.15

Still, defenders of Welch might object to any suggestion that he is all work and no ethics. After all, he regularly proclaims the importance of “values” at G.E. It is not readily apparent, however, what he means by such a term beyond those technical skills such as efficiency, flexibility, creativity, etc. that make an employee more productive and profitable. G.E.’s value statement, which Welch carried in his pocket, emphasizes, “aggressive targets,” “excellence,” “team building,” “competitive advantage,” “customer focus,” “change” and “energy.” Other terms like “integrity” and “accountability” might suggest a significant mitigation of Welch’s laser-like competitive focus, but they are ambiguous or morally neutral terms in a system so dominated by productivity and profitability.16

It is also not clear what is meant by words often associated with significant moral import, such as “integrity” and “honesty.” When attending a Fairfield University Business School Forum, a student asked how he could be both a good Catholic and a businessman. The answer was simple: integrity in the form of honesty – say what you mean and mean what you say, even if you have to be “brutally honest.” While candor can be an attractive quality, it is an insufficient basis for a term of moral complexity such as integrity. Yale law professor Stephen Carter, in his book Integrity, notes that personal integrity is more than honesty. It begins with a difficult introspective process that seeks to discern the core values for living a fully human life. Based on his own comments, Welch failed to undergo any serious process of discernment regarding ultimate concerns or purposes. Such a process of discernment of values might suggest that honesty is normally, but not always, the best policy.17 Kant and Augustine notwithstanding, honesty has to be balanced by considerations like mercy, love and caring for other persons, or it can be destructive of human dignity.
In addition, a number of personal actions cast some doubt on the constant refrain of total honesty and integrity. Divorce papers claim that the former CEO received a host of lavish perks from G.E. after his retirement, which were not revealed to company stockholders. Without admitting guilt, Welch agreed to forgo many of the perks. Subsequently, he has also been chastised for the fact that he was given preferential treatment in receiving back his investment of $1.87 million when he exercised stock options in Idealab, an internet start-up. Forty-eight other investors lost all of their $725 million.18

Most importantly, Welch’s definition of integrity and honesty reveal how he is unable to tap into a larger and more humane vision, because he suffers from what the business ethicist, Kenneth Goodpaster, refers to as “teleopathy.” Teleopathy is an “unbalanced pursuit of business in either individuals or organizations” and begins with a “fixation” that appears to have its justification and origin, at least in Welch’s case, in his understanding or misunderstanding of human nature. To him, human beings are comparable to commodities, and Welch notes the pride his mother had in her “product” [son].19 The reduction of his self to a “product” is telling. If human beings are like products they are one more object to be manipulated, marketed, and discarded. Such “products” can be molded to enhance preference techniques and attitudes essential for competition. All other values and human traits are largely extraneous to the main reason for the product’s existence – to be successful in the competition of work. Hence, an adherence to values such as mercy, loyalty, compassion or equity was marginalized at G.E.

According to Goodpaster, the repetition of such fixation and rationalization eventually leads to a detachment from certain ethical norms such as “compassion” and “generosity.” Strategic corporate decisions reflected the detachment of the leader. Wholesale firings eliminated 100,000 employees, which was one quarter of the G.E. workforce, and the only regret from the mastermind of such measures was that he “took too long to act,” and did not go “far enough or move fast enough.” With detachment, competition can also devolve into other brutish behaviors. One G.E. executive noted that, “You can’t even say hello to Jack without being confrontational,” while another described meetings as “brawls.” Welch was vaguely concerned about this type of excess, but he refused to adopt policies that would relieve the pressures of relentless competition that can foster such actions.21

“…Massive employee dismissals led to the common perception within the company that workers were ‘expendable.’”

The teleopathy of Welch was certainly based on a fixation, justified by his rationalizations, and resulted in moral detachment. Teleopathy’s tendency to produce decisions that marginalized humane values provided cues throughout the company as to appropriate values and actions. According to Goodpaster, the teleopathy of a business leader is often transmitted to the organization through the “self perpetuating dynamics of career progression, management discipline, and corporate culture.” For example, the massive employee dismissals led to the common perception within the company that workers were “expendable.”22 The following vignettes confirm this pattern of transmission.

- At a question and answer session at G.E. headquarters, a senior finance executive interrupted a young, female manager, who was relating how much G.E. expected from their employees, by shouting, “I know what your question is. Your question is what does G.E. owe me? Well, get this straight: G.E. doesn’t owe you a damn thing!”
The Stunted Vocation: An Analysis of Jack Welch's Vision of Business Leadership

“One executive confided that going off to work in the morning at G.E. was like ‘going off to war.’”

- A G.E. human resources manager was approached by a manager in another department who wanted to fire a 15-year employee who had no problems on his record and had just received an incentive reward for good performance. When the human resources manager suggested compassion because of the employee's years with the company, the impact on his family, and his good performance, the blunt retort was, “_ _ _ _ compassion.”

- A young woman in accounting was required to not go home during crunch time at the closing of the accounting year and was placed in a dangerous hotel near her place of employment, although safer but more expensive lodgings were available nearby. She was accosted in her room and tied to a chair. She escaped, but when she subsequently sought counseling and missed time from work because of the incident, she was fired for being “unbalanced” and not a “team” player.

- In the midst of the layoffs, G.E.’s public relations campaign still touted a loyalty to its employees in its “G.E. is me” publicity campaign. The reality was that to survive and thrive at the new G.E., an employee had to be “tough,” “short tempered,” “almost impervious to criticism,” “able to triumph in Machiavellian maneuverings,” and “completely wedded to your job.” One executive confided that going off to work in the morning at G.E. was like “going off to war.”

During his most destructive period, Welch remained largely impervious to the carnage resulting from his actions. In one of the less sensitive actions by a business executive, he lavishly refurbished a perfectly good office in Manhattan as scores of G.E. employees were emptying their desks in the same building. Even when the impact of certain decisions came literally to his home, there was no sympathy for the suffering of G.E. employees. A young boy whose father was fired by Welch took a swing at Welch’s son on a school bus. While Welch was sympathetic to his son, there was no recognition of any responsibility for the suffering of the other family that caused the incident.

In addition to employee difficulties, there were also negative institutional consequences from the maximum pressure exerted to execute the corporate game plan. These examples suggest that perhaps success, and not integrity, was the dominant principle guiding G.E. The push for success cultivated an institutional culture that was susceptible to institutional misconduct. Consider the following examples.

- One employee has recounted the tendency in a Financial Management Program of the International Division of G.E. to manipulate the accounting figures in order to reflect the expectations of the corporate office, rather than the financial reality. G.E.’s accounting practices came under general scrutiny with the publishing of articles in business journals at the end of Welch’s reign, questioning G.E.’s accounting practices that shifted company assets to maintain the apparent consistency of the company’s profitability.

- There were credible allegations that G.E. abused and paid its maquiladora employees in the Rio Grande Valley about half of what Ford Motor company pays in the same area.

- A rush to get a new refrigerator on line with an insufficiently tested rotary compressor resulted in corporate losses of 450 million dollars and the closing of a plant.

- In the Welch era, G.E. and its subsidiaries were involved in a number of regulatory and legal actions in which they were accused of skirting the law. For example, the G.E.-owned Kidder Peabody securities firm lost one billion dollars, and in 1994 the Security and Exchange Commission sanctioned several executives, including a Welch crony, for accounting and records violations. G.E. was also involved in several scandals with the Pentagon, resulting in 15 criminal and civil convictions between 1985 and 1992. Other major lawsuits involved age discrimination, retaliation against whistle blowers, price fixing, OSHA violations and fraud. During all of this, Jack Welch, one of the most hands-on executives in the history of any major corporation, denied any responsibility for the rash of lawsuits. Contented investors and directors also remained mute.
The Critique of Pope John Paul II

The human cost in the Welch era at G.E. was enormous. While there were financial winners, an idolatry of profits and productivity resulted in massive layoffs, demoralized and nervous employees, rushed products, accusations of fraud, and a general indifference to ethical concerns. These fundamental violations of human dignity occurred in a corporate culture where the achieving of greater market share and profitability was measured by achieving certain numerical goals. The relentless quest for the right numbers propelled the decisions to close plants and force employees to ever-greater productivity at any cost. In discussing the dismissal of employees, there was not a push for a specific number of employee reductions. Rather, Welch suggested an “earnings number” because “that number will force whatever headcount or other changes the business needs.” This numerical goal assured that employees who are not stars are dismissed and those who through toughness, devotion, creativity, guile, etc., meet the prime directive are richly rewarded. A former G.E. executive noted that Welch’s theory was that “those who do, get; those who don’t, go.” Any loyalty to other values is harmful because they dilute the organization’s ability to reach the statistical objectives.26

The desire for acquisition is fused with a utilitarian calculus to justify a handsome return for those employees who survive the purges, stockholders who provide the capital, and for consumers who get a good product at a cheap price. This calculation turns employees into sources of utility and rationalizes an egoistic drive by the chief executive for personal success. Any damage to individual employees from these business decisions is more than offset by wealth creation. Numbers trump the dignity of the individual employee.

While Welch’s vocation is to produce material utility, Pope John Paul II adumbrates a contrasting vision in his spirituality of work. For the latter, the business leader is a moral agent who must confront the dramatic consequences inherent in human choices for developing or denying the fully integrated person. In these decisions, Pope John Paul II unequivocally opposed the kind of crude utilitarianism espoused by Welch. In Love and Responsibility, the then Polish bishop observed that a calculus of utility justifies the individual moral agent in treating people as merely means to selfish ends. If a person ceases to be a source of pleasure, then we can discard them and owe them no further obligations. Hence, utility easily leads to a form of egoism.27

Welch’s adoption of certain management decisions proceeds from a calculus that aims at utility in the form of productivity and profitability.

The utilitarian calculus and egoism of Welch operate from an anthropological assumption that human beings are pliable, like products to be manipulated in various ways to promote the interests of the company. After all, when you describe yourself as a “product,” it is not surprising that the same understanding might be applied to employees. In contrast, Pope John Paul II flatly rejects the reducing of “man to a ‘product’” because “man is the subject of work, since in the divine plan ‘work is for man’ and not ‘man for work’.”28

For Pope John Paul II, the full humanity of each person derives from a very different assumption that human beings are made in the “image of God” and, within the limits of his or her own human capabilities, each person operates as a co-creator who “advances further in the discovery of the resources and values contained in the whole of creation.” This “subjective” participation in creation is complimented by a human nature that intrinsically desires to act in a planned and rational way in order to achieve a full “self realization” of the body and spirit. The self-realization operates through an inner spirit, guided by the virtues of faith, hope, and charity, that seeks the ultimate meaning of work in the salvation process. These core dimensions of our “subjective” humanity are innate in our form of being and must not be stymied, but affirmed by the “objective” processes of work.29

Selecting his targets with discrimination, Pope John Paul II also detects the danger of a materialist reductionism in modern economic structures that can disfigure our essential nature as human beings. Noting the objective and subjective aspects of the human person in creation, he observes that:

Man is treated as an instrument of production, whereas he – he alone, independent of the work, he does – ought to be treated as the effective subject of the work and its true maker and creator... [T]he error of early capitalism can be repeated wherever man is in a way treated on the same level as the whole complex of the material means of production, as an instrument and not in accordance with the true dignity of his work – that is to say, where he is not treated as a subject and a maker, and for that very reason as the true purpose of the whole process of production.30

The turning of an employee into a product or merely a means of production violates the proper role of man as the maker and creator of work. The employee too easily becomes merely a tool to acquire profitability and market share, as the teleopathy of the business leadership favors instrumental objectives over human dignity. Welch’s
instrumental anthropology allows the turning of reasonable intermediate ends such as profitability and market share into final ends, into idols to which all other values and ends must be subjugated. The error of misplaced ends justifies the alienation, commodification, and oppression that were common features at G.E.

For Pope John Paul II, the “self-realization” of each person through their moral choices is also an inherently social project, because of the divine destination of all human beings. From the broader moral horizon of such inter-subjective activities, human institutions such as corporations have an obligation and destiny greater than the needs and desires of shareholders, executives and directors. Each person in the economy should pursue a “total vocation” that values the dignity of every person and the common good.31 Each company assumes the role of cultivating and affirming these total vocations within a community.

It is possible for the financial accounts to be in order, and yet for the people – who make up the firm’s most valuable asset – to be humiliated and their dignity offended... In fact the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a community of persons who in various ways are endeavoring to satisfy their basic needs, and who form a particular group at the service of society as a whole. Profit is the regulator of the life of a business, but it is not the only one; other human and moral factors must also be considered which, in the long term, are at least equally important for the life of a business.32

These regulating human and moral factors derive in part from our intrinsic social impulse and duty to fulfill the needs, goals and objectives essential to the dignity of the children of God. Thus, humanity should be interconnected in all activity including work. This ideal of solidarity is not some “vague compassion or shallow distress,” but a “firm and persevering determination to commit oneself to the common good; that is to say to the good of all and of each individual, because we are all really responsible for all.” Thus, each person must not exploit or oppress any other person even if there is the possibility of great utility from such a choice. Those in power or with great resources have a heightened duty, because of their capacities, to be stewards of the human dignity of each employee.33 Solidarity would thus implicitly extend to G.E.’s corporate decisions if “we are all really responsible for all.”

Solidarity obliges the employer to assist in developing the full humanity of each employee as part of the process of building up the body of Christ through human culture. Culture has as its fundamental question the “meaning of human existence.” This existence is understood in a complete way when it is situated in a cultural recognition of the mystery of God as part of an “approach to the fundamental events of life” such as “work.” Hence, work as a cultural artifact requires that employers respect and affirm their employees’ spiritual, emotional and bodily aspects in a truly just economic and social system.34

The respect extends to employees, in part, because the “subjective” dimension of our “being” requires much more than the “having” of “objective” material goods. Life is the special gift of a divine creation, a creation in which humanity is the only object made in the image and likeness of God and destined for a divine unification. The products of the human life, including economic goods, are also part of the gifts of a divine creation. A fully humanizing economy should, therefore, recognize certain principles such as the “universal destination of material goods.” Aquinas asserted that “Man should not consider his outward possessions as his own, but as common to all, so as to share them without difficulty when others are in need.” In pursuing this moral requirement, business leaders will be subject to “a most strict account” by the “Supreme Judge.” Leaders, such as Jack Welch, must consider their corporations and their wealth, therefore, as not merely personal fiefdoms that produce profits for shareholders, but as “common to all” and subject to the “judgment of Christ.”35 Welch’s enormous salary and perks and those of his minions suggest a resistance to any fiduciary obligations or to a Christocentric judgment. The workers in the maquiladora or the young woman attacked in a cheap hotel might wonder whether G.E. was really willing to share with them an appropriate amount of financial and other goods.

The “absolutizing” of immediate economic ends can have other destructive tendencies for creation. For example, a recognition of God’s gift of the world should not favor organizational needs above an obligation to the source of the gift. G.E’s environmental lawsuits, including the long-standing issue of PCBs in the Hudson, illustrates a corporate indifference to moral claims. PCBs, or polychlorinated biphenyls, are a family of synthetic chemicals used in industrial processes that kill fish and have been linked to increased rates of cancer. G.E. was one of the main entities discharging PCBs into the Hudson and Housatonic rivers.
Welch, since the 1960s, has been one of the main architects of a G.E. policy of minimizing the danger, strategic delay, persistent lobbying for looser regulations, and attempting to pay only a minimal amount for any damage. G.E. lost to the EPA and paid $250 million in 1999 for a restoration project on the Housatonic River in Connecticut, and the EPA has ordered G.E. to expend almost $500 million dollars to dredge PCBs from the Hudson River. In the end, Welch’s tactics did nothing but add expense and delay, infuriate environmentalists, irritate G.E. stockholders who were increasingly demanding a resolution of these issues, and brought the full weight of various state and federal regulatory agencies against the company.36

Pope John Paul II also defends the central importance of family as another divine gift that can suffer from idolizing economic ends. In the modern economy, the raising of children should not become just another “thing” which has no priority over the demands of work. Welch, as the leader of G.E., makes no mention of the value of family, although in his autobiography he praises the Salem, Massachusetts of his youth for being a place where family and faith were central.37 He is subsequently oblivious, however, as to how the demands of his corporation marginalized the role of family.

What is the final judgment of Catholic humanism on Jack Welch? A Catholic humanism can value the production of more and better goods to meet a variety of basic needs and discover new horizons. Hence, projects that produce better goods and a more creative business are not to be rejected per se. Welch’s categorical demand for rapid and unrelenting advances in profitability, and his granting of primacy to economic ends, however, reduces the possibility of a personal vocation that responds to a higher calling. Such a constricted vision does not operate to fully humanize each person and must be transformed into a more holistic understanding.

In summation, Pope John Paul II posits that the objective of work is to fully humanize each person through their objective needs such as a just share of created goods, and their subjective dimensions including spiritual needs. The objective and subjective dimensions of the person are also confirmed in the broadest sense in a culture that sacralizes the fundamental events of life. This integrated Christian humanism anneals every individual’s dignity and creativity in responding to a personal vocation.

Teaching Ethical Leadership

One of the roles of Catholic social teaching is to challenge both the faithful and the broader culture to reject any system that operates from a thin anthropology and aims at distorted or partial ends. On this basis, Jack Welch’s management system is morally questionable. Fortunately, Welch’s personal influence has declined some in the past couple of years. Some business commentators have questioned the source of G.E.’s vaunted profitability, while others observe that many of Welch’s epigones are not producing the anticipated results when they have directed other corporations.38

But Welch is only one advocate for materialist and utilitarian worldviews that have many adherents and allies today, such as rational choice theory. Business schools are often advocates for such theories that can justify different forms of teleopathy. Diagnosing the problem of such positions is only the first step in countering reductionist worldviews. The developing of a comprehensive strategy to counter such positions, however, is a very large cultural project that is well beyond the scope of this article.

“Pope John Paul II unequivocally opposed the kind of crude utilitarianism espoused by Welch.”

A few preliminary speculations for higher education may provide some hints for future initiatives. A Catholic critique of the current paradigms may discover the theoretical tools to breach the dense walls of immanence inherent in these theories in order to offer a more humane moral anthropology and vision. Such a Catholic humanism is timely, because the insufficient and/or misdirected training in Catholic educational systems has often produced business leaders who are woefully trained on how to connect their moral and professional lives. This is partly due to an assumption in business schools that technical skills and serious moral training are not to be mixed, even at religious colleges and universities. The resulting bifurcation of moral training and professional education produces either cynicism or a split personality that attempts to segregate professional and private moralities.39

In seeking the proper tools for breaching the current paradigms, a starting point might be a reflection on the different forms of professional and moral training of Jack Welch and Pope John Paul II that impacted their ethical development. The former was trained in science and business, while the pontiff’s training included philosophy,
ethics and theology. The Harvard business ethicist Lynn Sharp Paine notes that business and economics as disciplines concentrate on how systems produce an action through causes and effects rather than examining the decision maker and their motivations, values and beliefs. Such pedagogical differences explain to some degree why terms like justice and fairness are largely absent from Welch’s management lexicon and for that matter much of ethics instruction in business schools.

So, the lesson might be drawn that a different pedagogy that concentrates on the corporate leader as a moral agent should be introduced into business schools. An effort to adopt such a focus should not be alien for Catholics, since the goal of sanctifying all of life, including the business life, is at the heart of the mission of the Church. As part of this effort, there must be new forms of ministry and a reconsideration of the current models employed in higher education. The Church’s training of instructors, teachers, professors, religious and the laity regarding economics and business has been spotty at best and at worst non-existent. The training, when it has been available, has too often opted for facile and indiscriminate condemnations of capitalism as a system and business as a vocation.

Pope John Paul II’s vision of the total vocation is an important resource that adumbrates a subtle and balanced moral analysis of economic life. It explores the internal development and external forms of community and culture necessary to develop the fully human person. The total vocation recognizes and denounces a host of impediments to such a vocation in the idols of consumerism, materialism, and other false paths that specifically operate in business, but emanate from the general culture. Yet, the pontiff is perhaps more aware than his predecessors of the complexities of leading a moral business life. For example, he concedes that a businessperson must demonstrate “diligence, industriousness, prudence in taking reasonable risks... as well as courage in carrying out decisions which are difficult and painful, but necessary...” Profits are necessary in such a system as they direct the proper flow of capital to meet human needs.” The moral challenges and the peculiar structures of the business life, however, do not mitigate a duty in the total vocation model to obey fundamental moral principles that are essential to the flourishing of every human being and the common good.

The balance and nuance demonstrated in Pope John Paul II’s notion of a total vocation provides valuable principles for developing new initiatives in higher education. These programs will highlight a vocation that integrates the spiritual and the material, the technical and the moral. In the development of a pedagogy that advocates such a model, Catholic higher education can provide some viable alternatives to the current paradigms. Much effort has already been expended in the U.S. on how to close the gap between the Church and the business communities, led by such people as John Houck, Oliver Williams, Dennis McCann, Michael Novak, Michael Naughton and many others.

Many analysts will contend that an ocean of such academic speculations and higher education reforms would not alter the trajectory of students with fixed perspectives after they enter Catholic colleges and universities. To be sure, no educational initiative can reach into and transform the hearts of all students. Nonetheless, is it so difficult to believe that we can affirm and refine the best moral instincts of our students, or provide the best possible conditions for a conversion or turning of our students in morally healthy directions? If Catholics operate in a faith that recognizes no limits to the possibilities of divine grace, and assumes in each person the reality of free will and the capacity for reason, then we are perhaps selling our students, our institutions, and our faith short by not seeking such a goal. An excessive skepticism about such transformations must not paralyze us from pursuing our pedagogical responsibilities. Let us be not afraid, because the general neglect of the connection of business and religion by the Church is still producing damaged fruit. Indeed, it is far from certain whether any fundamental changes in business school pedagogy are on the horizon that might prevent a new generation of Jack Welches.

“[Jack Welch is]... a Catholic, although the faith in which he was reared, and has never completely rejected, failed to significantly impact his moral trajectory.”
The Stunted Vocation: An Analysis of Jack Welch's Vision of Business Leadership

Notes

I would like to thank those individuals who inspired or assisted in the development of this article. My father, Roy S. Thompson, Jr., who recently passed away, always ran his company so that employees were partners and not cogs in a machine. Dr. Robert Ouimet has also provided inspiration when we have been co-presenters at several conferences, including his Montreal symposium titled, Notre Projet. Dr. Ouimet through his own company, Cordon Bleu, proves that there is a better business leadership model than that of Jack Welch. Dr. Kenneth Goodpaster, when he lectured at St. Edward's University, elucidated certain points relevant to my article and graciously sent me articles about his concept of teleopathy. Christina Moore, the Director of Global Communications at Motorola, provided me authorization to cite an internal company e-mail memorandum from the President Christopher Galvin. Professor Kevin Lee at Ave Maria College of Law reviewed and commented on various drafts of this article.

Endnotes

1 "Transcript of President’s Address Calling for New Era of Corporate Integrity,” The New York Times. 10 July 2002, C4.
7 Ibid., xv; Lowe, Jack Welch Speaks, 39.
8 Welch, Jack, xi-xvi.
9 Ibid., 3-8,12.
10 Ibid., 9.
11 Ibid., 25. It is no coincidence that the auditorium at G.E.’s Crotonville Management Development Institute where Welch held court is also nicknamed the “pit.” Lowe, Jack Welch Speaks, 58-61.
14 Welch, Jack, 35,38.
15 Ibid., 13,14,38,146.
16 Lowe, Jack Welch Speaks, 86,87.
19 Welch, Jack, 38.
24 Welch, Jack, 60.


29 Laborem Exercens, n.10,24,25.

30 Ibid., n.7.

31 Ibid., n.24-26.

32 Centesimus Annus, n.35.

33 Solicitudo Rei Socialis, n.39.

34 Centesimus Annus, n. 24.

35 Laborem Exercens, n. 4-6; Centesimus Annus, n. 30; Rerum Novarum, n. 19.


37 Centesimus Annus, n.39; Welch, Jack, 9.


41 Centesimus Annus, n.32,35.
Mondragón: A For-Profit Organization That Embodies Catholic Social Thought

David Herrera, University of San Diego

Abstract

The Mondragón Corporación Cooperativa was founded in the 1950s to promote social and economic development in the Basque region of Spain. Its underlying mission and its working guidelines are based on Catholic Social Thought (CST). In this article we see how the CST foundations of Mondragón have led to a business organization that is very different from the standard business model.

Description of Mondragón and a Traditional Organization

The following descriptions of Mondragón and a “traditional organization” distinguish the two types of organizations. Mondragón, a for-profit organization with headquarters in the Basque region of Spain, was founded in 1956 by five young engineers, inspired by a Catholic priest by the name of José María Arizmendiarriria. Today Mondragón has 60,000 managers and employees (called worker-owners) in a conglomerate of almost 150 cooperative enterprises, with annual revenues of eight billion dollars. Mondragón has industrial, retail and financial operations throughout Spain, 34 manufacturing facilities in 12 other countries, three major research and development centers, a multi-campus university, and its own bank and health care system (www.mondragon.mcc.es). Based on Arizmendiarriria’s teachings, and on the evolving practical experience of the Mondragón worker-owners for the last 45 years, Mondragón has institutionalized a system of work that is consistent with Catholic social thought. Mondragón is a principle-based, worker-owned and managed cooperative organization. It promotes broad participation in management while distributing decision-making power throughout the organization. Mondragón is a unique example of an integrated economic and social system that has thrived in profitability and accelerated growth for almost 50 years.

For the purpose of this study, a traditional organization (for-profit or not-for-profit) is characterized by top-down decision-making, (with) restricted participation of employees, a concentration of power at the top of the organization, and limited information about the organization available to employees. A traditional for-profit organization is further characterized by capital investors and employees usually being different people; maximization of economic benefits to primarily reward capital investors; objectives of investors, managers and workers often not being consistent with each other; and voluntary economic participation in the community.
Description of Four Concepts in Catholic Social Thought

For our present purposes, we will limit ourselves to four basic concepts of Catholic Social Thought: social justice, economic justice, the dignity of persons and their work, and solidarity. Abbreviated descriptions of these terms are provided for reference.

**Social justice** “implies that persons have an obligation to be active and productive participants in the life of society and that society has a duty to enable them to participate in this way” [emphasis on the original, National Conference of Catholic Bishops – henceforth abbreviated as NCCB, No. 71]. The right to participate in economic gains and decision-making is also fostered in Catholic social thought. “The active sharing of all in the administration and profits of ...enterprises...is to be promoted,” because, in economic enterprises, it is persons who work together, that is, free and independent human beings created in the image of God [*Gaudium et Spes*, 68].

**Economic justice** is inextricably connected with social justice, because the latter cannot be attained without addressing the former. “Work with adequate pay for all who seek it is the primary means for achieving basic justice in our society” [NCCB, No. 73]. Two of the main components of economic justice, therefore, are the right to work and the right to a just wage [*Laborem exercens*, 18-19]. “Human labor which is expended in the production and exchange of goods or in the performance of economic services is superior to the other elements of economic life. From this fact “arise[s] every man's duty to labor faithfully and his right to work. It is the duty of society, moreover, according to the circumstances prevailing in it, and in keeping with its proper role, to help its citizens to find opportunities for adequate employment” [*Gaudium et Spes*, 67].

**The dignity of human persons and their work** has been part of Catholic social thought from the beginning. As stated in Genesis: “Man is made to be in the visible universe an image and likeness of God Himself, and...he is called to work. Work is one of the characteristics that distinguish man from the rest of creatures, whose activity for sustaining their lives cannot be called work” [emphasis in the original, *Laborem exercens*]. “As the ‘image of God’ [man] is a person...a subjective being capable of acting in a planned and rational way... As a person, man is therefore the subject of work” [emphasis in the original, 6].

**Solidarity**, for the purpose of this article, is understood as a pursuit of the welfare of all. According to Pope John Paul, solidarity “is the structural response demanded by gospel love... [It] is undoubtedly a Christian virtue” [12:185]. As described in Pope John Paul II's encyclical letter *Sollicitudo rei socialis* (The Social Concerns of the Church), solidarity is “a firm and persevering determination to commit to the common good...to the good of all and of each individual, because we are really responsible for all (as cited in Pilarczyk [19:23]). “Solidarity,” adds Pilarczyk, “is justice writ large.”

Mondragón Principles, Policies and Practices and Catholic Social Thought

It is relevant to initiate the description of Mondragón by referring to Don José María Arizmendiarieta, the Catholic priest who inspired the founders of Mondragón and whose social thought has profoundly influenced its principles, policies and practices throughout its history. Arizmendiarieta never wrote anything for publication but excerpts from his journals have been published in English as a book called *Reflections.* Due to the essential role that Arizmendiarieta and his social thought have played in the creation and continued transformation of Mondragón, this article will include numerous citations from the *Reflections* book, and for simplicity, unless otherwise noted, his citations will be identified with a page number only.

**Mondragón Principles that Promote Social Justice**

The two seminal principles that serve as a foundation to promote social justice in Mondragón are democratic organization, and worker-owners' participation. About democracy, Arizmendiarieta wrote: “Democracy, once adopted nobly, is conducive to discipline, to responsibility, to the reaffirmation of solidarity. Definitely, democracy is conducive to authentic social progress” [20:52-53]. About participation, Arizmendiarieta stated: "The self-managed society will be that in which all of us, with our education and willingness to participate, are able to realize accomplishments” [20:57]. He believed that participation in decision-making was necessary to achieve individual and collective freedom and that effective participation was possible only after one became educated and informed about the issues being decided upon [2:818-819].
“...[R]egardless of job classification or hierarchical position, Mondragón worker-owners invest the same amount of initial capital, and participate in decision-making through a one person/one-vote system.”

The Grounding of Justice and Solidarity: Mondragón as a Democratic Organization

The “Mondragón experience” is possible, first and uppermost, because of the principle of Democratic Organization, which creates the legal, moral and operational environment that allows all other principles, policies and practices to exist. According to Pilarczyk, Catholic Social Thought implies that persons should participate in governance according to their capabilities. In other words, “the term social justice... designate[s] the right and obligation of individual persons to be involved in determining the way in which larger social, economic and political institutions in society are organized” [19:52]. In fact, Pilarczyk adds, decision-making concentrated in small groups robs everybody of part of their human dignity, and even the most benevolent ruler is unjust because “he is disregarding the human responsibility and the human dignity of his people. He is depriving them of their basic right to participate in forming the world in which they live” [19:56]. In a related matter, addressing the need to institutionalize representation, participation and equality at Mondragón, Arizmendiaringreted wrote: “The workers of a firm cannot affirm their position as a work factor in the heart of an enterprise until they have representation and participation. The work community needs to have a juridical representation.” And added: “Fellowship and solidarity reign where there is equality. When this base is lacking, these feelings are merely temporary and will soon pass” [20:130-131].

Mondragón is accordingly characterized by institutionalized democratic ownership and decision-making. The Democratic Organization principle inextricably links capital and labor by distributing the formation of capital and decision-making power equally among workers and managers. That is, regardless of job classification or hierarchical position, Mondragón worker-owners invest the same amount of initial capital, and participate in decision-making through a one person/one-vote system. The initial capital contribution is equivalent to one-year's minimum salary. Eighty-five percent of this contribution is deposited in the worker-owner's capital account and 15% in a collective reserve fund. The 85% contribution belonging to the worker-owner draws interest and can be withdrawn when the worker-owner leaves the company. The 15% contribution becomes part of a Mondragón reserve fund. This collaborative system of formation of capital distributes the responsibility and risk of the initial investment equally among worker-owners, instead of selectively among a few major capital investors, as would be the case in traditional organizations. Furthermore, since worker-owners are capital investors, they are entitled to profit sharing. The distribution of profits, however, is variable because it is not based on capital invested but on the type of work done and the performance of the cooperatives.

The Mondragón principle of Democratic Organization, more generally called workplace democracy, emphasizes worker-owners' social and economic values that reflect their rights and responsibilities concerning their personal needs and those of the organization. George Cheney defines workplace democracy, as practiced in Mondragón, as:

a system of governance which truly values individual goals and feelings (e.g., equitable remuneration, the pursuit of enriching work and the right to express oneself) as well as typically organizational objectives (e.g., effectiveness, and efficiency, reflectively conceived), which actively fosters the connection between those two sets of concerns by encouraging individual contributions to important organizational choices, and which allows for the ongoing modification of the organization's activities and policies by the group [5:133].

As defined by José Maria Ormaechea,' one of the five founders of Mondragón, the Democratic Organization principle “proclaims the basic equality of worker-members with respect to their rights to be, to possess and to know, which implies the acceptance of a democratic organization of the company” [18:144]. The “right to be” advocates social justice because worker-owners have a right to be heard [19]. They can voice their ideas and concerns and participate in the governance of the organization through their membership, opinions and vote.
The “right to possess” promotes economic and social justice because through worker ownership, equality and the distribution of power among Mondragón managers and workers is ensured. This is consistent with Laborem ExERCens’ suggested “proposals for joint ownership of the means of work, sharing by the workers in the management and/or profits of business, so-called shareholding by labor…” (emphasis in the original, 14). Joint ownership and participation have also been proposed in the encyclicals Quadragesimo Anno (1931) and Gaudium et Spes (1966).

The “right to know” fosters social justice because it gives worker-owners an access to accurate information to participate in decision-making. At Mondragón, information about financial and operational activities and results are published openly for all worker-owners.

The Implementation of Justice in Mondragón: Participation

If social justice is made possible at Mondragón primarily through the existence of a democratic organization, worker-owners’ democratic participation in decision-making translates this possibility into principles, policies and practices that determine how Mondragón’s worker-owners live and work.

The Centrality of Participation in Decision-Making

Worker-owners’ participation in decision-making permeates practically all aspects of Mondragón. Having an equal opportunity to participate has broad implications for economic and social justice, because democratic participation assigns the responsibility and the right to make decisions that will affect present and future worker-owners, their families, organizations and communities.

The central role of democratic participation in decision-making in Mondragón can not be overemphasized. That is, examining it in perspective, worker-owners’ participation in decision-making has been, is, and will continue to be the determining factor in the establishment of all institutionalized policies and practices. These decisions may impact the worker-owners’ own cooperatives as well as the decisions being considered at corporate levels, which are influenced through representatives who reflect worker-owners’ decisions made at their own cooperatives. This process is consistent with the statement: “[S]ince more often...decisions concerning economic and social conditions...are made not within the [individual cooperative] business itself but by the institutions on a higher [corporate] level, the workers should have a share also in determining these conditions – in person or through freely elected representatives [Gaudium et Spes, 69]. Since Mondragón has been a participatory organization from the beginning, it can be stated that all principles, policies and practices at Mondragón today owe their existence to worker-owners’ participation in decision-making at some point in their history.

Breadth and Scope of Participation

The principle of democratic organization and the resulting worker-owners’ participation in decision-making affect practically all aspects of the organization, as illustrated in the following list. Various items in this list have implications for justice and solidarity, and will be further described, although not specifically identified, throughout this article.

1. Economic participation
   a. Mondragón initial investment – assuming equal risks and contributing with an equal monetary amount
   b. Ownership – having equal rights and responsibilities
   c. Profit-sharing – based on work performed and initial investment

2. Democratic participation in decision-making
   a. At the corporate level
      i. Election of corporate representatives at each cooperative
      ii. Decision-making through these corporate representatives who convey decisions made by all worker-owners’ votes at each cooperative
   b. Participation at each cooperative
      i. Election of executive committee, audit and social committee members
      ii. Management of enterprise by individual worker-owners’ participation in discussions and voting
      iii. Personal job design – participation in job descriptions

3. Participation in community development
   a. Job creation – monetary fund through personal profit-sharing contributions
   b. Community development projects – 10% of worker-owners’ profit sharing
Finally, it is interesting to note that the reach of worker-owners’ decision-making at Mondragón, as exemplified in the above list, is in marked contrast with the absence of participation by most managers and employees in practically any corresponding aspect in traditional organizations.

**Participation and Personal Growth**

The concept of social justice in Catholic social thought also includes the responsibility for human self-realization through work. It includes a duty to organize economic and social institutions so that people can contribute to society in ways that respect their freedom and the dignity of their labor. That is, work should enable the working person to become “more a human being,” more capable of acting intelligently, freely, in ways that lead to self-realization [NCCB:37]. Furthermore, Catholic Social Teaching:

recognizes the legitimacy of workers’ efforts to obtain full respect of their dignity and to gain broader areas of participation in the life of industrial enterprises so that, while cooperating with others and under the direction of others, they can in a sense “work for themselves” through the exercise of their intelligence and freedom [Centesimus Annus, 43].

Accordingly, Mondragón “believes that the democratic character of the Cooperative is not limited to membership aspects, but that it also implies the progressive development of self-management and consequently of the participation of members in the sphere of business management...” [18:158]. These statements indicate that worker-owners are not merely allowed to participate in the management of Mondragón. Instead, democratic participation is a privilege and a responsibility, so worker-members are expected to be part of the decision-making process. Furthermore, worker-owners are encouraged to improve their education in order to participate competently in all aspects of work, as members of the governance structures, as representatives of worker-owners groups in these structures, as informed voters, and as vocal participants in Mondragón cooperative groups.

Moreover, worker-owners’ participation in an organization such as Mondragón reaches beyond sharing economic gains. Greg MacLeod, referring to the growth of human persons, writes: “…[P]articipation in a creative process confers on the worker the dignity of being part of something bigger. The worker becomes more of a person by actualizing inner potentials. As a person, the worker has not only mechanical abilities but intellectual and moral capacities” [16:63]. At Mondragón, participation is a vehicle for personal growth, as worker-owners utilize their intellect, knowledge and freedom to make decisions that have consequences beyond their own work.

Consequently, participation in ownership and profit sharing schemes in organizations is positive but is not enough. To attain social and economic justice, broad democratic participation in decision-making is required. This is where ownership schemes in traditional organizations often fail, because participation without decision-making power may improve economic justice to a limited extent but does not foster social justice in the worker or the community. Whyte and Whyte, comparing Mondragón to traditional American organizations, write: “[t]here is a marked contrast between the Mondragón cooperatives and U.S. private companies regarding participation and governance.” In the few cases in which workers participate in U.S. firms, “…they constitute a small minority and have little influence. In Mondragón, all major policy changes are subject to final decision by a majority of the vote of the members” [24:228].

**Mondragón Principles That Promote Economic Justice**

There are several Mondragón principles, policies and practices that promote economic justice. The Democratic Organization principle has already been shown to provide equality in initial investment and ownership and profit distribution. In addition, aid to socioeconomically-disadvantaged job applicants, a no-layoff policy, and limited pay ratios between managers and factory/field workers are examples of economic justice at Mondragón.

**Aid to Socioeconomically-Disadvantaged Job Applicants.**

Mondragón has a non-discrimination policy in hiring, as described in the Open Admission principle. Mondragón declares itself “…open to all men and women who accept the Basic Principles and prove themselves professionally capable of carrying out the jobs available…” [18:141]. This is consistent with Catholic Social Thought in that “access to employment and to professions must be open to all without unjust discrimination: men and women, healthy and disabled, native and immigrants” [4: No.2433].

There are some Western countries, including the U.S., which have laws to avoid discrimination when hiring workers. Many others do not have such legislation or, if they do, it is not enforced. A non-discriminatory policy in hiring may not seem to be particularly impressive to those who work in countries with non-discrimination laws, because their workplaces are in principle obligated to respect such laws.
One difference is that Mondragón has voluntarily adopted a non-discrimination policy to promote social justice. But even more meaningfully, Mondragón has added one element of non-discrimination, which reaches beyond providing access to work.

In Mondragón, along with non-discrimination due to religious or political affiliation, race, gender or age, the Open Admission principle includes non-discrimination due to socio-economic level. This type of non-discrimination may be perceived as unnecessary by some who work in Western countries because of the assumption that “equal opportunities” are afforded in their societies to potential job seekers. This assumption is, of course, debatable since poverty and lack of access to social and political milieus prevents many individuals from having such “equal opportunities.”

At Mondragón, the policy of non-discrimination intends to aid those job applicants who have a socio-economic disadvantage, for whatever reason, with a bank loan to pay the initial investment. Thus, if a potential worker-owner, after a one-year trial period, is willing and capable of carrying out an available job but has no economic means to contribute the original capital contribution to buy one share, the Mondragón bank (Caja Laboral) will loan him/her the corresponding amount. This amount can be paid back through monthly installments for three years. This provision does not only promote economic justice but recognizes the dignity of all human beings, created equal in the image of God [Laborem Exercens, 4]. It also emphasizes the primacy of human work over capital by considering a human person’s capacity to do work as more important than the ability to pay the initial capital investment.

**No Lay-Off Policy**

One of the most essential tenets of economic justice, according to Catholic social thought, is the right to work. Laborem Exercens states that human persons have a right to work and that “the ‘poor’ appear … as a result of the violation of the dignity of human work: either because the opportunities for human work are limited as a result of the scourge of unemployment or because a low value is put on work and the rights that flow from it, especially the right to a just wage and to the personal security of the worker and his or her family” [14:37]. In addition, “unemployment almost always wounds its victim’s dignity and threatens the equilibrium of his life. Besides the harm done to him personally, it entails many risks for his family [4: No.2433]. The right to work, however, has become practically non-existent in traditional organizations as, in the insatiable quest to improve profitability, eliminating human work has become the first line of attack for cost reduction. 5

At Mondragón, a job is sacred and protecting a worker-owner from losing it is vigorously pursued. Mondragón promotes economic justice and solidarity through the principle of Intercooperation, which includes a no-layoff policy. As a consequence, no worker-owner has ever been fired in Mondragón. Worker-owners are protected from market fluctuations by arranging transfers to other cooperatives if they are displaced due to market-related causes. Mondragón has a mechanism to track, re-train and relocate these displaced worker-owners, who maintain their pay level if they take a new job that pays lower wages. Also, temporarily displaced workers maintain 80% of their last wage until they are relocated.

In addition, workers who need to be relocated due to personal or performance-related reasons are able to do so, after a process of evaluation. That is, at Mondragón it is assumed that an able and willing worker may be ineffective if assigned to a type of work unsuitable for his or her skills, but that there is work somewhere in the organization where this worker can perform adequately. In brief, at Mondragón, “work is ‘for man’ and not man ‘for work’” [Laborem Exercens, 6].

**Limited Pay Ratios Between Top Executives and Factory/Field Workers**

The principle of Payment solidarity proclaims that “sufficient remuneration, while maintaining solidarity with others, is a basic principle of management” [18:164]. This principle “gives priority, over any other formulation or scope of application of the concept, to sharing in the needs of others” [18:164]. Remuneration maintains, within the parameters of this principle, proportional ratios with similar local industries and equitable ratios within Mondragón.

“Mondragón [will] track, re-train and relocate [its] displaced worker-owners, who maintain their pay level if they take a new job that pays lower wages.”
This principle is one of the most visible examples of solidarity at Mondragón and it has strong implications for economic justice. At Mondragón, there are agreed-upon wage ratios between the worker-owners who do executive work and those who work in the field or factory and earn (in theory) a minimum wage. These ratios range from 3:1 to 9:1 in different cooperatives and average 5:1. That is, the general manager of an average Mondragón cooperative earns 5 times as much as the theoretical minimum wage paid in his/her cooperative. This ratio is in reality smaller because there are few Mondragón worker-owners that earn minimum wages, their jobs being somewhat specialized and classified at higher wage levels. In addition, the ratios are further diminished because Spain uses a progressive tax rate, so those with higher wages pay higher taxes.

It should be noted that, although the ratio for each cooperative varies, it is worker-owners within that cooperative who decide through a democratic vote what these ratios should be. Thus, if a general manager of a cooperative has a ratio of 9:1, it is because its worker-owners decided it was a fair ratio to maintain, considering wages in comparable jobs in other similar local companies and acknowledging the complexity, scope or technological expertise corresponding to that job.

In general, wages at Mondragón, as compared to similar jobs in local industries, are 30% or less at the management levels and equivalent at the middle management, technical and professional levels. As a result, Mondragón worker-owners at the lower wage levels earn an average of 13% higher wages than workers in similar businesses.

The principle of Payment Solidarity is based on economic justice and the dignity of work. Ormaechea states that amongst the motives which inspired the [Mondragón] experience …was the reduction of the gap in the enjoyment of wealth generated by work. The payment differential in [traditional] companies was enormous and discriminatory and...salaries were insufficient at lower levels, with the result that workers had to live in want [18:164].

Many observers who work in traditional organizations are often perplexed by the acceptance of Mondragón managers of lower remuneration when there are opportunities to earn more elsewhere. This is because Mondragón worker-owners perceive work not as a commodity to be bought and sold based on market supply and demand, and therefore market forces are not the main determinant of remuneration levels.

Instead, Mondragón managers bestow much more importance to the pursuit of economic justice than to the accumulation of monetary resources, which may prevent people with lower wages from improving their standard of living. Although worker-owners at all levels agree that some differential in remuneration is justified among jobs, the wage gap among them is limited because they believe in the dignity of work. That is, it is recognized that the work performed by all worker-owners is worthy of dignity, and they are all interdependent – the machine operator needs the general manager as much as a general manager needs the machine operator. In brief, in contrast with traditional organizations in which the differentials in remuneration may reach 400:1 or more, at Mondragón the wage ratios are kept at levels in accordance with economic justice, dignity is maintained for the people who earn less, and their work is valued.

**Mondragón Principles That Promote the Dignity of Human Persons and Their Work**

According to Catholic social thought, promoting economic justice is not enough if the dignity of human persons and their work are not respected. “Economic life is not meant solely to multiply goods produced and increase profit or power; it is ordered first of all to the service of persons, of the whole man, and of the entire human community [4: No.2426]. And, as stated by Lebacz[15:69]:

> The dignity of persons requires not only treating them justly in determination of wages, but also according them their full measure of total human rights. An economic system that produces large quantities of goods and distributes them fairly well nonetheless be “unjust” if its organization and structure are such “that the dignity of workers is compromised, or their sense of responsibility is weakened, or their freedom of action is removed” [Mater et Magistra, No. 83].

Arizmendiarieta, addressing the dignity of human persons, wrote: “If we have learned anything in life it is that the primary factor in everything is the human being, as well as his or her quality and spirit” [2:26]. And, about the dignity of human labor: “Work is the attribute that gives a person the highest honor of being a cooperator of God in the transformation and fertilization of nature and in the resulting promotion of human well-being…” [2:116]. Arizmendiarieta also had a high respect for human work and its primacy over capital. He wrote: “Is work not a more noble, ancient and human element than capital, and, as
such, worthy of a greater esteem? Could the aspiration to the primacy of work be considered an unjustifiable ambition?" [2:118]. And also: "Work is not God's punishment but instead proof of the trust God gives humans by making them fellow collaborators" [2:113].

There are two Mondragón principles that advocate the dignity of human persons and their work. These are The Sovereignty of Labor over Capital and The Instrumental and Subordinate Character of Capital. At Mondragón, worker-owners are the protagonists of work and capital is a tool to achieve work. "Labor is the principal factor for transforming nature, society and human beings themselves..." [18:148]. "Capital is to be an instrument, subordinate to Labour, necessary for business development..." [18:153]. These principles state unequivocally that at Mondragón capital is a means, an object, to accomplish work and that human persons are the subjects of work.

Nevertheless, although subordinated to labor, it is acknowledged that capital is necessary to accomplish work. As stated by Ormaechea, capital is "worthy of remuneration" which is: "just, in relation to the efforts implied in accumulating capital; adequate, to enable necessary resources to be provided; limited in its amounts, by means of corresponding controls; and not directly linked to profits made" [18:153].

Furthermore, in addition to the primacy of labor over capital, the principle of Democratic Organization places labor and capital in "right relationship" because it "overcomes the opposition between labor and capital" [Laborem exercens, 12] by owners being workers, and workers being owners. Labor and capital cannot naturally be opposed because it is human labor that has produced the advances in technology and science through the ages and it is accumulated human labor that has produced capital (Ibid.), so labor and capital are intimately related, the latter being a fruit of the former.

The Essential Role of Solidarity in Pursuing Justice in Mondragón

Along with democracy and participation in decision-making, solidarity provides a strong foundation for economic and social justice at Mondragón. Solidarity is not described as one of the 10 Mondragón principles mentioned in the Appendix, because it underlies them all. Solidarity, as understood in Mondragón, reaches beyond worker solidarity as a means to avoid the exploitation of workers [Laborem exercens, 22]. Instead, writes Arizmendiarríeta, “[t]he test of an authentic feeling of solidarity is precisely that through which each one contributes to the common needs...” [2:137]. This is in accordance with Pope John Paul II's statement:

[A] new solidarity deal...is not impossible... Business leaders should make their needs for increased capital and profits compatible with requirements of social justice and a working community respectful to its members' personalities and creativities....[E]veryone should be persuaded that a nation, as a community of people, must be built upon sound ethical and moral foundations, and that each and every member must feel responsible for the welfare of all [cited in 22:356].

Arizmendiarríeta understood the paramount importance of solidarity in cooperatives and wrote extensively about it. As related to work: "Those who with a conscience of solidarity have accepted their own integration into a cooperative and know that effective solidarity exists to the extent that each one can yield some of what is theirs in honor of the common good" [2:137]. About the relationship with others: "Being in solidarity is accepting others, not only as they are, but also as they could be; tolerating their limitations and defects, but not renouncing to the impulse of welcoming them to overcome them with our service..." [2:134]. And, as a transforming agent of society: "For me, solidarity is the key, even the atomic secret that will revolutionize all social life. Collaboration of class, collaboration of theory and spirit, and the collaboration of the people with their authorities and of the authorities with their people, is the secret of the true social life and the key to social peace" [2:132].

As expressed by Ormaechea: "A constant in cooperativism, both theoretical and practical, is solidarity" [18:164]. In his words, Mondragón was founded on the firm conviction that solidarity is the best way to insure that all workers can live with dignity and justice; the struggle to refrain the hedonistic impulse to think only about oneself...; the pursuit and satisfaction of common interests and needs; and the imagination to conceive new forms to manage social processes to make justice possible [18:15].
Solidarity Within Mondragón, With the Immediate Communities and Beyond

The agreement to organize as individual members of cooperatives and as a group of interdependent collaborative organizations to form the Mondragón Corporación Cooperativa is in itself a strong statement of solidarity. Cooperative work requires mutual care and help, working closely and sharing with each other, participating, compromising, negotiating and often accepting decisions contrary to one's wishes. Furthermore, solidarity at Mondragón encompasses not only close collaboration among worker-owners, but social responsibility with the immediate communities, and aid to less-advantaged communities elsewhere, reflecting the spirit of solidarity that reaches beyond one's area of interest to serve humanity, just as described in Catholic social thought. Some examples of solidarity at Mondragón follow.

Maintaining Stable Income Levels

The no lay-off policy, the willingness to retrain and absorb displaced workers among cooperatives, and the limited pay ratios between top executives and factory/field workers mentioned earlier foster not only economic justice but also solidarity within Mondragon. A related policy is the maintenance of stable income levels. This is included under the principle of Intercoparation as “the pooling of profits” among five to seven cooperatives which are grouped in “clusters” [18:169]. This policy protects worker-owners from excessive profit sharing income variations, which are common due to temporary market fluctuations. In the rare event that a cooperative has several consecutive years of low profits, however, an evaluation is made to assess its continued viability.

“[T]he work performed by all worker-owners is worthy of dignity, and they are all interdependent – the machine operator needs the general manager as much as a general manager needs the machine operator.”

Creating Jobs: Mondragón’s Priority in Solidarity With the Immediate Community

The most evident demonstration of solidarity of Mondragón worker-members is contained in the principle of Social Transformation. Pursuing social and economic justice as well as solidarity with the community, Mondragón endeavors first and foremost to create jobs. In fact, the creation of employment is one of the main stated objectives of Mondragón. Ormaechea states that worker-owners agree that Mondragón is “to [manifest] its will to extend the options for work to all members of society” [18:148]. Actually, Mondragon reaches beyond the responsibility of a direct employer, as described by Laborem Exercens, which distinguishes between the responsibilities of the direct and indirect employers. The direct employer contracts work directly with each worker, and the indirect employer, which is usually the government, influences the labor relationship and is responsible for “establishing an ethically correct labor policy, [through which] the objective rights of the workers are fully respected” [14:17]. Therefore, it is the responsibility of the indirect employer to act against unemployment and, if employment is not provided, the indirect employer has the obligation to provide unemployment benefits. Mondragón is primarily a direct employer, but, by creating and protecting workers and their jobs, it also performs the task assigned by Laborem Exercens to the indirect employer. Mondragón not only assertively creates and preserves employment, but it also, as previously mentioned, protects temporarily displaced workers through a fund that pays 80% of their income until they are retrained and relocated.

Furthermore, the financing scheme to create jobs shows the commitment of Mondragón worker-owners, who agree to reduce their personal profit sharing in order to create more jobs. Furthermore, worker-members also agree to postpone the use of the remaining personal share of profits to finance the creation of more jobs. That is, worker-owners in cooperative enterprises in Spain by law may receive up to 70% of the profits; they must deposit 20% in a cooperative reserve fund, and contribute 10% of their profits to the community. At Mondragón, worker-owners have collectively decided to reduce the profits that they may receive to 45%, have increased the deposit in the cooperative reserve fund to 45%, and have maintained their contribution of 10% of the profits to the community. Also by worker-owners’ agreement, the 45% of funds that they are entitled to receive are deposited in a personal bank account and the use of these funds is postponed until retirement. This decision provides Mondragón with 90% of the profits (45% from the deposits of worker-owners on personal bank accounts plus 45% of the reserve fund) to finance growth and thus job creation.
This financial scheme, again the result of a collective decision of worker-owners, demonstrates their strong belief in pursuing the common good. Mondragón is a profitable organization and its worker-owners could elect to accumulate capital, as investors would in traditional organizations. Instead, Mondragón worker-owners make most of their profits available to the Caja Laboral bank “on the understanding that this socializes profits, strengthens the company technologically and accumulates the financial means to enable the development of new activities and jobs” [18:151]. As a result of the pursuit to create cooperative jobs, Mondragón has grown from 28,000 in 1995 to 60,000 worker-owners at the end of 2001, an increase of more than 100%.

The question occasionally arises about the allocation of 90% to creating jobs while maintaining the 10% share for community projects. This reflects the strong preference of Mondragón worker-owners for justice over charity. Potential workers, who get jobs at Mondragón, gain dignity as persons and in their work and participate in economic justice because they receive fair pay and are able to support their families and themselves. In addition, they enjoy social justice because they are able to participate in making decisions that affect them directly, and have the opportunity to grow as persons and as social beings because they become part of a successful social group. They can then contribute to the community as Mondragón worker-owners.

Mundukide, an Organization in Solidarity Beyond the Immediate Communities

In 1999, Mondragón formed Mundukide Fundazioa, a foundation that reaches beyond the immediate communities of Mondragón. This is in accordance with the principle of Universal Nature. According to Ormaechea, Arizmendiarieta once said: “we should be concerned with those who form the legion of labour and who hope to progress and transform profoundly their structures. A whole economic world for those who need the force that we can offer in economic and financial plans” [18:181]. Accordingly, the following expresses the purpose of Mundukide:

[Ours] is an attempt to respond in a responsible way to our duty of solidarity with those that need it. It is an effort to adapt to our times so that not only in markets and production but also in equity, solidarity and justice we find ways to collaborate with people who are distant and different but who are our neighbors in this global world [13:35].

According to Jokin Esnal, President of Mundikide, its objectives are integral provincial development, intercooperation in developing countries, and sharing of community experiences [8]. A current integral provincial development project is being carried out in Niassa, north of Mozambique, where a poor but willing local population is being helped to create basic infrastructure and jobs by forming microenterprises, building roads, schools, health centers and agricultural cooperatives. The project includes two initiatives: the improvement of education, health, nutrition and potable water, and the generation of funds through the promotion of cooperative enterprises [7]. A worker-owner from the FAGOR cooperative has committed to train a team of local managers for two years [21]. MALE YERU (our money), a credit institution to finance microenterprises, has given a financial contribution from Mundukide of $300,000 U.S. dollars. A mobile office and two branch offices have been created, and a personnel training program has already been established [1].

A project of intercooperation in San Clemente, Colombia consists of Mundukide providing management training and operational guidelines to a local group of promoters that is creating a cooperative group. This project consists of a distribution center for local agricultural products, to be followed by the creation of agro industrial enterprises and organic fertilizers. The distribution center of San Clemente has already been established to commercialize agricultural products from 1,700 small local producers [17:37].

Sharing community experiences was initiated in 1999 with a group of nine community leaders of six Latin American countries, coupled with visits of 18 Mondragón University students who completed special projects in these countries. This activity has continued, and the third annual session with cooperativists from Africa and Latin America took place in Mondragón during 2002.

Conclusion

In summary, it is because Mondragón is worker-owned, and its worker-owners are empowered to institutionalize their decisions through democratic participation, that Mondragón can be said to be an organization, instead of a mere group of individuals, that responds to the “calling” to promote Catholic social thought at the workplace. This paper illustrates that Mondragón worker-owners live and work according to principles, policies and practices that promote social and economic justice and the dignity of human persons and their work, grounded in solidarity with each other, the community and the world at large.
“The... willingness to retrain and absorb displaced workers among cooperatives, and the limited pay ratios between top executives and factory/field workers ... foster not only economic justice but also solidarity within Mondragón.”

Mondragón is of course not a perfect organization, and, as it continues to expand in global markets, it faces numerous challenges to maintain its commitment to its basic principles. Yet, Mondragón history demonstrates that worker-owners have been able to adapt to major changes in the past while maintaining their basic principles intact, and they will undoubtedly overcome new challenges successfully in the future. I make this statement confidently because it has been evident to me, after sharing numerous experiences with Mondragón friends for the last eight years, that the spirit, belief in themselves and their principles, democratic decision-making, and the unshakeable solidarity of the Mondragón people are their major strengths.

Appendix

Ten Basic Principles of Mondragón

The Mondragón organization is grounded on 10 basic principles that balance individual, organizational and community needs:

1. **Open Admission**
   Mondragón is open to all persons who are capable of carrying out the available jobs. There is no discrimination based on religious or political grounds, nor due to race, gender, age, or socio-economic levels. The only requirement is the acceptance of these Basic Principles.

2. **Democratic Organization**
   Workers are owners, and owners are workers. Each cooperative is managed by a system of “one person-one vote.”

3. **Sovereignty of Employee’s Work Over Capital**
   Workers join Mondragón and become owners after making a capital contribution at the end of a trial period. All workers are entitled to an equitable distribution of profits. The return on saved or invested capital is just but limited, and it is not tied up to the surpluses or losses of the cooperatives.

4. **Subordinate Character of Capital**
   Capital is a means to an end, not an end in itself. Available capital is used primarily to create more jobs.

5. **Participatory Management**
   Worker-owners participate in decision-making and the management of the cooperatives. This implies development of self-management skills. Formal education and adequate information is provided to improve worker-owners’ ability to participate competently in decision-making.

6. **Payment Solidarity**
   Remuneration is regulated internally and externally. Internally, an agreed differential between the highest and lowest paid job is applied. Externally, a remuneration level is maintained in relationship with similar local industries.

7. **Intercooperation**
   Cooperatives form Groups to pool profits, to absorb worker-owner transfers when necessary, and to attain synergies. These Groups associate with each other to support corporate institutions. Mondragón associates with other Basque cooperative organizations to promote the cooperative model.

8. **Social Transformation**
   Mondragón cooperatives invest a majority of their profits in the creation of new jobs. Funds are also used in community projects and in institutions that promote the Basque culture and language.

9. **Universal Nature**
   Mondragón proclaims its solidarity with other cooperative movements, with those working for economic democracy and with those who champion the objectives of peace, justice and human dignity. Mondragón proclaims its solidarity especially with people in developing countries.

10. **Education**
    Mondragón cooperatives commit the required human and economic resources to basic, professional and cooperative education in order to have worker-owners capable of applying all basic principles mentioned above.
Mondragón: A For-Profit Organization That Embodies Catholic Social Thought

References

8. Esnal, J. Las cooperativas se han comprometido responsablemente con la Fundación Mundukide [The cooperatives have responsibly committed themselves with the Mundukide Foundation]. TU Lankide, December 2000.
11. Herrera, D. What are the Mondragón values and how relevant are they to the Mondragón experience? A qualitative research study. (Unpublished), 2000.
Endnotes

1 An often expanded version of the text about Mondragón’s principles and practices in this paper has been previously published, in the chapter I wrote in Work as key to the social question [10].

2 Arizmendiarieta’s journal excerpts have been published in a book called Pensamientos (1994), which has been translated to the English language as Reflections (2000). Although various authors have written about Arizmendiarieta, I am using his original writings as the main source of his social thought in this paper.

3 Several books about Mondragón have been written by its founders. The Mondragón cooperative experience, written by José María Ormaechea (sometimes spelled as Ormaetxea, in other books he wrote) in 1993, addresses in some detail the original thoughts behind the 10 principles of Mondragón. Therefore, I have relied heavily on this source.

4 Participation in decision-making has been in effect in Mondragón from its creation in 1956, evolving from worker-owners’ vote corresponding to their job levels in 1956 to a one-member/one-vote in 1971 [9].

5 For a further explanation about the negative consequences of the violation of the right to work, see David Herrera’s chapter “Laborem exercens, ‘traditional organizations’ and the democratic Mondragón model” in [10:238-242].

6 Mondragón prefers not to hire or to contract salaried workers. This is because worker-owners prefer relationships of equality through ownership, and consider hiring workers for a salary as a source of inequality between the person doing the hiring and the person being hired. Therefore, Mondragón intends to have no more than 10% of its total number of workers as contracted salaried workers, to absorb temporary fluctuations in market cycles. Maintaining this level of salaried workers with no ownership, however, has become a challenge because recent growth has continued to accelerate, increasingly through acquisitions of non-cooperative organizations. Practically all of these new ventures have eventually become cooperatives, but Mondragón has a policy of allowing the corresponding workers to decide if they want to become part of the cooperative system after being exposed to it, and this process takes a few years. In addition, new operations outside of Spain, a relatively small but rapidly growing percentage of the total operations, have been slow in adopting the cooperative system.
On Globalization: Address of the Holy Father to the Pontifical Academy of Social Science, April 27, 2001 (Reprint)

Pope John Paul II

The following is taken from Pope John Paul II’s introductory address to the Pontifical Academy of Social Science, on April 27, 2001. The Pontifical Academy is composed of experts in various social science disciplines who meet periodically to discuss important social issues. The purpose of the Academy is "to promote the study and progress of social, economic, political and juridical sciences in the light of the social doctrine of the Church." This particular meeting had the theme of Globalization: Ethical and Institutional Concerns. The italics are in the original.

Since the collapse of the collectivist system in Central and Eastern Europe, with its subsequent important effects on the Third World, humanity has entered a new phase in which the market economy seems to have conquered virtually the entire world. This has brought with it not only a growing interdependence of economies and social systems, but also a spread of novel philosophical and ethical ideas based on the new working and living conditions now being introduced in almost every part of the world. The Church carefully examines these new facts in the light of the principles of her social teaching. In order to do this, she needs to deepen her objective knowledge of these emerging phenomena. That is why the Church looks to your work for the insights which will make possible a better discernment of the ethical issues involved in the globalization process.

The globalization of commerce is a complex and rapidly evolving phenomenon. Its prime characteristic is the increasing elimination of barriers to the movement of people, capital and goods. It enshrines a kind of triumph of the market and its logic, which in turn is bringing rapid changes in social systems and cultures. Many people, especially the disadvantaged, experience this as something that has been forced upon them, rather than as a process in which they can actively participate.

In my Encyclical Letter Centesimus Annus, I noted that the market economy is a way of adequately responding to people’s economic needs while respecting their free initiative, but that it had to be controlled by the community, the social body with its common good (cf. Nos. 34, 58). Now that commerce and communications are no longer bound by borders, it is the universal common good which demands that control mechanisms should accompany the inherent logic of the market. This is essential in order to avoid reducing all social relations to economic factors, and in order to protect those caught in new forms of exclusion or marginalization.

Globalization, a priori, is neither good nor bad. It will be what people make of it. No system is an end in itself, and it is necessary to insist that globalization, like any other system, must be at the service of the human person; it must serve solidarity and the common good.

One of the Church’s concerns about globalization is that it has quickly become a cultural phenomenon. The market as an exchange mechanism has become the medium of a new culture. Many observers have noted the intrusive, even invasive, character of the logic of the market, which reduces more and more the area available to the human community for voluntary and public action at every level. The market imposes its way of thinking and acting, and stamps its scale of values upon behavior. Those who are subjected to it often see globalization as a destructive flood threatening the social norms which had protected them and the cultural points of reference which had given them direction in life.

What is happening is that changes in technology and work relationships are moving too quickly for cultures to respond. Social, legal and cultural safeguards – the result of people’s efforts to defend the common good – are vitally necessary if individuals and intermediary groups are to maintain their centrality. But globalization often risks destroying these carefully built up structures, by exacting the adoption of new styles of working, living and organizing communities. Likewise, at another level, the use made of discoveries in the biomedical field tend to catch legislators unprepared. Research itself is often financed by private groups and its results are commercialized even before the process of social control has had a chance to respond. Here we face a Promethean increase of power over human nature, to the point that the human genetic code itself is measured in terms of costs and benefits. All societies recognize the need to control these developments and to make sure that new practices respect fundamental human values and the common good.
The affirmation of the priority of ethics corresponds to an essential requirement of the human person and the human community. But not all forms of ethics are worthy of the name. We are seeing the emergence of patterns of ethical thinking which are by-products of globalization itself and which bear the stamp of utilitarianism. But ethical values cannot be dictated by technological innovations, engineering or efficiency; they are grounded in the very nature of the human person. Ethics cannot be the justification or legitimation of a system, but rather the safeguard of all that is human in any system. Ethics demands that systems be attuned to the needs of man, and not that man be sacrificed for the sake of the system. One evident consequence of this is that the ethics committees now usual in almost every field should be completely independent of financial interests, ideologies and partisan political views.

The Church on her part continues to affirm that ethical discernment in the context of globalization must be based upon two inseparable principles:

- First, the inalienable value of the human person, source of all human rights and every social order. The human being must always be an end and not a means, a subject and not an object, nor a commodity of trade.
- Second, the value of human cultures, which no external power has the right to downplay and still less to destroy. Globalization must not be a new version of colonialism. It must respect the diversity of cultures which, within the universal harmony of peoples, are life’s interpretive keys. In particular, it must not deprive the poor of what remains most precious to them, including their religious beliefs and practices, since genuine religious convictions are the clearest manifestation of human freedom.

As humanity embarks upon the process of globalization, it can no longer do without a common code of ethics. This does not mean a single dominant socio-economic system or culture which would impose its values and its criteria on ethical reasoning. It is within man as such, within universal humanity sprung from the Creator’s hand that the norms of social life are to be sought. Such a search is indispensable if globalization is not to be just another name for the absolute relativization of values and the homogenization of life-styles and cultures. In all the variety of cultural forms, universal human values exist and they must be brought out and emphasized as the guiding force of all development and progress.

The Church will continue to work with all people of good will to ensure that the winner in this process will be humanity as a whole, and not just a wealthy elite that controls science, technology, communication and the planet’s resources to the detriment of the vast majority of its people. The Church earnestly hopes that all the creative elements in society will cooperate to promote a globalization which will be at the service of the whole person and of all people.
Tobin College of Business launches NEW M.S. – Taxation to meet the increasing demand for specialists

As the demand for specialists in the field of taxation continues to increase, the need for targeted training almost becomes a requirement of future employment. With this need in mind, St. John’s Master of Science in Taxation program was born. Its mission is to provide tax professionals with in-depth knowledge of the Internal Revenue Code, tax regulations, judicial decisions and Treasury rulings. Students learn to research tax questions, facilitate tax compliance and develop tax-planning strategies—all skills necessary for future career success.

- Our taxation faculty hold the highest academic credentials and have acquired professional experience in leading New York City accounting and law firms.
- Extensive course selection allows for a high degree of program focus.
- Taxation internships are available with “Big Five” firms for those not currently working full time.
- Classes are held Monday-Thursday evenings and Saturdays in convenient New York Metro locations to meet the needs of working tax professionals.
- All courses meet CPE credit requirements in NY and NJ.
- This program is accredited by AACSB International – The Association to Advance Collegiate Schools of Business.

Master of Science in Taxation

This intensive program allows the candidate to select tax courses that are most applicable to his or her career. The degree requires 11 upper level graduate course (31 credits). Ten of these courses are in taxation and one may be a general business elective.

Required tax courses are:

- Research and Writing
- Corporations
- Partnerships
- Estates and Gifts
- Practice and Procedure
- Research Project

The first research course, (Tax Research and Writing) will be taken during the candidate’s first semester. This course is designed to prepare the candidates for all subsequent tax courses by enabling them to research tax questions and to clearly communicate their findings.

The final research course, (Research Project), will allow the candidate, with guidance from the course instructor, to research a current tax topic and write a paper. The written work would be expected to be of publishable quality.

Elective tax courses include:

- Planning for High Net-Worth Individuals
- Income of Trusts and Estates
- Corporate Distribution/Liquidations/Reorganizations
- Consolidated Tax Returns
- Interstate Commerce
- Foreign Operations
- Compensation, Benefits and Retirement Plans
- Real Estate
- Financial Products
- Tax-Exempt Institutions
- Specialized Industries
- Tax Accounting
- Special Topics

The elective Business Course (three credits) allows the candidate to select one course from the offerings of the Graduate Division of the Tobin College of Business or one additional tax course.

Admission Requirements

Candidates for admission must satisfy the following requirements:

- Possess an undergraduate or graduate degree in accounting or a related business field. Students must have completed core business courses or must take such courses before completing the degree.
- Successful completion of the GMAT (or an appropriate alternative examination). The successful completion of the uniform certified public accountants examination (CPA), the certified management accountants examination (CMA) or an equivalent examination could be used in lieu of the GMAT examination.
review of business

The Peter J. Tobin College of Business

Richard A. Highfield
Dean

Nejdet Delener
Associate Dean

Review of Business

Larry W. Boone
Editor

Maxine Brady
Contributing Editor

Gloria Brana
Secretary

Board of Advisors

Peter A. Appel
Arch Capital Group Ltd.

Nina Aversano
Apogee Networks

H. Kurt Blumberg
Personal Computer Learning Centers, Inc.

Frederick B. Casey
Bear, Stearns & Co., Inc., Retired

John Casey
Cutrale N.A., Inc.

Capt. James S.C. Chao,
D. Comm. Sc.

Foremost Maritime Corporation

Robert J. Chrenc
A.C. Neilsen

Jill M. Considine
The Depository Trust Company

Robert J. Crimmins
St. John’s University, Retired

Eugene J. Cronin
UNISYS Corp., Retired

Joseph F. D’Angelo
Hearst Corporation

John Donachie
Fleet Specialists, Inc.

Rev. James F. Dorr, C.M.
St. John’s University

James F. Dowd
Fairfax Holdings

Frank Fusaro
Forum Personnel Inc.

Joseph Garcia
Spanish Broadcasting System

Ken Gorman
Apollo Partners, LLC.

John J. Griffin
Silk Road Gallery

Donald J. Harrington, C.M.
St. John’s University

Richard Kalenka
PricewaterhouseCoopers LLP

Jerome Karter
SCOR U.S. Corporation

Denis P. Kelleher
Wall Street Access

Bernard D. Kennedy
King Kullen Grocery Co., Inc.

Herbert J. Kett
Genovese Drugs, Retired

Salvatore La Greca
McCann – Erickson Worldwide

Joseph J. Larkin
Deloitte & Touche LLP

William K. Lavin
Consultant

George Maggiore
KeySpan

Stephen McKessy
Coopers Lybrand, Retired

Charles P. Menges, Jr.
Sanford C. Bernstein & Co., Inc.

Richard E. Meyer
Global Excess Partners LLC

William L. Munson
The Toa Reinsurance Company of America

Joseph O’Connor
Groupama Asset Management

Thea Graves Pellman
Professional Design Systems

Patrick J. Purcell
The Boston Herald

John F. Robinson
National Minority Business Council, Inc.

Lawrence J. Ruisi
Loews Cineplex Entertainment

Joseph M. Saggese
Borden, Inc.

Joseph Scharfenberger
J.P. Morgan Chase Corp.

Ronald T. Schroeder
J. & W. Seligman & Co., Inc.

Edward Smith
KPMG

Eugene J. Sullivan
Borden, Inc.

Joyce Jarrett Thor
Jarrett Thor International

Peter J. Tobin
The Peter J. Tobin College of Business

St. John’s University

Bernard Tracey, C.M.
St. John’s University

John P. Tutunjian
Gourmet Events, Inc.

Charles Walsh
Chase Manhattan Bank, Retired

Review of Business is published quarterly and distributed to alumni and friends of the Peter J. Tobin College of Business. Articles published are referred by members of the Editorial Review Board. The views presented in the articles are those of the authors and do not represent an official statement of policy by St. John’s University.

©2003, St. John’s University. Reproduction of material without the express permission of the publisher is prohibited.

ISSN: 0034-6454