

CATHOLIC SOCIAL TEACHING AND THE BUSINESS FIRM

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I. INTRODUCTION

What I would like to do today is facilitate a discussion on Catholic teaching and the business firm. To do this, I have assembled twenty questions and attached relevant readings from Catholic Social Teaching, supplemented with the occasional reference to other sources.

1. Is the pursuit of wealth through commerce a good thing, according to Catholic teaching?

On the one hand:

“Jesus looking at him said, ‘How hard it is for those who have riches to enter the kingdom of God!’” (Luke 18:24)

“Look at the birds of the air: they neither sow nor reap nor gather into barns, and yet your heavenly Father feeds them. Are you not of more value than they? ... Consider the lilies of the field, how they grow; they neither toil nor spin; yet I tell you, even Solomon in all his glory was not arrayed like one of these. But if God so clothes the grass of the field, which today is alive and tomorrow is thrown into the oven, will he not much more clothe you, O men of little faith?” (Matthew 6:28, 28-30)

“...trade in itself has a certain quality of baseness since it does not of its own nature involve an honorable or necessary end.” II-II, q. 77, a. 4 (trans. Sigmund)

But on the other hand:

“Blessed is the man who fears the LORD, who greatly delights in his commandments! His descendants will be mighty in the land; the generation of the upright will be blessed. Wealth and riches are in his house; and his righteousness endures for ever.” *Psalm 112:1-3*

“Profit which is the purpose of trade, while it does not in itself involve something honorable or necessary, also does not of its nature imply something vicious or contrary to virtue. Nothing prevents profit from being directed to a necessary or even honorable goal, so that trade is thereby made licit.” (e.g. support your family, the poor, provide necessities to society). II-II, q. 77, a. 4 (trans. Sigmund)

“when Christian morals are completely observed, they yield of themselves a certain measure of prosperity to material existence.” *Rerum Novarum*, 42

2. Does the Church support the right to private property? As Christians, shouldn't we put spiritual things first, and if so, why should we care so much about property?

Private Property

Man has the power both to care for and to use property. With regards to the former, "...human affairs are more efficiently organized if the proper care of each thing is an individual responsibility. With regards to the latter, "a man should not possess [property] as his alone but for the community, so that he is ready to share them with others in cases of necessity." *II-II, q.66, a. 2 (trans. Sigmund)*

"For, every man has by nature the right to possess property as his own." *Rerum Novarum, 6*

"Private property or some ownership of external goods confers on everyone a sphere wholly necessary for the autonomy of the person and the family, and it should be regarded as an extension of human freedom." *Gaudium et Spes, 71*

The right to private property "which is fundamental for the autonomy and development of the person, has always been defended by the Church up to our own day. At the same time, the Church teaches that the possession of material goods is not an absolute right, and that its limits are inscribed in its very nature as a human right." *Centesimus Annus, 30*

"But if the question be asked, how must one's possessions be used? the Church replies without hesitation that man should not consider his material possessions as his own, but as common to all...', because 'above the laws and judgments of men stands the law, the judgment of Christ.'" *Centesimus Annus, 30 (quoting Rerum Novarum, 22, in turn quoting St. Thomas Aquinas, Summa theologiae, II-II, q. 66, resp. to a. 2)*

The Universal Destination of Created Goods:

"God gave the earth to the whole human race for the sustenance of all its members, without excluding or favoring anyone. This is the foundation of the universal destination of the earth's goods." *Centesimus Annus, 31*

II. THE BUSINESS FIRM

- 3. What are the responsibilities of those involved in the market, and, particularly, what are the role of profit and the purpose of business, according to CST?**

From *Centesimus Annus*, 35:

“The Church acknowledges the legitimate role of profit as an indication that a business is functioning well.

“When a firm makes a profit, this means that productive factors have been properly employed and corresponding human needs have been duly satisfied.

“But profitability is not the only indicator of a firm's condition.

“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. Besides being morally inadmissible, this will eventually have negative repercussions on the firm's economic efficiency.

“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 endeavouring to satisfy their basic needs,

“and who form a particular group at the service of the whole of society.

“Profit is a 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.

“A theory that makes profit the exclusive norm and ultimate end of economic activity is morally unacceptable.” *Catechism of the Catholic Church*, 2424.

4. Is there such a thing as a just price, according to the Church, and if so, what is it?

“the quality of a thing that comes into human use is measured by the price given for it, for which purpose money was invented, as stated in Ethic. v, 5^{*}” (II-II, q. 77, a. 1)

Should a seller unilaterally reduce his prices if he knows that more supply is on the way?

“Wherefore the seller, since he sells his goods at the price actually offered him, does not seem to act contrary to justice through not stating what is going to happen [i.e. more supply on the way, which will lower prices]. If however he were to do so, or if he lowered his price, it would be exceedingly virtuous on his part: although he does not seem to be bound to do this as a debt of justice.” (II-II, q. 77, a. 3, reply to obj. 4)

“But if the business in question is not making enough money to pay the workers an equitable wage because it is being crushed by unjust burdens or forced to sell its product at less than a just price, those who are thus the cause of the injury are guilty of grave wrong, for they deprive workers of their just wage and force them under the pinch of necessity to accept a wage less than fair.” *Quadragesimo Anno*, 72

“A person who produces something other than for his own use generally does so in order that others may use it after they have paid a just price, mutually agreed upon through free bargaining.” *Centesimus Annus*, 32

“Even if it does not contradict the provisions of civil law, any form of unjustly taking and keeping the property of others is against the seventh commandment: [e.g.] ... forcing up prices by taking advantage of the ignorance or hardship of another.” *Catechism of the Catholic Church*, 2409

*“All goods must therefore be measured by some one thing, as we said before. Now this unit is in truth demand, which holds all things together (for if men did not need one another's goods at all, or did not need them equally, there would be either no exchange or not the same exchange); but money has become by convention a sort of representative of demand” *Aristotle, Nichomachean Ethics, bk. 5, ch. 5.*

5. Does the Church have anything to say about what kinds of products companies should make and sell?

“Work becomes ever more fruitful and productive to the extent that people become more knowledgeable of the productive potentialities of the earth and more profoundly cognizant of the needs of those for whom their work is done” *Centesimus Annus*, 31

“The fundamental finality of ... production is not the mere increase of products nor profit or control but rather the service of man, and indeed of the whole man with regard for the full range of his material needs and the demands of his intellectual, moral, spiritual, and religious life.” *Gaudium et Spes*, 64.

“In singling out new needs and new means to meet them, one must be guided by a comprehensive picture of man which respects all the dimensions of his being and which subordinates his material and instinctive dimensions to his interior and spiritual ones.” *Centesimus Annus*, 36.

6. Does the Church teach anything about advertising?

“... if less admirable human tendencies are exploited, those responsible for such advertising harm society and forfeit their good name and credibility.” *Communio et Progressio*, 60.

“If ... a direct appeal is made to [the customer’s] instincts—while ignoring in various ways the reality of the person as intelligent and free—then consumer attitudes and life-styles can be created which are objectively improper and often damaging to his physical and spiritual health.” *Centesimus Annus*, 36

“... obedience to the truth about God and man is the first condition of freedom, making it possible for a person to order his needs and desires and to choose the means of satisfying them according to a correct scale of values, so that the ownership of things may become an occasion of growth for him. This growth can be hindered as a result of manipulation by the means of mass communication, which impose fashions and trends of opinion through carefully orchestrated repetition, without it being possible to subject to critical scrutiny the premises on which these fashions and trends are based.” *Centesimus Annus*, 41.

7. What criteria should be used when making investment decisions?

“... whoever has received from the bounty of God a greater share of goods, whether corporeal and external, or of the soul, has received them for this purpose, namely, that he employ them for his own perfection and, likewise, as a servant of Divine Providence, for the benefit of others.” *Rerum Novarum*, 36

“... even the decision to invest in one place rather than another, in one productive sector rather than another, is always a moral and cultural choice. Given the utter necessity of certain economic conditions and of political stability, the decision to invest, that is, to offer people an opportunity to make good use of their own labor, is also determined by an attitude of human sympathy and trust in Providence, which reveal the human quality of the person making such decisions.” *Centesimus Annus*, 36

“Goods of production—material or immaterial—such as land, factories, practical or artistic skills, oblige their possessors to employ them in ways that will benefit the greatest number.” *Catechism of the Catholic Church*, 2404

8. Should we think of employees as anything other than “factors of production”?

“...work is ‘for man’ and not man ‘for work’” (*Laborem Exercens* §6)

“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’” (*Laborem Exercens*, 9)

9. What is a “just wage”?

“Let the working man and the employer make free agreements, and in particular let them agree freely as to the wages; nevertheless, there underlies a dictate of natural justice more imperious and ancient than any bargain between man and man, namely, that wages ought not to be insufficient to support a frugal and well-behaved wage-earner.” *Rerum Novarum*, 45.

“... it would be unjust to demand excessive wages which a business cannot stand without its ruin and consequent calamity to the workers.” *Quadragesimo Anno*, 72

“In determining fair pay both the needs and the contributions of each person must be taken into account. ‘Remuneration for work should guarantee man the opportunity to provide a dignified livelihood for himself and his family on the material, social, cultural and spiritual level, taking into account the role and the productivity of each, the state of the business, and the common good.’ *Gaudium et Spes*, 67.

“Agreement between the parties is not sufficient to justify morally the amount to be received in wages.” *Catechism of the Catholic Church*, 2434.

Employee Benefits:

“The expenses involved in health care, especially in the case of accidents at work, demand that medical assistance should be easily available for workers, and that as far as possible it should be cheap or even free of charge.” *Laborem Exercens*, 19

“... regular weekly rest comprising at least Sunday, and also a longer period of rest, namely the holiday or vacation taken once a year or possibly in several shorter periods during the year.” *Laborem Exercens*, 19

“... the right to a pension and to insurance for old age and in case of accidents at work.” *Laborem Exercens*, 19

10. What does the Church teach about labor unions?

“Among the basic rights of the human person is to be numbered the right of freely founding unions for working people.” *Gaudium et Spes*, 68

“They are indeed a mouthpiece for the struggle for social justice, for the just rights of working people in accordance with their individual professions. However, this struggle should be seen as a normal endeavor ‘for’ the just good: in the present case, for the good which corresponds to the needs and merits of working people associated by profession; but it is not a struggle ‘against’ others.” *Laborem Exercens*, 20

“... where [conditions] have prevented Catholics from founding purely Catholic labor unions... Catholics seem almost forced to join secular labor unions. These unions, however, should always profess justice and equity and give Catholic members full freedom to care for their own conscience and obey the laws of the Church. ... Side by side with these unions there should always be associations zealously engaged in imbuing and forming their members in the teaching of religion and morality so that they in turn may be able to permeate the unions with that good spirit which should direct them in all their activity.” *Quadragesimo Anno*, 35

11. What is subsidiarity, and how is it relevant to businesses?

“Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do.” *Quadragesimo Anno*, 79

“... smaller social units—whether nations themselves, communities, ethnic or religious groups, families or individuals—must not be namelessly absorbed into a greater conglomeration, thus losing their identity and having their prerogatives usurped. Rather, the proper autonomy of each social class and organization, each in its own sphere, must be defended and upheld. This is nothing other than the principle of subsidiarity...” *Message of Pope John Paul II to the Participants in the Sixth Plenary Session of the Pontifical Academy of Social Sciences (2000)*, 4.

12. Should there be any limits on the firms' activities in the market?

“The State, however, has the task of determining the juridical framework within which economic affairs are to be conducted, and thus of safeguarding the prerequisites of a free economy, which presumes a certain equality between the parties, such that one party would not be so powerful as practically to reduce the other to subservience.” *Centesimus Annus*, 15

“The State must contribute to the achievement of ... [unemployment support, adequate wage levels, humane working conditions] both directly and indirectly. Indirectly and according to the *principle of subsidiarity*, by creating favorable conditions for the free exercise of economic activity... . Directly and according to the *principle of solidarity*, by defending the weakest, by placing certain limits on the autonomy of the parties who determine working conditions, and by ensuring in every case the necessary minimum support for the unemployed worker.” *Centesimus Annus*, 15

“... economic freedom is only one element of human freedom. When it becomes autonomous, when man is seen more as a producer or consumer of goods than as a subject who produces and consumes in order to live, then economic freedom loses its necessary relationship to the human person and ends up by alienating and oppressing him.” *Centesimus Annus*, 39

III. CRITICAL ISSUE: CONSUMERISM

13. What is consumerism?

“... an excessive availability of every kind of material goods for the benefit of certain social groups, easily makes people slaves of ‘possession’ and of immediate gratification, with no other horizon than the multiplication or continual replacement of the things already owned with others still better. This is the so-called civilization of ‘consumption’ or ‘consumerism,’ which involves so much ‘throwing-away’ and ‘waste.’ An object already owned but now superseded by something better is discarded, with no thought of its possible lasting value in itself, nor of some other human being who is poorer.” *Sollicitudo Rei Socialis*, 28

14. Is consumerism harmful, and if so, why?

“... the desire for artificial wealth is infinite, for it is the servant of disordered concupiscence... . Yet this desire for wealth is infinite otherwise than the desire for the sovereign good. For the more perfectly the sovereign good is possessed, the more it is loved, and other things despised: because the more we possess it, the more we know it. ... Whereas in the desire for wealth and for whatsoever temporal goods, the contrary is the case: for when we already possess them, we despise them, and seek others...” *I-II q. 2 a 1, reply to obj. 3.*

“the twin plagues of life—excessive desire for wealth and thirst for pleasure—which too often make man wretched amidst the very abundance of riches” *Rerum Novarum*, 42

“... alienation — and the loss of the authentic meaning of life — ... happens in consumerism, when people are ensnared in a web of false and superficial gratifications rather than being helped to experience their personhood in an authentic and concrete way.” *Centesimus Annus*, 41

(Extensive research in psychology and other disciplines finds that consumerist people tend to have: lower satisfaction with their lives; a greater tendency towards compulsive spending; higher incidences of depression; and lower ethical standards. There are “clear and consistent findings” that people who are focused on consumerist values have “lower personal well-being and psychological health than those who believe that materialistic pursuits are relatively unimportant”—Tim Kasser, *The High Price of Materialism*, 2002).

15. Is consumerism a necessary consequence of the free market?

(Consumerist phenomena appeared in the later Roman Republic, the Arab warriors of the 10th century, and the European nobility of the 13th century—Peter Stearns, *Consumerism in World History*, 2001. Historically, at least over the past three hundred years, consumerism and the free market appear to have grown in together).

“Some may expect that this catalog of opportunities for immorality offered by a capitalist economy would be followed by a request for the elimination of such occasions in the simplest way possible, by the extinction of such an economy. Nothing of the sort follows... [to Pope Pius XI] it is clear that inordinate human passion will find weak spots and gaps in any economy and that all opportunities cannot be eliminated.” (Fr. Von Nell-Breuning, SJ, *Reorganization of Social Economy*, 1936, p. 324)

“...side by side with wealthy and surfeited people and societies, living in plenty and ruled by consumerism and pleasure, the same human family contains individuals and groups that are suffering from hunger. ... It is obvious that a fundamental defect, or rather a series of defects, indeed a defective machinery is at the root of contemporary economics and materialistic civilization, which does not allow the human family to break free from such radically unjust situations.” *Dives in Misericordia*, 11.

“These criticisms [of consumerism, environmental destruction, etc.] are directed not so much against an economic system as against an ethical and cultural system. The economy in fact is only one aspect and one dimension of the whole of human activity. If economic life is absolutized, if the production and consumption of goods become the centre of social life and society's only value, not subject to any other value, the reason is to be found not so much in the economic system itself as in the fact that the entire socio-cultural system, by ignoring the ethical and religious dimension, has been weakened, and ends by limiting itself to the production of goods and services alone.” *Centesimus Annus*, 39.

16. How can consumerism be overcome, and who is responsible for overcoming it?

“As for the rich in this world, charge them not to be haughty, nor to set their hopes on uncertain riches but on God who richly furnishes us with everything to enjoy. They are to do good, to be rich in good deeds, liberal and generous, thus laying up for themselves a good foundation for the future, so that they may take hold of the life which is life indeed.” 1
Timothy 6:17-19

“...a great deal of educational and cultural work is urgently needed, including the education of consumers in the responsible use of their power of choice, the formation of a strong sense of responsibility among producers and among people in the mass media in particular, as well as the necessary intervention by public authorities.” *Centesimus Annus*, 36

Public Authorities

“A striking example of artificial consumption contrary to the health and dignity of the human person, and certainly not easy to control, is the use of drugs. Widespread drug use is a sign of a serious malfunction in the social system; it also implies a materialistic and, in a certain sense, destructive ‘reading’ of human needs. In this way the innovative capacity of a free economy is brought to a one-sided and inadequate conclusion. Drugs, as well as pornography and other forms of consumerism which exploit the frailty of the weak, tend to fill the resulting spiritual void.” *Centesimus Annus*, 36.

Producers and the Mass Media

“In singling out new needs and new means to meet them, one must be guided by a comprehensive picture of man which respects all the dimensions of his being and which subordinates his material and instinctive dimensions to his interior and spiritual ones. If, on the contrary, a direct appeal is made to his instincts — while ignoring in various ways the reality of the person as intelligent and free — then consumer attitudes and life-styles can be created which are objectively improper and often damaging to his physical and spiritual health. Of itself, an economic system does not possess criteria for correctly distinguishing new and higher forms of satisfying human needs from artificial new needs which hinder the formation of a mature personality.” *Centesimus Annus*, 36

“In a world tempted by consumerist and materialist outlooks, Christian executives are called to affirm the priority of ‘being’ over ‘having.’” *Message of Pope John Paul II to the Participants in the Conference on “The Business Executive: Social Responsibility and Globalization,” 2004*

Consumers

Creating the conditions for worldwide development “... may mean making important changes in established life-styles, in order to limit the waste of environmental and human resources, thus enabling every individual and all the peoples of the earth to have a sufficient share of those resources.” *Centesimus Annus*, 52

“From a spiritual point of view, the world in which we find ourselves, often marked by unbridled consumerism, religious indifference and a secularism closed to transcendence, can appear a desert just as ‘vast and terrible’ (Dt 8: 15) as the one we heard about in the first reading from the Book of Deuteronomy. God came to the aid of the Jewish people in difficulty in this desert with his gift of manna, to make them understand that ‘not by bread

alone does man live, but by every word that comes forth from the mouth of the Lord' (Dt 8: 3)." *Homily of Pope Benedict XVI at the Closing of the 24th Italian National Eucharistic Congress, Bari, 29 May 2005.*

Parents

Family structure and example are important (Roberts, Manolis and Tanner, 2003; and others):

- Parents' levels of consumerism (particularly mothers') tend to predict their children's levels
- Children who shop with their mothers tend to become less consumeristic
- Consumerism is lower among children in families who teach their children to think for themselves
- Consumerism is higher among children who communicate very freely with their peers
- Young adults raised in disrupted families (separated or divorced parents) tend to be significantly more consumeristic

"Consumerist parents ... make life mostly a steady series of pleasant diversions... [centering] around leisurely enjoyment, fun-filled entertainment—a seamless array of sports, abundant food and drink, TV shows, computer games, movies, music, parties, shopping. ... In consumerist homes, therefore, children are steadily apprenticed through childhood as consumers, not producers... Kids raised to see life as play will treat the automobile as a toy, and so will be prone to kill or cripple ... they see sex as a toy ... and so fall headlong into promiscuity, co-habitational 'relationships,' unwanted pregnancies, abortions, and disastrous marriages." Stenson, *Compass: A Handbook for Parent Leadership*, 2003

17. What is the relationship between consumerism and private property?

Private property "...is legitimate for guaranteeing the freedom and dignity of persons and for helping each of them to meet his basic needs and the needs of those in his charge."

Catechism of the Catholic Church, 2402

(I would like to suggest here that Western society has lost the respect for private property as a source of economic security, as defended by the Church, and replaced it instead with a reliance on government transfer payments. As a result, it seems to me that the natural drive to acquire property has been distorted into consumerism. One solution to consumerism, therefore, is to re-educate citizens on the importance of private property, and particularly *productive* property, rather than consumer goods).

IV. OTHER ISSUES: ENVIRONMENT, GLOBALIZATION

18. How much environmental concern should businesses have?

“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 co-operator with God in the work of creation, man sets himself up in place of God and thus ends up provoking a rebellion on the part of nature, which is more tyrannized than governed by him.” *Centesimus Annus*, 43

“... all people of good will must work to ensure the effective protection of the environment, understood as a gift from God.” *Ecclesia in America*, 25

19. Should we have any concerns about globalization?

“It is evident that the principle of free trade, by itself, is no longer adequate for regulating international agreements. It certainly can work when both parties are about equal economically; in such cases it stimulates progress and rewards effort. ... But the case is quite different when the nations involved are far from equal.” *Populorum Progressio*, 58

“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.” *Address of Pope John Paul II to the Pontifical Academy of Social Sciences (2001)*, 2

“... if globalization is ruled merely by the laws of the market applied to suit the powerful, the consequences cannot but be negative. These are, for example, the absolutizing of the economy, unemployment, the reduction and deterioration of public services, the destruction of the environment and natural resources, the growing distance between rich and poor, unfair competition which puts the poor nations in a situation of ever increasing inferiority.” *Ecclesia in America*, 20

“changes in technology and work relationships are moving too quickly for cultures to respond. ... globalization often risks destroying [carefully built up structures for defending the common good by requiring the] adoption of new styles of working, living and organizing communities.” *Address of Pope John Paul II to the Pontifical Academy of Social Sciences (2001)*, 3

20. What responsibilities does the firm bear when outsourcing their manufacturing?

“The responsibility of the indirect employer differs from that of the direct employer... but it remains a true responsibility.” *Laborem Exercens*, 17

“... even the decision to invest in one place rather than another... is always a moral and cultural choice.” *Centesimus Annus*, 36