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BUSINESS AND THE COMMON GOOD IN THE CATHOLIC SOCIAL TRADITION

Robert G Kennedy *

It is not the mission of the Church to work out practical methods by which the just state is brought into being. The function of the Church is to form public men who *will*. Men of Christian conscience and moral purpose, who believe that human beings have a right to live on the plane of morality, dignity, and security intended by God.

Henry Morton Robinson
The Cardinal (1950)

From the perspective of the Catholic social tradition there are a number of questions posed by the existence and activities of publicly-held corporations in the modern world. Not least among these questions are concerns about the responsibilities of managers, and particularly executives, who make the choices that govern the strategic and operational activities of these companies. What are the general duties of corporate managers and executives? What fundamental moral responsibilities do persons in these roles have? Are these responsibilities consistent with the duties prescribed by secular law?

Someone interested in exploring such questions in the Catholic tradition might reasonably expect to turn for answers to the numerous documents on social matters produced by popes and bishops over the last century, but in this he will be disappointed.¹ Church authorities have had little to say about these issues but this should not be taken to mean that the Catholic social tradition has no resources with which to resolve them. To assemble the resources necessary to address our questions we need to explore briefly the often-misunderstood nature of this tradition.

I. THE CATHOLIC SOCIAL TRADITION

The Catholic social tradition (CST) is an element of a broader moral tradition.² As such, it should be understood not as a static body of doctrine, passively received by one generation after another, but rather as a dynamic body of knowledge—not unlike the physical sciences—that is augmented and developed in linear fashion over time. To put it another way, CST is not a codified body of principles and rules for arranging social interactions, but is rather an evolving response to a concern about the context in which

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¹ The standard American collection of papal and episcopal documents is DAVID J. O'BRIEN & THOMAS A. SHANNON, EDS., *CATHOLIC SOCIAL THOUGHT: THE DOCUMENTARY HERITAGE* (1992).

² A good introduction to basic concepts in the Catholic social tradition, especially for readers with a background in law, is Angela C. Carmella, "A Catholic View of Law and Justice," in MICHAEL W MCCONNELL, ROBERT F. COCHRAN, JR, AND ANGELA C. CARMELLA, EDS., *CHRISTIAN PERSPECTIVES ON LEGAL THOUGHT* (2001) at 255-276.

human persons grow, develop and live their lives, a natural result of the Catholic understanding of the human being as an embodied spirit and a social creature.³

Contrary to a common view, this tradition did not originate with the modern papal encyclicals that have contributed to it. In its various manifestations it is as old as the Church itself, being well represented in the writings of the Patristic period (the first centuries), the Middle Ages, and the Early Modern period.

CST has generally had *two modes*, or functions, though one or the other has often been especially emphasized in different times and places. One mode is a *critique* of aspects of social life insofar as they influence the well-being of human persons (and perhaps insofar as they can be influenced). The second mode is a *set of proposals* concerning the shape and substance of a society that would fully respect human dignity. More crudely put, in one mode CST identifies what is wrong with a society, while in the other it attempts to describe what a truly good society should be.

Furthermore, there are *three dimensions*, or areas of attention, that are integral to CST. One dimension is *political*, where the tradition considers forms of government, jurisprudence, and the proper uses of power. A second dimension is *economic*, where the tradition considers questions of human needs and scarce resources. The third dimension is *cultural*, where the tradition pays attention to the richness of social arrangements, artistic expressions, and other manifestations of human intelligence and creativity that shape and give an identity to members of a community. Once again, different dimensions have been emphasized at different times. The political dimension, for example, was of greater concern in medieval Europe than the economic dimension, while today the opposite is true. These dimensions, too, can be explored at different levels. For example, papal contributions on economic topics in the late nineteenth and early twentieth centuries tended to focus on local and national economic matters, such as the tension between labor and ownership, while later contributions gave more attention to economic relationships between nations.

It must also be emphasized that this tradition is not by any means the exclusive province of the hierarchy of the Church. The Church's self-understanding that it is the particular responsibility of the laity to bring the Gospel to the secular world⁴—to the home, to the school, to the workplace, to the political arena—and so CST especially profits from the contributions of lay thinkers and practitioners. The popes and bishops ordinarily conceive their role to be to articulate principles and encourage sound

³ See Pope John Paul II, *Sollicitudo rei socialis* (1991) 1.

⁴ This theme is a constant in Church documents of the past 40 years. See, for example, the Second Vatican Council (1962-65): *Dogmatic Constitution on the Church (Lumen gentium)*, paragraph 36; *Pastoral Constitution on the Church in the Modern World (Gaudium et spes)*, paragraph 43; and *Decree on the Apostolate of the Laity (Apostolicam actuositatem)*, paragraph 2 and *passim*. This theme also receives considerable emphasis in the 1988 post-synodal Apostolic Exhortation *The Vocation and Mission of the Lay Faithful (Christifideles laici)*.

applications. It is not their role in the normal course of events to prescribe solutions to concrete problems; this is the task of the laity.⁵

It may be fairly said that all of Catholic moral theology is an unfinished project. While fundamental principles may be preserved, the understanding of the implications of principles may always be deepened and new challenges call for new applications. This is particularly true for CST, and for two reasons. First, human societies are unstable. Political structures change, cultures mutate, and new forms of economic organization are devised. All of this calls for continual reflection and adaptation. Second, despite two millennia of development, the tradition has not systematically examined every aspect of human social life. For example, there has been a bias in the tradition against a careful reflection on the importance of creating wealth (and not merely distributing it), and so there has been little contemporary reflection on the topic.⁶ A similar limitation exists concerning the function, structure and management of business organizations.⁷ The tradition has devoted considerable attention to families and to civil societies, but has not caught up with the modern proliferation of intermediate associations, or with the peculiar problems they present.

As a result, when we pose a question about the moral responsibilities of managers and executives, we cannot simply pull a book from the shelf or consult an official Church document for the answer. To be sure, the tradition has articulated and defended principles and concepts that can be brought to bear on these questions, but the work of doing so has not yet been done for us. We will turn to that task now.

⁵ In recent years, and in some countries more than others, bishops and their staffs have been relatively aggressive in commending specific pieces of legislation or in supporting certain public policies. While bishops as individual citizens are surely free to express their views on public matters, the practice of official advocacy has occasioned considerable discussion within the Catholic community, and some concern that this constitutes an intrusion on the part of the bishops, or their staffs, into a properly lay arena. Indeed, I have spoken with Catholic legislators who have expressed their frustration with episcopal representatives who have presented a particular political preference as a matter of Catholic doctrine, thereby compromising Catholic legislators who, as a matter of prudential judgment, support alternate policies.

⁶ This may be changing, but the suspicion of wealth is deeply embedded in Catholicism. Furthermore, the very age and diversity of the tradition makes it difficult to grasp it as a comprehensive whole. Sixteenth-century Spanish theologians, for example, produced some very sophisticated analyses of the problems of wealth and commerce that have been largely forgotten for centuries and still remain virtually inaccessible to English-speaking audiences.

⁷ We may even go so far as to say that CST has hardly moved beyond the critical mode in its treatment of wealth creation and business. The combination of apprehension about the temptations of wealth and a deeply-rooted sympathy for labor has moved most thinkers in this field, including many bishops, to do little more than scold businesspeople for their attitudes and practices. This, too, is changing but the constructive mode of CST in this area is still seriously underdeveloped. For examples, however, of papal efforts to recognize the vocation, virtues, and contributions of businesspeople, see GARY ATKINSON, ROBERT G. KENNEDY, and MICHAEL NAUGHTON, EDS., *THE DIGNITY OF WORK: POPE JOHN PAUL II SPEAKS TO MANAGERS AND WORKERS* (1994).

II. KEY CONCEPTS FROM THE CATHOLIC SOCIAL TRADITION

The foundation of CST is the reality of God's merciful love. This is the recognition that God has loved us when we are undeserving of that love, and that this love is the model of the love that we ought to have for one another.⁸ Everything we possess—our property, our talents, our skills, our resources—is a gift from this loving God, to be used not only for our own well-being but also for his purposes, which include achieving and protecting the well-being of others.

This claim is ultimately grounded not in scholarly analysis or lived experience (though both may support it) but rather in the conviction that it has been revealed in time by God himself to human persons. That is to say, God has himself told us the truth about the human condition and the faithful Christian response is to accept that truth and to embrace it as the foundation of a reasonable and well-ordered life. Thus a Christian approach to life and society will have a logic of its own, a set of principles that define what is truly reasonable and sensible (which is to say, genuinely prudent) in practical affairs.

There are, of course, many alternate views of what is reasonable and prudent but Christians must consider in evaluating these views whether they are compatible with what God has revealed and in particular with the model of God's merciful love. If God has indeed revealed the truth in Christ, then Christianity is not simply one proposal among many for maximizing the efficiency of human systems and interactions. It has a distinctive starting point and a distinctive end (i.e., a conception of genuine human fulfillment) and it must measure proposals about human structures and systems with these in mind.⁹

Moving beyond the foundation of God's merciful love, there are two further conceptual pieces to which we must attend. They concern human nature, and property and wealth.

A. THE NATURE OF THE HUMAN PERSON

In his 1991 encyclical *Centesimus annus*, Pope John Paul II claimed that socialist societies (and for that matter, totalitarian societies of all sorts) had collapsed because they were grounded in a false conception of the human person.¹⁰ No society rooted in falsehood or confusion can long survive; certainly none can be just. Now the Catholic Church has repeatedly insisted that it does not have specific recommendations to make about legal structures, forms of government, economic arrangements, or cultural

⁸ See John 3.16 and 1 John 4.7-21.

⁹ CST can readily adopt and endorse many of the practical insights of contemporary economic thinking, for example, but it may well not accept the fundamental assumptions about human nature that underlie this thinking. It is at this level of principle and not the level of application that the differences must be confronted and sorted out.

¹⁰ *Centesimus annus* 24, 29.

frameworks.¹¹ These must be determined by the members of a society for themselves. Nevertheless, while it may not claim practical expertise in such matters, the Church does claim to be an “expert in humanity.”¹² By this it means that it has a set of principles to offer to the human community according to which practical arrangements of all sorts may be evaluated for their potential to benefit or harm human persons.

1. The human person is an *imago Dei*.

The first of these principles is that each and every member of the human species is a person possessed of an irreducible dignity, or value. This dignity derives from the fact that each individual is an *imago Dei*, an image of God, with a supernatural destiny.¹³ This reality makes each and every person valuable, regardless of age, physical condition, social status, or other qualifications.¹⁴

2. The human person possesses reason and free will.

Second, human persons instantiate divine attributes most properly in their possession of the God-like capacities to reason and to choose freely. Every individual is challenged in her life to develop these twin capacities to the fullest extent possible, both in the speculative realm and the practical arena.¹⁵ The degree to which human associations and systems are open to this individual development will be one criterion according to which they will be evaluated.

3. The human person is social by nature.

Third, human persons are radically social by nature. This is to say that, like the Trinity, human persons are essentially members of societies, not merely individuals who form societies as matters of expediency.

¹¹ *Centesimus annus* 43. See also *Gaudium et spes* 42.

¹² *Sollicitudo rei socialis* 7. See also Pope Paul VI, *Populorum progressio* (1967) 13.

¹³ The Catholic theological tradition understands by this not merely that each individual is somehow a reflection of the divinity, since all of creation reflects the Creator in some way. It understands more than this; namely that the human person is the one creature on earth that God willed to create for its own sake (see *Gaudium et spes* 24) and that the human person alone among these creatures shares in the divine attributes of mind and immortality.

¹⁴ This does not mean that each person must be equally honored or respected in a given community. Some people will always be rightly honored for their holiness, or for their extraordinary contributions to human welfare, or for their virtue, or for the offices they assume, or for a variety of other reasons (some better than others). Nor does it mean that no discrimination can be made between the innocent and the guilty. Still, it does mean that regardless of his or her wickedness or lack of distinction, each person is due a minimum of respect and protection that can never be legitimately set aside. Hence the Catholic convictions about abortion, euthanasia, capital punishment, war, and so on.

¹⁵ Catholic moral theology has long found it convenient to adopt informally Aristotle’s theory of intellectual and moral virtues as a useful but not complete means to describe the challenge and goal of human development.

In this regard, the Catholic tradition is set against more recent philosophical traditions that assume that, in a so-called state of nature, human persons would live their lives and find their fulfillment in solitude rather than society. On this view, communities are formed as matters of unfortunate necessity, in order to avoid undesirable outcomes, rather than as means to achieve desirable outcomes that would otherwise be impossible.¹⁶ Even those who would not posit quite so dark a view of the need for human communities are still likely to see societies as collections of individuals peacefully and privately pursuing their own satisfactions rather than as true human communities.

On the Catholic view, a true human community in the fullest sense is one in which every aspect of human flourishing is potentially a matter of public concern and in which persons actively collaborate in bringing one another to fulfillment. It is just such a community that we yearn to form and to which we seek to belong, and it is only in such a community that individuals can truly be fulfilled.¹⁷

There is a sharp and real contrast here between Catholic thought and some of the philosophical convictions that animated America's founding fathers. They were strongly influenced by the work of philosophers like John Locke and firmly disposed by their experience (both as British subjects and as Protestants) to cherish and protect individual rights. In principle, CST has no quarrel with this, as the protection of individual rights can also be the protection of human dignity. However, as has become so evident in the twentieth century, an excessive emphasis on individual liberty can shelter actions and systems that harm the dignity of vulnerable members of the community. At the very least, an emphasis on individualism tends to distort communities into dis-integrated collections where higher value is attached to non-interference than collaboration.¹⁸

CST encourages a corrective rooted in an understanding of the person as social, though this corrective can also be carried too far. On this view, human institutions of all sorts are minimally satisfactory to the extent that they do not positively damage, or encourage harm to, human dignity. But these institutions can also aspire to be excellent, which would require them positively to promote human dignity and human flourishing.

¹⁶ Thomas Hobbes is a classic representative of this view, as is John Locke in a more gentle way. A contemporary proponent of this view is John Rawls, although he may not subscribe to Hobbes's gloomy vision of the need for the first human communities.

¹⁷ See below, section XXX. The Catholic understanding of the importance of community should not be simply equated with the various "communitarian" schools of thought in contemporary philosophy and economics. While there may be a number of points of agreement, there is certainly not consensus between Catholic thinking and these philosophies on all aspects of the vision of human nature that underlies these schools of thought.

¹⁸ The Catholic vision of a well-ordered society is neither libertarian nor communist. It respects and values initiative and personal responsibility, on the one hand, and encourages collaboration and solidarity on the other. It recognizes the importance of sound government for the preservation of the common good, but it also emphasizes subsidiarity, which limits the action of higher levels of government when lower levels or individuals themselves can act competently.

4. The distinctive requirements of justice.

The Catholic conviction about the social nature of human persons also leads to a subtle change in our understanding of the requirements of justice. In a contractarian conception of society, the individual has obligations in justice only when he has voluntarily accepted such obligations (as in a contract) or when they are imposed by a legitimate authority (such as taxes). On the Catholic view, however, one has obligations to others not only as matters of promise-keeping or obedience to law, but also because of the inherent dignity of these others, coupled with our dependence on God's merciful love. In other words, when it is in our power to address the unmet needs of others, we have a duty, in justice, to do so even where we are not bound by law or promises. Justice requires that we give to others what they deserve to have, and they deserve to have what they need in order to pursue their own perfection.¹⁹

B. PROPERTY AND WEALTH

Some of the earliest examinations of social questions written by Christians concerned property and wealth.²⁰ The tradition has a great deal to say about the subject, but four points will be important to the present discussion.

1. The right of ownership is a natural right.

One constant in the modern papal discussions of social issues has been an insistence on the importance of the right to private ownership of property.²¹ The popes regard this as a natural right, which means that it is not a right granted by government or voluntary agreement, but rather one which is rooted in human nature.²² To put it another way, to deny individuals the right to private ownership of property is to attack their very dignity as human persons.²³

¹⁹ Perhaps it goes without saying that the practical working out of the requirements of justice in a particular community is a task of great difficulty and controversy. This conception of justice does not require the redistribution of wealth so that all are equal, though it would encourage a sharing of excesses with those who fall below a minimum of resources required for a decent human life. Nor does it demand ignorance of the incentives that motivate ordinary persons in a fallen world, or of the weaknesses that cause some people to fail to provide the necessities of life for themselves. It is incompatible, though, with a conviction that the private ownership of property may be absolute.

²⁰ Consider, for example, Clement of Alexandria, *Quid dives salvetur? (Can the Rich Man Be Saved?)*, written about A.D. 200 in Alexandria.

²¹ See, for example, Pope Leo XIII, *Rerum novarum* (1891); Pope Pius XI, *Quadragesimo anno* (1931) 44-49; Pope John XXIII, *Mater et magistra* (1961) 104-121; Pope John Paul II, *Centesimus annus*, 30-32.

²² A good contemporary discussion of the issue of private property in a Catholic context is Daniel R Finn, "Catholic Social Thought on Property: An Urgent Need for Extension and Renewal," in ROBERT G KENNEDY, *et al*, EDS., *RELIGION AND PUBLIC LIFE: THE LEGACY OF MONSIGNOR JOHN A. RYAN* (2001) at 95-116.

²³ This is not to say that any individual person has a natural right to own this or that piece of property. It is merely to say that the right to own property belongs in the same category as the right to life or the right to an education and cannot be denied to an innocent person.

As embodied spirits, human beings require the use and consumption of material resources in order to live their lives. While the Christian tradition has sometimes celebrated the voluntary renunciation of private ownership for the sake of a more intense pursuit of spiritual goods, it has always been recognized that such a renunciation is suitable only for a limited number of people. CST has generally acknowledged that human welfare is better served in the aggregate when property rights are protected.²⁴ People will take better care of what they own and they are motivated to work harder if they know that ownership can be the result of their labors.²⁵

2. The right of ownership is qualified, not absolute.

Nevertheless, it is also a staple of the Catholic moral tradition that the right to own property is qualified, not absolute.²⁶ God gave the earth and all of its resources to the human community for the benefit of all. Private ownership may be a natural right, but the right is exercised legitimately when resources are intentionally distributed in such a way as to provide for the minimal needs of every person. No one may rightly possess what he does not need and cannot consume when the basic needs of others are unmet, especially when these needs are unmet through no fault of those who are deprived.²⁷ The model of God's merciful love requires those who own property to use it or to dispose of it, not only for their own benefit, but also for the benefit of others.

3. Wealth is a good, but it may tempt persons to evil.

Wealth, understood as an abundance of property, has always posed a problem for CST. For much of the Christian era, wealth was more or less static and based on the ownership of land. There was no real question of creating new wealth but a preoccupation with the just distribution of existing wealth. The changes brought about in the modern era, beginning with the discovery and exploitation of the New World in the sixteenth century and continuing with the explosive creation of new wealth in the nineteenth and twentieth centuries, have posed still new challenges to CST.

Certainly, as a component of God's creation, wealth is good in itself. It is good for persons and communities to be prosperous. In the Old Testament, while wealthy persons may often have acquired their wealth through wickedness, prosperity itself was

²⁴ A classic statement is St Thomas Aquinas, *Summa theologiae*, IIaIIae, q. 66, aa 1-2.

²⁵ See the discussions of the importance of private property to the laborer that run throughout *Rerum novarum*.

²⁶ See, for example, Aquinas, *Summa theologiae*, IIaIIae, q. 66, a 7, where he argues that when someone in great need takes articles from another person who possesses great abundance he does not commit a sin of theft. His argument is that the great need of the first person gives him a claim on the excess property of the other as if it were his own. Similar statements can be found throughout the tradition.

²⁷ The tradition, mindful of St Paul's admonition to the Thessalonians that "anyone who would not work should not eat" (2 Thess 3.10), has always insisted on personal responsibility. In the first instance, it is the responsibility of all those who are able to do so actually to provide for the material needs of themselves and their families. Those who cannot do so justly deserve a share of the wealth of the community, but those who simply choose not to work have no such claim.

considered a blessing and part of God's promise for his people. Nevertheless, Christians have always regarded wealth as a mixed blessing since it can distract individuals (and institutions) from their supernatural destinies (and authentic missions).

Furthermore, while issues concerning the distribution of scarce resources have not yet been resolved, it is also true that little energy has been devoted to the questions posed by the reality of abundance (rather than scarcity) and by important new forms of property (e.g., information and technical knowledge). Not least among these challenges is the question of how to regard business organizations as objects of ownership.

4. Property must be valued in the light of human welfare, and not for itself.

In general, the value of property in CST and the legitimization of private ownership is always referred to human welfare. Ownership is a right because it enables the person to fulfill himself and more effectively pursue his vocation, whatever that might be. The right to possess property is strong, but it does not trump human welfare, and so must be subordinated in any community to the common good. What is of real, final value in the world is persons; all other objects derive their value instrumentally, which is to say from their capacity to fulfill and perfect human persons.²⁸ This relationship would be turned upside down—and history is full of examples of just this—if the genuine well-being of persons was not merely risked but sacrificed for the sake of preserving property.²⁹ As a related theme, Pope John Paul II has often emphasized that “Work is for man, not man for work.”³⁰

III. COMMON GOODS AND *THE* COMMON GOOD³¹

When one first realizes that human persons are naturally social beings, and that their genuine fulfillment inevitably involves a community of some sort, one begins to understand the critical importance of common goods. Attempts to understand and resolve issues of justice in a community must sooner or later deal with the question of what it means for goods to be common. Unfortunately, the term “common good” is quite

²⁸ In the end, only persons and the effects of their good choices endure (see *Gaudium et spes* 39). As a consequence, possessions of whatever sort can never reasonably be valued more highly than the persons they ought to serve.

²⁹ One might imagine that someone could reasonably risk, or even sacrifice, his life to preserve a possession, but only if the possession has the capacity to contribute substantively to the fulfillment of others. It would be extremely irrational deliberately to destroy or substantively damage persons in order to protect a possession that, while valued in the marketplace, had little capacity to contribute to genuine human fulfillment.

³⁰ See, for example, *Laborem exercens* (1981) 6, 12.

³¹ This section of the paper, and the next, attempts to lay out in rather summary form the basic elements of a theory of common goods and specialized associations that is compatible with CST. While dependent in many ways on the Catholic moral tradition, especially in its Thomistic roots, it is also indebted to the work of Germain Grisez and John Finnis. However, the form in which it appears here is more or less original with the author, who accepts responsibility for all of its weaknesses and oversights. It should not be misunderstood as a summary of CST or of the work of Grisez and Finnis.

equivocal and this equivocation (and the frequent failure to identify explicitly the meaning intended in a particular context) is the cause of a great deal of intellectual mischief.

A. GENERAL DEFINITION OF A COMMON GOOD.

It is a mistake to speak of *the* common good, as if there were one good (or collection of goods) that composed the common good. Goods, or a good, may be said to be common in a number of ways. Most generally, however, we may say that a *common good* by definition is one that is, or may be, shared (owned, used, enjoyed or pursued) by a number of persons.

Some goods we may call *natural* common goods because they simply cannot be owned, used, or enjoyed just by one person at a time. Examples of natural common goods would include the view of a starry sky, the tradition and culture of a community, or knowledge of the natural law. Most goods, though, are *contingent* common goods, which means that they may at some time be common, but only because of a set of contingent factors that creates a context in which they are owned, used, or enjoyed by a number of persons. Examples of these goods would be wide-ranging, but could include land, works of art, many kinds of knowledge, medicines, money, and so on.

Goods are sometimes said to be common because their nature is such that they may be shared among an indefinite number of persons without diminishment. This inexhaustible shareability, however, is a property of some kinds of goods that may be either natural or contingent common goods, but it is not part of the definition of a common good. For example, knowledge of how to make absolutely superb chocolate chip cookies does not diminish (i.e., become less accurate or complete) if it is shared widely, but it might lose a great deal of its potential for generating wealth if it were held in common and the creator of the recipe were not able to sell the cookies exclusively. The entire system of patent protection is intended to ensure that even if certain kinds of knowledge are held in common (and the secrets of patented products and processes *are* publicly accessible), the wealth derived from the application of that knowledge may be possessed privately. So, these goods that may be shared without diminishment are not therefore necessarily common goods. It might be better to speak of them simply as *unlimited* or *infinite* goods, susceptible of distribution to an indefinite number of persons without diminishment.

By contrast, a *limited* or *finite* good is one that cannot be distributed to a number of persons (for their possession, use, or enjoyment) without diminishment. For example, a community of some kind may hold, say, a supply of medicine in common. That is, the supply of medicine is not owned by an individual or a limited group of people within the community, but instead is the property of the community as a whole. (Of course, we could also be talking about land, or money, or food, or housing space, or any other distributable resource.) Commonality has to do principally with ownership, not with the character of a common good itself.

B. COMMON GOODS ARE *INSTRUMENTAL* OR *FINAL*.

Anything that serves as the object of intentional human action is a good, or at least an apparent good. Furthermore, the good sought in any human action is either a *final* good or an *instrumental* good. A final good is one which, once achieved or possessed, brings an end to the action or series of actions directed toward it. An instrumental good is one which serves as a tool for the attainment of yet another good. The action or series of actions directed toward this instrumental good continues on toward some further good.³²

Another way of putting this is to say that final goods are desired by human agents (whether rightly or wrongly) in and of themselves, and not because they are useful aids in accomplishing or possessing some further good. Instrumental goods, on the other hand, are really only desired because their achievement or possession furthers a larger plan to achieve some other good. Speculative knowledge that is not immediately useful but satisfies curiosity is one kind of final good, as are most forms of play and aesthetic experience. Money, power, and academic degrees (as distinct from the knowledge gained by studying for the degree) are all instrumental goods.

Many goods have a sort of mixed character. They may be the culmination of a determinate set of actions, and so have the character of a final good, but they may also be valued for their utility in bringing about another good. For example, a man may carry through a plan to acquire a new power tool, not because he has a specific goal in mind for which the tool might be useful, but because he believes that the tool will be an excellent addition to his workbench. The actions that are part of his plan (saving money for the tool, shopping for the best product at the best price, creating space for it in his workshop, ordering it from a dealer, going to the store to pick it up, and so on) cease when he has the tool in his possession. Nevertheless, he values the tool for the things he may potentially make with it (notwithstanding the possibility that he might also derive some pleasure in owning the tool or in admiring the elegance of its design and construction—a modest final good).

Common goods, of course, may also be instrumental or final, but here it might be better to speak of them as *constructive* or *substantive*. A constructive common good is a set of conditions that makes it possible for members of an association to pursue their individual goals or to collaborate in the pursuit of common goals. Patrons in a library who maintain the quiet atmosphere sustain a constructive common good by doing, a common good which nonetheless permits each of them to pursue individual study. Substantive common goods are shared final goods, especially those that are the result of

³² Apart from those common goods that directly constitute instances of human fulfillment, all common goods have an instrumental character. Moreover, the categories of private goods that they serve are incommensurable. That is, goods in the category of speculative knowledge are, in principle, neither superior nor inferior to goods in other categories, like health, aesthetic experience or skillful performance. Indeed, we would generally consider it perverse for someone to value health only because it served to increase the opportunities for aesthetic experience, or for someone to make every other aspect of his life subordinate to the maintenance of his health. This is not to say, of course, that these things never happen, but rather that they are examples of practical irrationality when they do occur.

collaborative efforts. Examples could include victory for a sports team or achieving an award for manufacturing excellence.

Constructive common goods, even though that are instrumental, may nevertheless be highly valued. Peace, order, and justice in a society are extremely important, not because they have an intrinsic value apart from their utility in supporting human well-being, but because they are virtually indispensable for individual flourishing. It would therefore not be unreasonable for a person to make extraordinary sacrifices—even to the point of laying down his life—to instantiate and protect these goods.³³

With respect to the actions of associations, though, common goods may be mixed, that is, they may have a kind of final character to the extent that the association ceases its collaborative activities once the good is attained. Thus a committee may form to build a new playground for a community and disband once the playground is completed. The finished playground is a final good (goal) for the committee, even though the playground promotes (that is, is an instrument for) private goods (e.g., health, play, friendships) indefinitely. Similarly, an army or an alliance may be formed in time of war in order to attain the good of victory, and suspend its operations once the war is over.

Totalitarian governments make the serious mistake of regarding the common goods of the state as substantive, as absolutely final, and so in the end become willing to sacrifice all manner of private goods for their sake.³⁴ Even in wiser societies, caution must always be exercised in crafting and applying positive laws so that the conditions that must exist in a society to promote the flourishing of its members are adequately protected while at the same time private goods are not unreasonably harmed.³⁵ To be sure, in any society, some private goods are incompatible with sustaining these public conditions and so may be legitimately curtailed (e.g., free speech need not be protected if it is slanderous)—but a prudent balance must nevertheless be maintained.

Certain common goods may be final in another way as well. Some unlimited common goods may be genuinely final if their use or enjoyment itself constitutes an element of integral human fulfillment. For example, something of beauty, whether natural like a sunset or artificial like a fine painting, directly instantiates the object of aesthetic experience. Similarly, purely speculative knowledge (the sort of knowledge that satisfies

³³ The Catholic tradition has maintained that such sacrificial actions may be matters of charity or justice, and that societies may rightly demand sacrifices of some of its members if those sacrifices may be necessary to preserve the constructive common good of the society. But justice also demands that the sacrifices be distributed fairly and according to relevant criteria.

³⁴ In CST, the purpose of the state is ultimately to serve the private goods (i.e., the well-being) of individuals. The state may require sacrifices from some individuals in order that it may continue to serve the well-being of all, but it cannot legitimately subordinate the well-being of all its citizens to its own perpetuation and strength. To do so would be the greatest betrayal.

³⁵ Even within a single society these conditions may vary with circumstances. A society that finds itself at war may need to impose limitations on travel and communication (private goods) so that other elements of well-being are protected.

simple wonder and curiosity) can be valued for its own sake, as opposed to practical knowledge, which always has an instrumental character.

C. COMMON GOODS ARE SHARED POSSESSIONS (*ACTUAL*) OR GOALS (*POTENTIAL*).

Like private goods, common goods may be either actual or potential. *Actual* goods are those that, at a given point in time, really are owned, used, or enjoyed. *Potential* goods are those that, while not presently owned, used, or enjoyed, are apprehended as real possibilities. Actual goods (whether common or private) do not, of course, motivate action intended to achieve them, though they may motivate protective action or action aimed at use or enjoyment. On the other hand, potential goods do serve to motivate goal-directed action, and potential common goods motivate collaborative action. Indeed, underlying any genuinely collaborative action (as opposed to an aggregate of individual actions aimed at the same goal, e.g., a gold rush) there must be a least one potential common good.³⁶

D. THE COMMON GOOD OF THE POLITICAL COMMUNITY.

In contemporary discussions of CST the term “common good” is ordinarily taken to refer primarily, if not uniquely, to the common good of the political community. This common good is a constructive good of fundamental importance, but as such it is instrumental and not final.³⁷ It serves the private well-being of the individual members of a society but since the individual members are social by nature, the common good commands individual respect and support.³⁸ While in earlier ages, when human communities were relatively isolated from one another, it was possible to speak of the common good as applying to groups no larger than nations. In the modern world, however, with the almost

³⁶ Potential common goods are frequently merely instruments for the attainment of private goods. Employees working together to make a company profitable may be less concerned (or even not at all concerned) about the long-term health and financial integrity of the business than about the things they may buy with the salary and bonus they receive from the successful operations of the firm. Such persons are not truly engaged in collaborative action, but rather use a community of some sort to achieve their private goals. More thoughtful members recognize that, in addition to whatever private goals may be served by the effective operations of the association, there is also a goodness (associated with the good of friendship) to purposeful action pursued in communion with others. Action of this sort is more genuinely human, and goal-directed action is defective that intentionally avoids or extinguishes collaboration where collaboration would be effective, even if not maximally efficient.

³⁷ The classic definition of the common good of the political community is found in CST in *Mater et magistra* 65: [The common good] “embraces the sum total of those conditions of social living whereby men are enabled more fully and readily to achieve their own perfection.” Similar language can be found in *Gaudium et spes* 26, where the Council essentially adopted John’s definition: [The common good is] “the sum of those conditions of social life which allow social groups and their individual members relatively thorough and ready access to their own fulfillment.”

³⁸ Practical reasonableness requires that individuals not act in ways that would undermine the common good ((respect) and be open to acting in ways that would better instantiate it (support). It would be irrational for an individual deliberately to attack the common good of the society since by doing so he would incrementally decrease his own well-being and likelihood of achieving genuine fulfillment. Of course, such irrationality is not uncommon.

universal interdependence of peoples throughout the globe, we must consider the common good to be that of the entire human community.

IV. COMMON GOODS AND SPECIALIZED ASSOCIATIONS

Organizations are crucially important for modern life. Without organizations of the number, variety, and size that we see in the developed world, our quality of life could simply not be what it is. The incredible diversity of goods and services we enjoy would not exist nor, in fact, would so many other things that we have come to take for granted. Without smoothly functioning organizations our diets would lose much of their variety, our health care would be much more primitive, we would travel less, know less, and generally live poorer lives.³⁹

While every association that human beings form is deliberately intended by someone to bring about some human good, not every association succeeds in doing so. Some fail because the actual goods at which they are aimed are illusory and do not provide any genuine human satisfactions. Others fail even though they aim at genuine goods because they are so poorly structured and managed that they cannot achieve their goals. Still others fail both tests: they aim at the wrong things and being poorly structured cannot achieve even these goals. The fundamental goal of professional management is the creation and support of excellent organizations, which both aim at worthy goals and are properly structured and managed. In order to avoid these failures we need to have answers to two kinds of questions.

One of these is the question of *how* to go about achieving a goal, that is, what methods work, what tools and skills are required, what techniques are useful, and so on. The second question concerns the *why* of what we do, that is, what goals we should be pursuing. In the context of managing organizations we want to know what the legitimate purposes of the organization are and what organizational structures and policies will best accomplish those purposes.

The answers to these questions provide us with a means to evaluate the quality of organizations. Poor organizations either fail to accomplish their goals or achieve their goals only by damaging other goods in the process. Satisfactory organizations will be successful in achieving a limited range of goals and they will do so without systematically damaging other goods. However, excellent organizations will achieve and promote a much wider range of relevant goods, even if they do not “maximize” a particular good to the degree that other structures and policies might.⁴⁰

³⁹ There is no doubt, of course, that modern technologies and modern organizations have also served to introduce more stress into our lives and to coarsen them in a number of ways. This, however, is a result of our flawed use of technology and organizations, not an inevitable consequence of their mere existence.

⁴⁰ This, of course, is one of the key points of disagreement between CST and classical economic thinking with respect to the question of corporate governance, and it needs to be explored further. For the moment, though, consider that a police force that maximizes the number of criminals captured only by

A. THERE ARE THREE FUNDAMENTAL FORMS OF HUMAN ASSOCIATION.

Human beings are naturally inclined to form associations of all sorts, and for all sorts of reasons. The variety is limitless in one sense because we can always form associations for new and unprecedented purposes. In another sense, however, all associations fall into one of three categories. In order to understand what an organization is (and what it is not) and to see what makes an organization excellent, it will be helpful to explore these three types.

The ancient Greek philosopher, Aristotle, was among the first to analyze human associations systematically. Where his teacher, Plato, explored the nature of the ideal state at length in his classic dialogue, *The Republic*, Aristotle set out to gather information about and to understand human communities as they really existed.⁴¹

He divided communities into three types, Families, Villages, and Cities (or what today we might call a society).⁴² Villages, he argued, evolved naturally from family units, and cities from villages. His work became a basic resource for political science and helped to form the conceptual framework of that discipline.

In any event, the most inclusive community is a political community, or society. A political community can be understood in Aristotle's sense as one which makes available everything that is required for a truly good human life. We might also call this a *complete* community. When we speak about the common good, we often mean the set of goods or conditions in a political community that best supports the flourishing of each person in the community. This set of goods includes such elements as peace, justice, universal education, participation in culture and public life, and so on. While in previous historical periods, where political communities were truly isolated from one another, it might have been possible to identify individual nations as political communities. Today, however, it is probably necessary to speak about the entire human race as constituting one political, or complete, community.

Another community is the family, and we might call this a *quasi-complete* community. While the family clearly does not contain within itself the resources necessary for a truly good human life, it is concerned with virtually every aspect of human flourishing, just as a political community is. The common good of a family, therefore, resembles the common good of a political community: it has as its goal every aspect of the flourishing of its members (though its limited resources mean that it must focus on preparing its members, rather than fulfilling them) and so requires peace, fairness, and so on.

exercising very broad powers of search and seizure might not be an excellent organization. It succeeds on one level, but it damages real goods in the process.

⁴¹ Aristotle's principal treatise is the *Politics*. He also is reputed to have done an extensive study of the "constitutions" of a large number of Greek city-states. Only the *Constitution of Athens* has survived largely intact, while the larger project exists only in fragments and quotations in other authors.

⁴² See *Politics*, Book I.

A third kind of community is a specialized association, or an *incomplete* community. A specialized association, as the name implies, is ordered not to the integral fulfillment of its members, but rather toward attaining some human good or limited set of goods. A business is a specialized association, but so is an army, an orchestra, a bowling club, a university, a criminal syndicate, and virtually an indefinite number and variety of human organizations.

B. SPECIALIZED ASSOCIATIONS HAVE A SPECIAL CHARACTER.

As a subject of careful study, the city-state, or society, was Aristotle's particular focus. He devoted some attention to the family and the household (an anonymous essay on the subject was long thought to have been written by him), but not very much. Neither was he much interested in villages because he considered them to be a transitional group, a temporary development, wedged between the more enduring and important communities, family and society. Until recently, philosophers have tended to give similar emphasis to these two groups to the neglect of other associations, and therefore while there has been over the centuries a great deal of ethical reflection on families and societies, there has been next to none on other groups. To be fair, though, it has only been in the last century or two that another kind of group—the organization—has developed as a large and stable kind of human group, and therefore played a significant role in human life.⁴³

A specialized association is defined by the goods that its members pursue through collaborative action, which are the common goods of the organization. Some of the goods are potential (i.e., goals) and these serve to focus and motivate collaboration. Others we might call constructive, i.e., they are instrumental in character and consist of the conditions necessary to promote and facilitate successful collaboration: justice, communication, and so on. These constructive common goods are analogous to the common good of a political community.

Our understanding of the relationship between a specialized community and a political community needs further refinement. Until relatively recently (perhaps as late as the 19th century) specialized associations played only a small role in human life. In the 20th century, however, that role has expanded greatly, both in terms of the size of specialized associations and their numbers. In developed societies today, virtually everyone is dependent upon specialized associations, directly or indirectly.⁴⁴

⁴³ Traditionally when thinkers gave their attention to this alternate category, they tended to regard organizations either as overgrown families or as little societies. (How often have we heard, for example, about corporate "families" or organizational "politics"?) Today they deserve our attention in their own right. No doubt if Aristotle were alive today he would almost certainly have some interest in the nature of modern organizations and their role in social life.

⁴⁴ Which is not, however, to say that we lead lives that are socially richer. In many cases, while we may do what we do in the context of an organization of some sort, we do these things not as members of a true human community but as strangers in a crowd. Robert D. Putnam has described the curious decline of community at a time of the increased importance of organizations in *BOWLING ALONE: THE COLLAPSE AND REVIVAL OF AMERICAN COMMUNITY* (2000).

These organizations should have considerable freedom in identifying and pursuing goods, which, to the extent that they serve to focus and motivate collaboration, will genuinely be common goods for that organization. To be morally legitimate these common goods must be true human goods (and not merely apparent goods, like revenge) and they must be pursued by morally sound means (so, a criminal organization might pursue real goods but do so by immoral means). Furthermore, the pursuit of these goods cannot undermine the constructive common good of the larger human community. However, *insofar as the goods pursued really are human goods, it is not necessary that the goods of a specialized association intentionally and directly support the common good of the larger community.* They may quite legitimately do nothing more than facilitate the attainment of private goods by those associated with the organization.⁴⁵

V. CST AND THE GOVERNANCE OF CORPORATIONS

We began this paper by noting that the existence and activities of publicly-held business corporations naturally raise certain questions from the perspective of the Catholic social tradition. Contrary to the impressions that many people may form, these questions do not concern the legitimacy of business corporations in principle, nor do they cast doubt on the moral worthiness of profitability. They are instead questions about the conduct of corporations, about the objectives they pursue and the goods they affect, and about the responsibilities of those who manage them. Having summarized some key concepts from CST, we will now turn to the task of offering some responses to these questions.⁴⁶

A. WHAT IS THE PURPOSE OF A BUSINESS CORPORATION?

A business corporation is a specialized association, which means that it is a kind of human community, but one which is distinct from families (quasi-complete communities) and societies (complete communities). As a specialized association, a business corporation is not concerned by nature with every aspect of human flourishing, but focuses instead and exclusively on a particular set of goods. Since it is an incomplete community, there are many genuine goods that it does not attempt to realize.

⁴⁵ That is, while the common goods of smaller communities must ordinarily be subordinated to the common good of the larger community within which it exists, it is not the case that the common goods of smaller communities must always be directed to serve the common good of the larger community. To put it another way, the actions of smaller communities or associations must not be such as to undermine the common good of the larger communities of which they are a part, although their actions need not always aim deliberately to enhance that common good in particular ways in order to be morally sound. Business organizations, therefore, need not use their resources to address social problems in order to be morally worthy associations. They are morally worthy if they pursue authentic goods in ways that properly respect other private goods and the common good of the larger community.

⁴⁶ It is worth noting once more that the Catholic Church has no official position about the fine points of managing business corporations, much less an official posture of hostility or suspicion. The task of articulating a “Catholic” view of these questions is open to anyone who wishes to acquaint himself with the principles of CST and to apply these principles to particular issues. The task will be done well to the degree that the application is faithful to both the principles and the realities, but in no meaningful sense do the private views of individual Catholics, such as the present author, become the “Catholic” position. At best these views constitute an analysis consistent with the deeper principles of the Catholic tradition.

The particular question we must address concerns what goods a business corporation should or may legitimately pursue. Prevailing economic theory asserts that the overriding objective of a business corporation is the maximization of the wealth of owners (i.e., shareholders, in the normal course of events). CST does not concur.⁴⁷

Does this mean that the tradition regards profit as morally unsavory, as some would suggest? Quite the contrary.⁴⁸ CST regards profit as a good and prosperity as a blessing. Nevertheless, and this is an important point, it does not and cannot regard profitability as the dominant objective of a business. In 1991, Pope John Paul II expressed this view as follows:

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. . . . 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 the whole of society.⁴⁹

Three things ought to be noted here. First, the success of a business is properly measured in more than one way. Second, the purpose of a business has something to do with its character as a community. And third, this community is deliberately put at the service of the larger society.

We misconceive business, on the Catholic view, if we think of it as uni-dimensional, that is, as an activity or an organization that has only one goal to which every other element is subordinated. In fact, business, like most activities in the real world, is multi-dimensional. If a business is to be genuinely successful it must succeed on

⁴⁷ Consider *Centesimus annus* 35: "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." And see the *Catechism of the Catholic Church* (1997, 2nd edition) #2424: "A theory that makes profit the exclusive norm and ultimate end of economic activity is morally unacceptable."

⁴⁸ It is certainly true that there is a strain in Christian thinking, rooted in ancient times, that regards profit with considerable suspicion. This is so for at least two reasons. First, profitability has too often been associated with greed (e.g., 1 Tim 6.10: "The love of money is the root of all evil."). Second, from ancient times until the modern era the model of the businessperson was the traveling merchant (not the manufacturer or the storekeeper), who often had, and deserved, the reputation of one who cheated his customers.

⁴⁹ *Centesimus annus* 35. The translation of the key phrase is quite literal. A more fluid translation might be "Profit is not the only measure of a company's success." Lest this be seen merely as a quaint theological position, consider the comment of Peter Drucker, long regarded as the most important management thinker of the 20th century: "Profitability is not the purpose of but a limiting factor on business enterprise and business activity. Profit is not the explanation, cause, or rationale of business behavior and business decisions, but the test of their validity." PETER DRUCKER, *MANAGEMENT: TASKS, RESPONSIBILITIES, PRACTICES* (1973) at 60.

several levels at once, which is to say that it must achieve a balance between several criteria, such as profitability, employee satisfaction, and product quality and value.⁵⁰ A business that fails to achieve this balance cannot long maximize the criterion it chooses to be dominant.⁵¹

The second point reminds us that businesses are associations of persons who come together more or less freely to pursue goals of mutual interest and benefit, i.e., potential common goods. At their best, in the real world, businesses are collaborative associations that draw people together, not merely for personal gain (though few of them would do their jobs if they were not paid) but because they are attracted by the activities and ambitions of the organization. Real businesses are rarely organized by shareholders seeking an investment; they are almost always organized by people captivated by an idea who turn to capital markets only after they have proven that their idea can attract and hold employees and customers.

Finally, as a community of persons, a business serves important but intangible goods, not least of which is the good of friendship, broadly considered. It also serves the larger society by offering goods and services that, at their best, meet the real needs of customers. This is one way, though not the only way, in which businesses serve the common good of the political community.

B. WHAT IS THE STATUS OF SHAREHOLDERS?

In the ideal, CST conceives of a business corporation as a specialized association, as a community of workers, managers and contributors of capital, dedicated to the service of customers (which group potentially includes any member of the larger political community).⁵² Each member makes a contribution to the common goods of the association (e.g., the achievement of the organization's legitimate goals, the creation of a healthy and supportive workplace environment, the prosperity of the organization, etc)

⁵⁰ Most sports are uni-dimensional activities. Only one thing really counts for success: the final score, the fastest time, the longest throw, etc. But then sports are contrived and artificial, and not full-fledged representations of real life. (Consider, though, figure skating, gymnastics, or diving, where flawless execution and exceptional style are both required for a top performance.) This is one reason why sports analogies are often misleading and distracting for business.

⁵¹ There are countless stories of companies that have oppressed employees and cut corners on customers in order to pump up profits. It can work, for a time, but the imbalance such management practices create will punish the company severely. So, too, will an excessive focus on employee satisfaction or customer value (though these examples are rarer). By contrast, the relatively few companies that manage to achieve a high level of profitability over time (decades rather than quarters) are almost always also attentive to employees and to customers. IBM, Johnson & Johnson, and Southwest Airlines are outstanding examples.

⁵² No matter that many businesses actually fall short of fulfilling every aspect of this description. It is to be such a community that businesses ought to aspire, and so each contributing member should consider how his contribution can help to make this aspiration a reality.

and each member, in justice, deserves to receive a proportionate reward, with special attention given to the needs of the most vulnerable in the organization.⁵³

What, then, do shareholders contribute and what reward do they deserve to receive? Must their interests be dominant in the decision-making of the organization's managers?

The tradition has little to say about shareholders as such, but instead tends to consider them as a particular class of owners of property.⁵⁴ Because, as we saw above, the ownership of property entails responsibilities, shareholders not only have rights to a reward for their investment, but they have responsibilities as well. These responsibilities are never detailed in the tradition, but we can suggest something about their shape.⁵⁵

In the first place, CST defends the right of shareholders to receive a reward from their investment against those who would maintain that ownership is never a just title to income. On the other hand, owners of capital, especially the wealthy, have a set of obligations. The primary obligation is to ensure the well-being of one's family, including parents, children, and others to whom one has responsibilities.⁵⁶ At minimum, then, shareholders may claim a return on their investment that would permit them to discharge these responsibilities, provided that this minimum would not constitute an unfairly large portion of the revenue generated by the business.⁵⁷ It would probably also be reasonable to say that CST could defend the right of shareholders to receive the "net" income generated by a business, providing employees are justly compensated and customers are treated fairly.

On the other hand, CST would not defend the right of shareholders as owners simply to dispose of the assets of a community of work in any way they pleased. The tradition would insist that shareholders, to the extent that particular legal arrangements in a society made them "owners," have an obligation (morally, even if not legally) to use the

⁵³ This latter means that businesses have an obligation to ensure that even the lowest paid ordinary, full-time workers receive a compensation package sufficient to protect their human dignity.

⁵⁴ Episcopal and papal teaching on economic matters is very pastoral, which is to say it responds to the perceived pastoral needs and crises of the time. It never has constituted a careful, systematic treatise on all matters economic. In the twentieth century some attention was given to questions about the internal structure and governance of business corporations from, say, 1930 to 1960. After this time, attention turned more strongly to matters of international relations and development in the Third World. Ironically, it was roughly at the end of this period that stock owning became more widely distributed, that pension funds grew larger, and the issue of investor responsibility became more interesting. Over the last four decades, the Church has had little new to say about the topic.

⁵⁵ The discussions in the tradition, such as they are, tend to imagine investors as wealthy shareholders, holding large amounts of stock. The tradition seems not to have paid much attention to the possibility that shareholders of a corporation might be millions of small investors rather than a small numbers of investors holding millions of shares each.

⁵⁶ Catholic moral theology embraces what we might call a principle of proximity, which requires and permits each person to care for those closest to him (i.e., those to whom he has the greatest and most direct responsibilities) before attending to the needs of others.

⁵⁷ This concept is more useful if we consider investors in the aggregate rather than considering small individual investors separately.

assets of a company to support the common goods of that company (and the larger society as well). This could mean that shareholders in the aggregate might be obligated to forgo selling the company or taking some other dramatic action in order to preserve the long-term viability of the business. In short, the obligations of ownership prohibit shareholders from making their interests dominant in all of the company's decision making, nor, for that matter, could executives and managers always place the interests (or supposed interests) of shareholders ahead of the interests of other members of the community (principally, employees, but by extension, customers and others).⁵⁸

Essential to an appreciation of this position is the recognition that shareholders are not the only contributors to the success of a company. Employees, of course, are also contributors and as such their formal compensation is a major element, but not the whole, of what they deserve to receive from the organization. By contributing what they have—their time, energy, talents and knowledge—they too invest in the company. Wages, salaries and benefits are a major part of their reward for making this contribution, but they also deserve the organization's loyalty. This duty of loyalty requires managers (and investors) to attend to questions of job security and continuing viability as elements of the common good of the specialized association for which they are responsible. And it is not a disservice or an injustice to shareholders for them to do so.

C. WHAT WOULD IT MEAN TO MANAGE WELL?

Our present social and economic structure favors the formation of business organizations, even large organizations, and disfavors independence in making a living. That is to say, most people today will not work independently as craftsmen who own their businesses or as family farmers. Most of us will work for organizations of one sort or another, and these organizations will have a tendency, if they are healthy, to grow larger. Work is such an important aspect of humans, though, that those who manage organizations will be not merely stewards of financial resources, but stewards of other common goods as well.

From the perspective of CST, executives and managers are not merely the “agents” of shareholders, but are stewards and distributors of all of the common goods of the business. To be sure, they have a responsibility to attend to the legitimate interests of shareholders, but not to the exclusion of the interests of other involved with the community of work (e.g., employees and customers). They must therefore be concerned that opportunities for work be fairly distributed,⁵⁹ and that the company make prudent investments to ensure that it remains competitive and viable. They should respect the human dignity of employees by permitting them some latitude in determining how their jobs will be done and offering them appropriate opportunities to participate in decision

⁵⁸ This does not mean that shareholder interests cannot sometimes triumph, or that companies cannot legitimately layoff workers, close plants, and so on. It does mean that all such decisions must be referred to the common good of the business, as a community of work, and to the common good of the society.

⁵⁹ This would entail some attention to job security, to creating jobs where feasible, to paying fair compensation, and so on.

making.⁶⁰ In a larger context, they must make sure that the company's operations do not undermine the common good of the society. This may mean that they will curtail or remedy operations that create significant pollution, regardless of whether such remedies are required by law. They may also properly factor into business decisions considerations about the impact such decisions would have on the larger community.⁶¹

In sum, CST respects the fact that executives and managers have a duty to attend to the rightful interests of shareholders, but it does not maintain that they have a duty to put shareholder interests ahead of the interests of other members of the community of work.

VI. SUMMARY

The Catholic social tradition does not understand business corporations to be mere aggregates of contracts and relationships. It conceives of them as communities of a particular kind (specialized associations). While corporations, in fact, may not actually manifest every characteristic of a community, this is what they should aspire to become.

As a community of work, a corporation exists to pursue several complementary common goods. Among these common goods is the good of wealth and prosperity, which the managers of the corporation should seek to distribute fairly among those who have contributed to its creation. But the common good of wealth, while important and legitimate, is not the dominant good to be sought. Other common goods include the service of customers, the good of work for employees, and various goods promoted in a healthy, viable workplace. The duty of managers is to achieve a practical balance between these goods, so that none dominates to the severe detriment of the others.

Shareholders, for their part, deserve to be rewarded for their investment but this right entails certain constraints. One constraint requires them to subordinate their claim to the long-term well-being of the corporation. Another constraint requires them to permit (and indeed encourage) the company to be operated in such a way as to support—or at least not damage—the common good of the society.

The Catholic vision of the business corporation is not entirely compatible with the theory of the firm offered by economics. And indeed more work needs to be done to articulate just what this vision is and what it implies for the practice of management. In the end, however, despite its disagreement with prevailing economic theory, the Catholic vision may well prove to be the more practical.

⁶⁰ This latter is sometimes misunderstood to mean that employees have a right to determine corporate strategy or to veto painful decisions. CST does not require either and indeed defends the right of owners and managers to exercise executive authority. It does, however, encourage participation in decision making as an element of making businesses true communities of work.

⁶¹ So, for example, they might rightly be concerned with the effect on a community of a plant closing, not necessarily as a dispositive factor, but as something properly taken into account.