LIBERTY AND SOLIDARITY
Living the Vocation to Business

CONFERENCE PROCEEDINGS
SEPTEMBER 24–26, 2014
THE CATHOLIC UNIVERSITY OF AMERICA

EDITED BY
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THE CATHOLIC UNIVERSITY
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School of Business and Economics

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The School of Business and Economics at The Catholic University of America provides intellectual leadership in business and economics through practical and theoretical education and scholarship, inspired by the Catholic principles of human dignity, solidarity, subsidiarity, and the common good, in support of the mission of the University. Our teaching and research excellence inspired by Catholic principles prepares our students to be a force for good.
Napa Institute

The mission of The Napa Institute is to equip Catholic leaders to defend and advance the Catholic faith in “the Next America” — today’s emerging secular society. The Napa Institute brings Catholic leaders together and works in collaboration to produce and disseminate ideas for and solutions to the most critical issues facing Catholic leaders in the Next America. Napa Institute accomplishes its mission through spiritual and life-changing experiences, including an annual Napa conference, regional symposiums, and pilgrimages. All Napa Institute gatherings include Catholic intellectual strength, liturgical excellence, camaraderie, and fellowship.
INTRODUCTION

There appears to be a decline in confidence in the market economy as the engine of prosperity for all. A renewed focus on solidarity — love of others — in the marketplace could draw more people into the “circle of exchange” (Pope John Paul II, Centesimus Annus, 34), strengthen confidence in the market economy, and drive greater liberty and prosperity.

But do the concepts of liberty and solidarity really belong together in commercial activity? An individualistic perspective sees them as opposing one another: solidarity, to the extent that it obliges me to “lose myself” in the service of others, seems to put a limit on my economic freedom. By contrast, the Church teaches that we become more free the more we commit ourselves to the service of others, and also that without solidarity we would not be able to maintain the conditions necessary for the operation of a free market.

Solidarity “is not a feeling of vague compassion or shallow distress at the misfortunes of so many people, both near and far. On the contrary, it is a firm and persevering determination to commit oneself to the common good; that is to say to the good of all and of each individual, because we are all really responsible for all.”

— Pope John Paul II, Solicitudo Rei Socialis, 38

“The more one does what is good, the freer one becomes. There is no true freedom except in the service of what is good and just. The choice to disobey and do evil is an abuse of freedom and leads to ‘the slavery of sin’ (Rom 6:17).”

— Catechism of the Catholic Church, 1733

“Without internal forms of solidarity and mutual trust, the market cannot completely fulfill its proper economic function…the principle of gratuitousness and the logic of gift as an expression of fraternity can and must find their place within normal economic activity.”

— Pope Benedict XVI, Caritas in Veritate, 35–36

“At the heart of biblical faith is God’s love, his concrete concern for every person, and his plan of salvation which embraces all of humanity and all creation, culminating in the incarnation, death and resurrection of Jesus Christ. Without insight into these realities, there is no criterion for discerning what makes human life precious and unique.”

— Pope Francis, Lumen Fidei, 54

“Business is a vocation, and a noble vocation, provided that those engaged in it see themselves challenged by a greater meaning in life; this will enable them truly to serve the common good by striving to increase the goods of this world and to make them more accessible to all.”

— Pope Francis, Evangelii Gaudium, 203

What can we do to foster both liberty and solidarity in the contemporary economy?

What ideas should be proposed (or re-proposed) and what practical steps can be taken?

How should one live the vocation to business?
EXECUTIVE SUMMARY

Liberty and Solidarity:
Living the Vocation to Business

A participant’s summary

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Pope Francis has challenged Catholics and the entire world to help the poor and to respect the dignity of every human being through practicing Catholic social doctrine. The Catholic University of America School of Business and Economics co-sponsored a conference with The Napa Institute titled, “Liberty and Solidarity: Living the Vocation to Business.” Presenters and participants comprised business and academic leaders who sought to discuss the practical and theoretical aspects of living the vocation to business in 2014.

Each of the 16 30-minute presentations focused on answering a key question. The macro questions the conference intended to answer were: (a) What can we do to foster both liberty and solidarity in the contemporary economy?; (b) What ideas should be (re) proposed and what practical steps taken?; and (c) How should one live the vocation to business?

SESSION I:
The Challenge of the Vocation to Business

CARDINAL PETER TURKSON, the president of the Pontifical Council for Justice and Peace, gave the first presentation on the question, “What does it mean to say that business is a vocation?” He indicated that Pope Francis has been extending the Church’s open arms to the world of business—not extending pointed index fingers—in order to help professionals live well in the business world and to overcome its inherent challenges and difficulties. The Church understands that industry, business, entrepreneurship, and research are a response to the inherent vocation to continue God’s creative activity.

Saying that business is a vocation means that it is an activity that is purposely willed by God, who calls individuals to live it well. Properly understood, the business vocation is a calling. The Church is joyful about helping business people to live this vocation nobly. Business leaders must see themselves as stewards of their gifts and resources versus owners of them. Catholic business leaders are called not just to practice business but to also be a particular kind of business leader. The business vocation has requirements that go beyond minimalism (e.g., do not cheat, steal, lie). It calls leaders to seek to make a positive contribution to human kind, to be open to God’s will, to share goods with others, and to build genuine community. Catholic business leaders are called to devote their
energies to producing “good goods,” providing “good work” for their employees and teams, and practicing “good wealth” by producing profit and using it well.

FRANCIS RUSSELL HITTINGER, PH.D., visiting ordinary professor, The Catholic University of America, spoke next on the question, “What are the main theological and philosophical challenges to living this vocation to business?” He indicated that a key challenge to the vocation of business people is the self-description that the goal of business is exclusively about profit maximization. Therefore, many people do not see business as a source of hope and are skeptical of its actions and ends. A second challenge is the emphasis on the end products or services of a business organization over the process and actions that lead to those outcomes. Business embodies a rich ensemble of actions. In our actions, we become just or unjust. Justice is right action. A third challenge is the idea that some business cultures see employees as almost anonymous human capital instead of as neighbors and colleagues.

Hittinger concluded his remarks by discussing the collapse of the political, economic, and religious utopianisms of previous eras that balanced each other. The worst of utopianisms give unilateral power to the state or to the market. This is a denial of man made in God’s image and master of his acts. Business is now at the center of a postutopian world, not because it is the most important institution. Therefore, having a good self-description of business is critical for humanity.

“What role do the virtues play in the business vocation?” was the next question the conference covered. ROBERT G. KENNEDY, PH.D, chair of the Department of Catholic Studies at the University of St. Thomas, shared Aristotle’s definition that virtue is a habit that makes a person good and makes what that person does good as well. If business people agree that business is a vocation, then it leads to two questions: (a) what concrete actions must I take in active response to this vocation? and (b) what sort of person must I be to do what is required of me?

Virtues are a way to practice and train to live the vocation to business. Business people must ask, “How have I developed my strengths/abilities?” and “What can I do to live this out at a level of excellence?” Catholic business leaders should strive for excellence at living the moral virtues, such as practical wisdom (prudence), justice, courage, and discipline. Business should strive to serve the genuine needs of its customers and clients, to provide good and stable work for employees, and to create wealth for owners and investors. He invited conference participants to be imaginative at designing goods that respond to deep needs instead of just producing products that people will buy. We want the outcome of our work to be not just efficient and effective, but also sound.

SEAN FIELER, president of Equinox Partners and chairman of the Chiaroscuro Foundation, then presented on the topic “What are some practical challenges with living the vocation to business?” In his experience, living one’s faith in a business environment is challenging because you need to make a business case for practicing Catholic social teaching without appealing explicitly to faith. We must try our best to do this because business is a vocation and also because business needs values. Business or finance without values does not work. Finance can be treated as a game or like gambling if it does not value the dignity of one’s customers, competitors and employees.

Fieler distilled the application of Catholic social doctrine in his own business to the concept that everyone deserves to be treated with dignity. He treats his colleagues with dignity and persuades them to make good investments only in businesses with good leaders. Over time, he hopes his efforts to persuade seep into the DNA of his firm.
SESSION II: 
Solidarity is the Answer

The conference then transitioned into the second session, “Solidarity is the Answer.” The first presentation was by CATHERINE PAKALUK, PH.D., on the topic “What is solidarity, and how does it apply to the marketplace?” Pakaluk, assistant professor of economics at Ave Maria University, described how hard it is to come up with a universally agreed upon definition of solidarity. The Catechism of the Catholic Church has precise definitions for sin, grace, and prudence but not for solidarity. She proposed her own definition, “Solidarity is unity arising from fraternal charity.” It is fraternal in that it recognizes a common humanity and destiny as well as a responsibility for each other due to our interdependence. Charity calls us to will the good for another and to commit to the common good. Unity is a fellowship in participated happiness.

Solidarity is not social justice. Justice is people receiving what is due to them. Solidarity involves giving others what is good, which can include what is due to them but it could also go above and beyond. Solidarity presupposes actual friendship. Solidarity includes the giving of gifts; however, it should help us think about the type of gifts we should give. It is better to create and provide jobs than simply to give material donations.

MARY HIRSCHFELD, PH.D., assistant professor of economics and theology at Villanova University, gave the next presentation on the question “How should we understand private property in the context of solidarity?” She began by stating that Catholic social doctrine calls us to order economic activities toward the common good and to live in solidarity with others. In practical terms, when our activity produces private property, it brings up the question, “How much should we keep and how much should we share with others?”

Our culture often sees people in individualistic terms who act with a possessive individualism. Society in this approach becomes simply a contract of individuals to live in peace with each other. For Catholics, we do not see human persons as autonomous, atomistic individuals. Our culture misunderstands “the good life,” as it sees it as a satisfaction of one’s preferences, not the highest human goods such as virtue, community, and solidarity. Our culture also believes that more is always better.

To address these cultural misunderstandings, Hirschfeld encouraged participants to love prudence, cultivate practical wisdom, properly order our goods, reject the idea that accumulation of goods makes us happier, and grow closer to God by mirroring and imitating Him.

The next presentation, by FRANK HANNA, CEO of Hanna Capital, focused on the question “How does the practice of solidarity in business strengthen human relationships and promote human flourishing?” No person escapes the market and one may or may not act with virtue in the marketplace. If the market is free (no coercion) and if both parties act in a virtuous manner, both participants leave with a greater degree of well-being and wealth.

Since business is focused on return on investment, we must communicate that nothing creates more well-being than human flourishing in human relationships. Human relationships must be the major dimension of our lives but we face the challenge as business leaders that it is difficult to measure the quality of human relationships while it is easy to measure money. Having money does not mean we can’t be good. We need to make solidarity a higher priority than profit.

One way to do this is to decrease our independence and increase our dependence on others. Seek and cultivate dependence on God and then on our family members, co-workers and customers. Human relationships and business partnerships are strengthened when people are dependent on each other. Cultivate long-term profitable relationships over short-term relationships because they are worth more. Focus on creating and delivering value to others and start doing this in our homes and our communities. Leaders should choose to be close to their people and live with the “smell of their sheep.”
EDWARD HADAS, economics editor of Reuters Breakingviews, then spoke on the question **“How can firms have solidarity with the poor?”** The Church has the great short phrase “the preferential option for the poor.” We are responsible for our brothers and sisters. This preferential option for the poor calls us to become closer to the least of our brothers and sisters. The purpose of a company is often defined narrowly to be profitability for investors. Everything is wrong with that definition. Organizations should not be aiming at some narrow objective that does not include depth and breadth of humans served.

We do not want solidarity to be the responsibility of only the state because the state would be enormous. If we do not want the state to do it, we need other organizations that are capable of expertise. The Church can do some of it. Corporations can do great good in this area. If only for self-defense against communism and socialism, we should focus on corporations as a vehicle to help the poor, to work against exclusion and unjust wealth inequality. Businesses can reflect on how the poor can be helped inside and outside the course of normal operations. Since businesses are communities in themselves, leaders can find the poor in their organizations and help them. Solidarity with the poor in the world we live in is a hard thing. If being good were easy, more people would do it. Catholic business leaders are called to act differently.

ANDREW ABELA, PH.D., dean of The Catholic University of America School of Business and Economics, concluded the second session by addressing the question **“How can we build solidarity in and through business?”** First, business leaders must commit to the common good and recognize that solidarity does have an instrumental benefit to business. Books such as *In Search of Excellence, Built to Last, The Human Equation* and *Firms of Endearment*, show that if you are good to your customers and employees, your business will thrive.

So, why are those practices not more widespread? The first reason is bad theory. The philosophies of *homo economicus*, profit maximization, and utility maximization destroy good management practices. Second, viewing ethics as only compliance, or as a checklist of things to do and not do, makes us see ethics as a constraint on work instead of seeing virtuous habit and action as a way to strengthen and grow our companies. Solidarity presupposes virtue, so we need to foster virtue in our companies. Ways to do this in a company are through hiring, coaching, as well as having leaders who model the desired virtues. Another practice is to hire people of faith, as research indicates that religious people are more virtuous in business than nonreligious people.

**SESSION III:**

Solidarity and Liberty — The Role of Subsidiarity

GEORGE GARVEY, J.D., professor of law at The Catholic University of America, began the third session of the conference, “Solidarity and Liberty—The Role of Subsidiarity.” His presentation answered the question **“In what ways does the legal environment facilitate or hinder solidarity and subsidiarity in business?”** We can all identify laws that help or hurt the common good. Some programs meet human needs but leave recipients dependent. Prudential judgments allow reasonable people to differ.

There is a legal obligation of corporate management to maximize corporate shareholder value but as Catholics we realize that all stakeholders should be valued. Many courts have found that charitable citizenship in business can be economically justified. Labor unions have worked to build solidarity and worker protection over the past century but their influence and membership has diminished today. Solidarity among working people must find new structures.

Solidarity and subsidiarity also can be fostered and hindered through the American ethos of opportunity, individualism, and risk taking. Laws for private property help but other laws are needed to regulate against trusts and monopolies. Overall, the U.S. legal environment has a strong commitment to free markets and a strong drive toward freedom itself. Legal systems seldom impose laws to emphasize subsidiarity and solidarity. Because of this emphasis on freedom, individuals will determine how well businesses and communities meet the principles of subsidiarity and solidarity. Our society will be stronger when Americans have a change of heart to desire these values.
SAMUEL GREGG, PH.D., director of research at the Acton Institute, then addressed the topic “How can liberty and solidarity address the problem of crony capitalism?” It is strange that official Catholic social doctrine has not addressed crony capitalism because it is an old phenomenon and it is clear that it damages business, corrodes confidence in it, and solidifies injustices in economic life. Crony capitalism hollows out market economies by replacing free markets with political markets. Efforts then are made to privilege your organization over other businesses, over consumers, and over taxpayers.

Catholic social doctrine must begin to clearly state that crony capitalistic economies are deeply unjust. In the Church, this is the primary task of lay people and not of pastors. Crony capitalism unjustly stifles innovation and crowds out entrepreneurs and increases start-up costs. It systematically violates exercises in economic freedom and restricts the common good in order to promote existing politically-connected businesses. Catholic social doctrine might also help in this area by clearly dissociating solidarity from corporatism. Overall, through further articulating and communicating the social doctrine of the Catholic Church, we can help combat the cancer of crony capitalism.

BRIAN ENGELLAND, PH.D., associate dean and professor of marketing at The Catholic University of America School of Business and Economics, then reflected on the question “How do firms foster the exercise of subsidiarity?”

Subsidiarity is the principle that energizes our creativity, defines our sense of personal responsibility, enhances our personal liberty, and empowers each of us to grow in our capabilities.

Research demonstrates that when subsidiarity is implemented by imparting four essential characteristics—individual creativity, sovereignty, influence, and relational unity—then employee performance is maximized. We are made in God’s image and likeness. We want to create things in our work, according to our capabilities. We design, we plan, we solve problems, and we build, all in imitation of the power that God possesses. It is our human nature not to be satisfied unless we are doing something creative. We want to imitate God’s sovereignty by taking responsibility and control over some aspect of our existence. We do not feel complete without such control. We like to influence our work colleagues on priorities in our unit, and exercise a strong voice that impacts strategic, administrative, or operational activities. We want our voice to be heard and respected. We want our organization and work colleagues to achieve a relational unity with us—to share our beliefs, values and standards. We want our values to be reflected in the values of our company.

Implementing subsidiarity means evaluating each individual job in the company and looking for opportunities to allow employees more creativity, sovereignty, influence, and relational unity in their work. Engelland recommended seven activities for leaders to implement subsidiarity: diagnose whether employee influence over particular decision processes is really feasible; proceed at a pace that corresponds with the readiness of your employees; support employees in their acceptance of increased responsibilities; consider both the task and the actor when deciding when to apply sovereignty; provide clear responsibilities to each employee, with adequate authority and limits imposed; ensure that employees have access to relevant information and resources; encourage and support employee initiative and problem solving by recognizing important contributions and achievements, and ensure that rewards are commensurate with new responsibilities.

KEYNOTE ADDRESS

At the opening of the conference’s Thursday dinner, JOHN GARVEY, president of The Catholic University of America, welcomed the participants to CUA and then shared some brief remarks on “Living the Vocation to Business.” Businesspeople have a vocation to be holy and practicing business can help leaders grow in virtue. Virtue is a habit and businesspeople have ample opportunity through repeated interactions and exchanges to form good or bad habits. One virtue that businesspeople can practice regularly is generosity. Since cooperation and interdependence are part of the structure of business, there are daily opportunities to practice gratuity and gratitude. Employers can do a tremendous amount of good for employees; they can make service to the organization light or burdensome.
The keynote address at the Thursday dinner was by Arthur Brooks, president of the American Enterprise Institute, who spoke on the topic of “Building an economy that serves the poor.” Despite the economic growth in recent years and the appreciation of the stock market, those who are poor are increasing in our country. More and more need food stamps; unemployment is very high in our poorest communities, particularly among the young who seek work. We are not doing a good job as a nation of helping the poor, lifting them up and assisting them in using their talents to contribute to building a better community.

Across the world, starvation-level poverty has declined by 80% in the past several decades. Five things lifted 2 billion people out of this level of poverty: globalization; free trade; property rights; rule of law; and entrepreneurship. We need a system, which works while we sleep, to help the poor today. Homeless ex-prisoners have told us what they need most are (1) to be treated as adults, not children; (2) real financial relief for rent and food; and (3) hope that they can earn their success and lessen their dependence. In helping the poor we want to help them morally transform themselves. We can give them hope in providing jobs, helping them see work as a sanctified activity, encouraging them to practice entrepreneurship, and acting to make good education (that trains people meaningfully for a job in the next economy) a civil right.

SESSION IV:
Living Solidarity in the Marketplace Through the Vocation to Business

Joseph Capizzi, Ph.D., area director and associate professor of moral theology and ethics at The Catholic University of America School of Theology and Religious Studies, began the final day and final session of the conference by addressing the question “How do solidarity, liberty and gift work together in the Christian life?”

Solidarity is a firm determination to commit to the common good. We are aware as Catholics how connected people are factually and morally, not just horizontally (as brothers and sisters) but vertically (relationships to those that have gone before us and those that come after us). Liberty is exercised over long periods of time and includes both “freedom from” and “freedom for.” Catholicism argues that liberty and solidarity are compatible, even though they are often portrayed as opposed to each other. Solidarity encourages us to help expand the liberty of those who have less.

Market exchanges expand economies but produce unequal benefits to participants. Gift exchanges can balance market exchanges and include others in the benefits of a growing economy. It also can introduce altruism into the market system to balance self-interested acts. Self-interested acts aren’t always bad and not all gifts are always altruistic. Self-interested gifts (in which status, appreciation, or other benefits are received) also can help involve others in the benefits of the market economy.
Andrew Yuengert, Ph.D., professor of economics at Pepperdine University, then spoke on the question, “What are our degrees of freedom for living solidarity?” Personally we have to avoid and help others overcome the idea of the “market made me do it” excuse. We have choices. As leaders, we can really work toward the common good by seeing the world and our local communities through the lens of solidarity and interconnectedness. We feel bad when we lay off good people because on the one hand we feel like we have no other choice, but often, we also realize that we actually have a choice to practice business differently. We can choose to pay more and lower short-term profit. Discernment is necessary to make these difficult choices made in periods of uncertainty and imperfect information.

Solidarity is best exercised outside of markets. Catholic social doctrine places responsibility on business leaders and government leaders for justice. Business owners need space to allow love and justice to operate. Lay Catholics are called to sanctify the world from within like leaven. Business leaders must play their appropriate role under the principle of subsidiarity. Yuengert recommended to participants that niche markets often can provide more space for employers’ desires to practice business differently. He also recommended that we choose to use the best language to describe our challenges, by learning a good way to express Catholic social doctrine in practice. He encouraged us to embody our principles into a set of business practices and habits, and not just leave them in the mission statement. Finally, he suggested that we gather with other like-minded people to discuss our challenges and to help each other.

Andrew Widmer, director of entrepreneurship programs at The Catholic University of America School of Business and Economics, answered the final question of the conference, “How do we live the vocation to business, starting today?” He began by sharing new proprietary research about the understanding and resonance of the Catholic social doctrine concepts of human dignity, common good, social justice, solidarity, subsidiarity, charity, and preferential option for the poor as well as Church teachings on entrepreneurship, private property, hiring and firing, and just wages. His research indicated that Catholic social doctrine terms resonate strongly but that more than half of Catholics do not understand what the terms mean. There is a long way to go to educate Catholics and then non-Catholics about how these concepts can build stronger economies, communities, and businesses. So where do we start to address these deficiencies of knowledge and practice of Catholic social doctrine?

Widmer said conference participants are problem-solvers and need to become primary actors in bringing Catholic social doctrine to the worlds in which they interact. Widmer summarized the key points of each of the 15 earlier presentations and encouraged each participant to reflect on what they would do when they returned to their offices to deepen their knowledge of Catholic social doctrine, to put at least one thing they’ve learned at the conference into practice, and integrate these concepts and practices into the DNA of their organizations. He closed his presentation by asking participants to bring him examples of the challenges, successes, and failures of implementing Catholic social doctrine in their businesses. This would allow the School of Business and Economics to build business case studies to help Catholics throughout the world who want to live the vocation to business.
PART I

The Challenge of the Vocation to Business
What does it mean to say that business is a vocation?

Cardinal Peter K.A. Turkson
PRESIDENT, PONTIFICAL COUNCIL FOR JUSTICE AND PEACE

INTRODUCTION
In his Mass of Installation, Pope Francis addressed “all those who have positions of responsibility in economic, political and social life, and all men and women of good will.”¹ In the same spirit of openness and dialogue, we gather to discover and to explore business as a vocation; and while we welcome you all warmly, we wish to thank The Catholic University of America’s School of Business and Economics and The Napa Institute for organizing and hosting this important conference.

Accepting on behalf of the Pontifical Council to come before you to present business as a vocation makes manifest the great and growing interest of the Church to provide guidance for the world of business. Rather than an accusing finger, she believes in opening her arms to help professionals grasp the social implications of their faith and act upon them within their business lives. The Church wants to encourage and help entrepreneurs in these difficult and challenging times to meet their great responsibilities to society in a just and fitting manner. Is this spirit of relationship and encounter not, after all, the great legacy of the Second Vatican Council?

In his opening discourse at Vatican II, Pope John XXIII said he wanted the windows of the Church thrown open in order to permit the outside world to see into the Church, and the Church to see the world outside. Papa Giovanni expressed his prayerful wish to see the Church develop a new solidarity and a respectful affection for the human family, its world and for everything that constitutes its life and envelopes life in society.² St. John XXIII wanted the Church, endowed with her Gospel-faith, to enter newly into dialogue with the human family and its world about all its different problems, for “the joys and the hopes, the griefs and the anxieties of the men and women of this age, especially those who are poor or in any way afflicted, these are the joys and hopes, the griefs and anxieties of the followers of Christ as well.”³ Such prayerful wishes eventually became incarnate in new Pontifical Councils such as Interreligious Dialogue, Christian Unity, and Justice and Peace.

Entering into dialogue with the human family, the Church also engages human reason and its savoir-faire in dialogue with the light of faith, wherein all forms of human activity are seen in the light of God’s original creation of the world and of man⁴ in his own image and likeness. Thus, engaging human activity in dialogue with faith leads to the understanding of all such activity in the image and likeness of God’s creative action. Human activity then acquires the sense of a vocation. In the light of her faith, the Church understands human activity—in this case, business, research, invention, entrepreneurship, industry—as a response to God calling man to continue the divine creative work. Created in the image and likeness of God and given the mandate to till and keep the earth, human beings continue God’s work of creation with their activities.
So, let us explore how the Church’s social teaching develops the sense of business as a vocation and some of the foundational ideas related with this understanding of business and entrepreneurship as the Pontifical Council for Justice and Peace has done with its Vocation of the Business Leader, and hopes to do in elaborating the vocations in agriculture, politics, and the judiciary.

**CALLING AND GIFT**

“Vocation” means a calling which comes from God our Creator. Creation and everything created are purposely willed by God. Therefore, everything that exists finds its meaning with reference to God. Accordingly, the sense and value of human activity are not fully discovered and understood without reference to the God of creation. All human activity that affects man, his existence, and his world must be related back to God and must be seen as man continuing and contributing to God’s work of creation.

Pope Francis explained this fundamental truth in his message to the World Economic Forum in Davos, Switzerland:

Business is—in fact—a vocation, and a noble vocation, provided that those engaged in it see themselves challenged by a greater meaning in life. Such men and women are able to serve more effectively the common good and to make the goods of this world more accessible to all.

Business belongs to such human activity; and entrepreneurs should see themselves as called by God to exercise their necessary and important skills and activities in order to assist in continuing God’s work of creation. Properly understood, business leadership is indeed a calling, a vocation, a very noble role. The Church takes great joy in supporting and helping business people to respond appropriately to their vocation and to find the place of their activities in God’s design for man and his world.

We know that business leaders are faced with intense competition, and increasing pressure to be efficient and profitable on a daily basis. Without these qualities, businesses will not survive. But we also know that competition, efficiency, and profitability and the “logic of the market” are not enough to foster the development of people in the world of work. What is needed is the “logic of gift” or generosity that can order the logic of the market towards the good of all. For, it is when human activity is inspired by charity that it anticipates on earth the Kingdom of God, the goal of all human history.
which God willed for itself, can fully find himself only through a sincere gift of himself.”10 Benedict XVI explains that this placement of the logic of gift within business is one of the great challenges before us; and if this logic of gift fails to animate business and its institutions, which is where much of the world works, we will do great damage to the larger society.

An important insight, therefore, of understanding business as a vocation is the conviction that the businessperson is called not just to do business, but to be a particular kind of leader in business. Like any other kind of work, business must embody what Saint John Paul II called the “subjective dimension of work.” Work changes not only the external world, but also the interiority of the one who does the work—the heart, soul and mind, the creativity and sense of self. Our actions at work as well as in life shape our destiny—they move us to a place with eternal implications.

To these eternal implications, business as a vocation points in the words of Jesus: “From everyone who has been given much, much will be demanded; and from the one who has been entrusted with much, much more will be asked” (Lk 12:48). Businesspeople have been given great resources and the Lord asks them to do great things. This is their vocation.

This gifted character of business carries social implications. Business leaders have significant means to undertake something, and with this comes a corresponding responsibility. Accordingly, understanding business as a vocation, the Church sees business not in terms of a legal minimalism—“don’t cheat, lie, or deceive”—but rather as a vocation that makes “an irreplaceable contribution to the material and even the spiritual well-being of humankind.”11 It is about a meaningful life that opens the businessperson to God’s will, and not simply their own will, in the day-to-day decisions of ordinary life, which gives us the capacity to share goods in common and build community.

FOUNDATION PRINCIPLES
This vision of business, which is generated in its encounter with faith, is grounded in and articulated in the Social Doctrine of the Church. At its center is the fundamental dignity of all human beings because we are made in the image and likeness of God (Gn 1:27). This act of creation expresses God’s infinite love for us. Faith denies that a loving God would wish untruth, bondage, injustice and strife for us. Rather, based on divine love and human dignity, our faith would have us embrace four fundamental values: truth, freedom, justice and peace.12 Clearly these values are not unique to our perspective but common to the three great monotheistic faiths and other religions, too. But because they are grounded in our divinely and lovingly created human nature—as taught by Catholic Social Doctrine—we have an absolutely firm response when such values are challenged or denied or violated.

Catholic social doctrine enunciates many other principles, some of which are especially pertinent to the world of business. Service to the common good comes before serving narrower interests. The goods or resources of the world have a universal destiny; creation is a gift to the whole of humanity, not just a part. We are called to act in solidarity with those who lack access to these goods—with the large portion of humanity who suffer in the midst of plenty.

“Businesses and workers are not commodities!”

This vision of business, not without significant tensions, is far from easy to execute in today’s world. Business leaders experience great pressures, such as cutthroat competition; excessive demands for efficiency, speed, and profitability; and tendencies towards greed. External obstacles can also affect a business leader’s decisions, such as corruption and the absence of the rule of law or regulations. Chief among the internal obstacles is the temptation or tendency to separate one’s faith from one’s professional activities. Such a divided personal life is one of the more serious errors of our age. The split between religious faith and day-to-day business practice can lead to imbalances and misplaced devotion to economic success.

What this challenge of a divided life calls for is that business leaders receive and accept what God has done for them and to have this gifted life inform and order the way they give and enter into communion with others in business. When businesspeople integrate prayer, weekly communal worship, the scriptures, the gifts of the spiritual life, the virtues, and ethical social principles into their life and work, they live an “integrated life” and receive the grace to foster the integral
development of all business stakeholders. It is precisely this life of faith that can strengthen and embolden business leaders to respond to the world’s challenges not with fear or cynicism, but with the virtues of faith, hope, and love.

LIVING THE FAITH IN THE PUBLIC SPHERE
At the end of the day, understanding business as a vocation is really the living out of the Christian faith, as faith that does justice, or in the language of the Letter of James, faith that does works.

“Good business is good for the common good!”

Ours is a faith that has implications in the social order. Unfortunately people do not see the social implications of their faith. Living the faith enjoys the guidance and direction of the Church’s social teaching. Thus in the dialogue of faith with business, the practical reason of business challenges theology to apply the tradition concretely in the economic sphere. Faith in turn employs the rich heritage of the principles of the Church’s social teaching to point out shortcomings and to reveal opportunities for business to contribute more to human development and fulfillment.

Respect for human dignity and pursuit of the common good are the foundations of this rich heritage of the Church’s social teaching. With regard to business and the economy, they can be rephrased into three interconnected groups of objectives and characteristics that define the goods of business.

The first objective is to produce Good Goods. Businesses attend to the needs of the world by producing goods that are truly good and services that truly serve. They are alert for opportunities to serve otherwise deprived and underserved populations and people in significant need. They make solidarity with the poor a facet of their service to the common good.

Second, businesses should provide Good Work. By organizing good and productive work, businesses make a contribution to the community by fostering the special dignity of human work. Businesses are communities, not mere commodities! Further, they contribute to the full human development of employees by applying the principle of subsidiarity; that is, by providing employees with opportunities to exercise appropriate authority and creativity as they contribute to the mission of the organisation. They also allow workers to influence the overall direction of the business and accept their right to participate in intermediary bodies such as unions.

The third objective is Good Wealth. By being good stewards of the resources given to them, businesses create sustainable wealth through efficient and productive processes producing healthy profits. But creating wealth in a business is insufficient without the wider context of stewardship for the natural and cultural environment, and just distribution to all stakeholders who have made the wealth possible: employees, customers, investors, suppliers, and the larger community.

CONCLUSION
So, let us recall: Businesses and workers are not commodities! Good business is good for the common good!

May God bless The Catholic University of America’s School of Business and Economics and The Napa Institute. May God bless us all as we seek to fulfil the very noble vocation of business throughout the world. ★

FOOTNOTES
1 Pope Francis, Homily, Eucharist of Installation, 19.03.2013.
2 Cf. Gaudium et Spes, § 3.
3 Gaudium et Spes, § 1.
4 In this text, the usage of “man” includes “woman” and denotes humanity, humankind, all human beings, rather than ‘male as opposed to female.’
5 //www.stthomas.edu/cathstudies/cst/research/publications/vocationbusinesslead/
7 Caritas in Veritate, § 7.
9 See Caritas in Veritate, § 36.
10 Gaudium et Spes, § 24.
11 Vocation of the Business Leader, § 2.
12 See John XXIII, Pacem in Terris, §§ 35-36 and also the title “on establishing universal peace in truth, justice, charity, and liberty.”
What are the main theological and philosophical challenges to living this vocation?

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The title of my talk—“What are the main theological and philosophical challenges to living this vocation [of Business]?”—suggests a question in search of an answer. In this case, however, the question is rhetorical because we already know the answer.¹

Professionals in fields as diverse as business, academics, politics, and military life tend to describe their actions in terms of “processes” that generate optimal and efficient external outcomes. We do so despite the fact of what we already know: namely, that optimization and efficiency regarding external states of affairs cannot adequately describe a human vocation, much less the perfection of human action, and, what is more, that a consistent application of the norms of optimization and efficiency across all domains and levels of human life would prove to be a grotesque simulation of authentic human well-being.

Let’s begin with a hypothetical scenario drawn from the very important and provocative work of the Oxford futurist Nick Bostrom.² Imagine a super-smart machine programmed with the seemingly harmless, and ethically neutral, goal of getting as many paper clips as possible. First it collects them. Then, realizing that it could get more clips if it were smarter, it tries to improve its own algorithm to maximize computing power and collecting abilities. Unrestrained except by external circumstances, its power grows by leaps and bounds, until it will do anything to reach its goal: collect paper clips, yes, but also buy paper clips, steal paper clips, perhaps transform all of earth into a paper clip factory. The machine has instrumental reasons for stubbornly and very smartly pursuing open-ended acquisition of a particular but limited good. Indeed, it maximizes and innovates, even to the point of progressively recapacitating its own powers. Even so, common sense dictates that if such an intelligence succeeded in its endeavor, defeating all opposing reasons for action and overcoming recalcitrant powers and systems, things essential to human flourishing will have been irreversibly lost.

Bostrom’s question is whether super-intelligent machines can be made human-friendly. Of course, the scientific and technological aspects of the question are still to be known. But the moral and anthropological issues are known, at least in a general and perennial way. A human person is capable
of practical wisdom, insofar as he or she can revise purposes in accord with a ranking of ends; a human practical intelligence can learn how to make prudent judgments about right means in a variety of contingent contexts; and, above all, a human agent includes, even if somewhat implicitly, the perfection of the agent (the acting person) as a good to be achieved. The perfection of the agent is an intransitive good—a good distinguished from external results and a good that remains in the agent. A slave, can optimize and innovate, but what counts to the slave owner is the external result rather than slave's personal perfection. Presumably, this is precisely what makes human slavery morally repugnant, and, by the same token, what makes human use of a machine as a mere instrument morally benign.

Swap out for the super-duper machine collecting paper clips the definition of *homo economicus* learned every semester by college undergraduates. Begin with the so-called *rationality principle*: Individuals (in the aggregate) maximize welfare as they conceive it—namely, profits and utilities. They are constrained by time, resources, imperfect calculating capacities, and so forth. But on the whole, they want more rather than less, and their intelligence is devoted prevailing in the face of external circumstances, estimated according to risks and advantages, which function like natural algorithms.

To be sure, it's only a model for predicting outcomes. Many if not most economists will insist that it does not realistically describe any particular human person's intentions. Economists will also point out that in the aggregate irrational as well as rational expectations can be coordinated—thus rendering the *homo economicus* model of rational choice somewhat shaky, at least with regard to predictions. But whatever the advantages or disadvantages of the model, it is a very incomplete understanding of human action.

As for the subject of our gathering, human vocations, I suppose that everyone can quickly understand that a particular vocation cannot be lived or described properly on the abstract model of open-ended maximization of profits and utilities.

Married people, for example, make love, procreate and nurture and educate children, and give to one another acts of fidelity.

Clergy preach and console, and perform sacramental actions. Scholars teach, research, write, and communicate. Physicians diagnose, heal, and comfort. Public authorities pledge service to the common good according to the rule of law, and those who take the oath of military arms swear to face dangers to life and limb.

Not even economists claim to maximize in some open-ended way, but to analyze and to understand, perhaps to predict.

The vocation of business is especially wounded by the abstract model of open-ended acquisition, for if any vocation resembles the relentless paper clip collecting intelligence, it is business. We should not be surprised that, according to a recent survey reported in *The Wall Street Journal*, more than half of the U.S. public says that strong and influential corporations are “bad,” even if (and here is the key part) they promote innovation and growth. Only 36% think they are a source of “hope.” In other words, ordinary people are not in doubt that business enterprises maximize and innovate, but they are skeptical about what any of this means for human ends and actions.

Catholic social doctrine cannot help us to solve problems of public relations, much less pretend to provide abstract mathematical models for predicting economic outcomes. It can, however, assist us to see more clearly and to better describe things we already know about human action.

**FIRST POINT: ACTIONS HAVE PRIORITY TO THINGS IN BUSINESS ENTERPRISE.**

It is easy to focus too much upon the “thing” being produced, exchanged, distributed, and tallied up as profits or losses. One reason is familiar to everyone. When we are engaged in work—making paper clips, or writing speeches about paper clips—it is quite natural to be chiefly aware of the product or the outcome. The excellence of our own action and often the excellence of other agents as well remain implicit, in the background so to speak. While we “work” our focal interest is given to the product. Yet what makes human action different than operations of Bostrom's paper clip collecting AI is that the intrinsic good of our actions (in which our perfection consists, at least as agents) remains an end even when it is not focal.

Another reason is colored by our own culture and time. Utilitarianism is our last standing philosophy. Here, I do not necessarily mean the academically nuanced theories of Utilitarianism so much as the popular sense—which is to say that, for public purposes, actions and policies should be evaluated and then rejected or accepted chiefly on a cost-benefit account of what can be measured by computation. This point of view is reinforced by the reticence of our po-
What are the main theological and philosophical challenges to living this vocation?

Political and legal culture to either make claims about or to enforce notions of intrinsic moral or anthropological value. Such claims should be respectfully left to a private, personal sphere of liberty. Hence, what is or can be accomplished from an external point of view is given priority over the issue of who or what is being perfected by human action. But we cannot for long remain unaware and unreflective about our action as having a certain priority to the things and the external outcomes. Here we are in the presence of what Pope John Paul II called the “acting person”: an irreducible subject of experience, understanding, and judgment.

As I said, this problem is especially important for the dignity of business as a vocation because no other vocation is more deeply immersed in external things and outcomes. It is easier for those in other vocations to more sharply distinguish the perfection of action from the external consequences. The academic profession today is embedded institutionally in a “business model” that emphasizes the quantitative ratio of teachers to students, the quantity of research and publications, and the acquisition of external funding. Even so, academics will be the first to remind administrators that quantity cannot be the chief index of actions internal to the profession of scholarship and teaching. History is replete with famous and exemplary generals who lost wars, explorers who met with a rather undignified demise in uncharted lands and seas, clergy who labored in missions without leaving great numbers in the ledger book of converted souls.

Such must be true in an analogous way of business. We can recall the oft-quoted passage of Centisumus Annus: “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.” Pope John Paul goes on to say: “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.” (CA §35).

Indeed, the world of business is marked by many kinds of actions and transactions. Think of the actions: To produce, exchange, distribute, and consume; to plan, save, invest. Think, too, of the myriad ways that our actions depend upon the concurrent actions of other agents to achieve the intended result.

Catholic social doctrine does not pretend to predict or to directly shape economic outcomes just as such. Rather, it begins at the beginning. Made unto the image and likeness of God, the human person is an intelligent master of his own acts, and in so doing he is provident for himself and others. Being provident is first an action. Business embodies such a complex and morally rich ensemble of actions, that the vocation is misrepresented if we talk only about outcomes rather than the incredibly rich and varied ecosystem of actions and transactions.

SECOND POINT: THE PRIORITY OF RELATIONS TO THINGS

As Aristotle wrote: It is by doing the acts that we do in our transactions with other men that we become just or unjust (NE 1103b). On this view, justice is not a thing standing alongside other things of the world, but rather a tripartite relation between persons and things. For there can be no justice unless and until we correctly align three factors: who owes, what is owed, and to whom it is owed. If justice is to be done, it is not enough that the right “thing” be given to another, but also that the person who owes gives it to whom it is owed.

This triadic relation culminates in an act—one, an individual or a group, gives what is due to the other. Only in this way is it perfective as justice. Of course, that the needy child receives medicine is perfective of the child, but in the order of justice it perfects the acts of whoever is obligated to give. Therefore justice is not maximization or innovation, but a right relation. What is mine, what is thine, and what is ours? The question does not belong solely to the State, for it is dynamically built into the actions and transactions of production, exchange, and distribution.

Justice is sometimes simple, sometimes complex. It depends upon intelligently discerning what we actually owe within the circumstances and complications of various so-
cieties (family, nation, firm), who must deal with perplexities of temporal frame (short or long or longer term), in view of what belongs to individual or collective action, and all of that within context of different political and economic systems.

No business person gets to decide all of the circumstances nor all of the legal and moral rules for this activity. We do get to decide how to treat people within our competence and role: the firm, the employees, the customers, the neighborhood.

The law leaves many judgments and actions indeterminate. Therefore, passive obedience to the law is not enough. No entrepreneur would ever think that the path to a good business is simply complying with the law. Rather, he or she would actively discover new ways to identify authentic human needs and ways to meet them.

Surely, it is always situated. Whatever good sense might be made of the hidden hand of the market, the virtue of justice is an intentional human act in view of what is actually owed to another persons—to the actions of employees, to investors, to various communities, from the state to the neighborhood. Who is my neighbor? Globalism sorely tests this intention to be right by our neighbor. But the fact that business stands in the thick of this turmoil indicates that it is worthy of being regarded as a vocation, for it is not a mere method of generating outcomes so much as a set of responsibilities.

THIRD POINT: SUBSIDIARITY IS NOT EFFICIENCY.

Subsidiarity is often confused with devolution of decisional power from the highest to the lowest, or to the most efficient level. No authentic vocation could be properly described in this way. Think, for example, of the spousal responsibility and right to procreate, nurture and to educate their children, or the responsibility of a legislature to make and to revise laws for the polity, or in Catholic ecclesiology the obligation and role of apostolic authority in teaching, sanctifying, and governing the Church. Surely, it would be odd to think that the principle of subsidiarity protects these actions and roles only on the ground that someone else can’t do them more “efficiently” or on the ground that each is at a “lowest” level. Instead, the tradition of Catholic social doctrine speaks of a “proper” level.

[The] primary responsibility in [social justice] belongs not to the State but to individuals and to the various groups and associations which make up society. ... In addition to the tasks of harmonizing and guiding development, in exceptional circumstances the State can also exercise a substitute function ... Such supplementary interventions, which are justified by urgent reasons touching the common good, must be as brief as possible, so as to avoid removing permanently from society and business systems the gifts of service which are properly theirs [propria munera] ... Here again the principle of subsidiarity must be respected: a community of a higher order should not interfere in the internal life of a community of a lower order, depriving it of the functions which properly belong to it [propriis officiis]. (Centesimus Annus, §48)

We return once again to human actions and relations, but now with an emphasis upon roles, or what we can call vocations. Pope John Paul uses two important ideas. First, propria munera, which can be translated as “gifts of service properly one’s own.” Second, propria officiis, which presents a similar idea of “an office [role] belonging” to a person or community. And thus subsidiarity can be neatly put as follows. When the State provides assistance to societies other than the polity—marriages, families, schools, business firms—it must not absorb or subvert that actions proper to these domains. How low, small, or efficient these societies and associations might be is beside the point of the principle of subsidiarity. The key is the actions—what John Paul calls the “gifts of service” proper to human agents in their social roles and duties. The matrimonial vocation, for example, is not merely reproducing efficiently, but rather procreating matrimonially. Modern technology, as we know, makes possible very efficient methods of reproduction “lower” than matrimonial acts. Yet the efficiency is realized only by the loss of the human action.

There is much more to say about human action, subsidiarity, and vocation. For now, I want to urge those in the business vocation to give more attention to how they describe their actions and transactions so that the actions are not suffocated by the usual language of efficiency.

CONCLUSION

In two generations’ time, we have witnessed the collapse of modern utopianisms: political, social, economic, religious. What the utopianisms had in common is the belief that human perfection as an aggregate state of affairs happens, willy-nilly, behind the backs of the actions of human agents. This is why the worst of the utopianisms declared war outright on individual and communal action by giving absolute and unilateral power only to the state, or only to an abstract market. Thus, the utopianisms leave out the centrality of the human agent,
made unto the image and likeness of God, master of his own acts and provident for himself and others.

The vocation of business is at the center of our post-utopian age of the 21st century. This is not because business is the most important institution. Rather, the most important institutions are those necessary for human happiness: marriage-family, polity, and Church. The human being is a matrimonial, political, and ecclesial animal. I suggest that business is at the center because it touches upon and perfects actions across and within all of these other institutions. All human institutions depend upon the actions of business: producing, exchanging, distributing, investing. Both for its own sake and for the sake of the rest of society it is important that business understands the dignity of its vocation.

FOOTNOTES

1 This is a written transcript of an oral presentation.


What role do the virtues play in the business vocation?

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“Virtue is a habit that makes a person good and makes what that person does good as well.”
— ARISTOTLE (+322 BC) Nicomachean Ethics

“Here in this Book the question is really asked whether God invariably punishes vice with terrestrial punishment and rewards virtue with terrestrial prosperity. If the Jews had answered that question wrongly they might have lost all [of] their [later] influence in history. They might have sunk even down to the level of modern well-educated society. For when once people have begun to believe that prosperity is the reward of virtue their next calamity will be obvious. If prosperity is regarded as the reward of virtue it will be regarded as the symptom of virtue. Men will leave off the task of making good men successful. They will adopt the easier task of making out successful men [to be] good.”
— G.K. CHESTERTON (1916) “Introduction to the Book of Job”

“This ethics stuff. Either the students at this school have learned right from wrong by this stage in their lives, which I tend to doubt, or they haven’t learned right from wrong, and what the frig can I do to fix that?” He puffed on his pipe. . . . “So anyway, in this ethics unit, I take a few philosophers, and in—what is it?—eight classes, I go over three basic ways of making value judgments. That’s it. After that, you all go off to Wall Street. It’s like trying to give an intellectual life to baby wolverines.”
— PETER ROBINSON Snapshots from Hell: The Making of an MBA

My thanks to the organizers of this conference for inviting me to speak to you. I am privileged to make this presentation among so many outstanding scholars and practitioners. And of course, I benefit from His Eminence Cardinal Turkson’s presentation on the nature of vocation and Dr. Hittinger’s comments on the challenges of living out this vocation in the modern world.

In a related mode, I have a challenge to offer you. In recent years, for the very first time, the Church has begun to speak of the occupation, perhaps I may even say the “profession” of business as an authentic Christian vocation. Many of you who are here today have discerned that this is indeed your vocation, or at least one of them. But having discerned that vocation, you need to answer for yourselves two additional sets of questions.

The first set is: What should I do, in the concrete, in the here and now, in active response to this invitation, this calling, to devote my talents and energies to business? And related to this: How must I behave in this arena to remain consistent with my commitments as a disciple of Christ? How will my actions be different from others who are not living out a vocation?
The second set is: What sort of person must I be to do what is required of me? What strengths and abilities must I develop, as a person, to be able to live out my vocation and perhaps even to do so at a level of excellence?

**EXAMPLE OF ATHLETICS**

When we teach ethics to business students—when we try to give an intellectual life to baby wolverines—we tend to focus on the first set of questions, though usually without reference to Christian discipleship. We rarely—if ever at all—address the second set but it is the second set that I want to consider with you today and in doing so I want to offer you a challenge. I challenge you to think about how you have developed your own strengths and abilities and about what you might yet need to develop in order to live your vocation at a level of excellence.

"A business should serve the genuine human needs of its customers or clients."

That word “excellence.” It is attractive to some and frightening to some. Some of us settle for nothing less in superficial aspects of our lives (Mandarin Oriental) and compromise on essentials. Others of us are intimidated by the demands of excellence and make peace with mediocrity by giving it a new name.

The Greek word, “arete,” is often translated as “virtue” but it may also mean “excellence.” For the Greeks, a human virtue was a capacity for thought or action developed to a level of excellence. Aristotle, the Greek philosopher who lived in the fourth century BC, gave us a foundational and systematic analysis of human virtue that has shaped our thinking about this to the present day.

What I will do today is share some of that analysis with you and invite you to think about its application to the vocation of business in general and to your individual vocations in particular.

Our analysis begins by recognizing that our minds operate in two distinct ways. Same mind but two modes of thought. Sometimes we seek to know and to understand, to comprehend the truth about the ways things are in reality. At other times we think in order to act. The first is speculative—not in the sense of contingent or risky but in the sense of seeing what is—and the second is practical (from the Greek word, “praxis,” for action).

This leads us to distinguish two categories of virtues: intellectual virtues, which are developments of our capacity to know and to understand, and moral virtues, which are developments of our capacities to act well. Or we can put things another way and say that intellectual virtues concern what is true and moral virtues concern what is good.

My concern today is with the key moral virtues, which is what Aristotle (and Thomas Aquinas) had in mind when he defined virtues as “habits that make a person good and make what that person does good as well.”

These key virtues we have come to call “cardinal” virtues and there are four of them. Each of them, in one way or another, makes our actions good and reasonable and subordinates our emotions, passions, and appetites to reason.

The most important is practical wisdom (or prudence) which is the development of our capacity to recognize the good in the concrete and to devise sound and effective means of achieving and securing the good.

Justice is the development of our capacity to establish and sustain a right ordering among people in any sort of community or association. The just person is committed to giving others what they deserve to have, to respecting the dignity of persons and to sustaining the common good.

Two other virtues protect the good in special ways. Courage protects the good from challenges external to the person (more about this in a moment), while discipline protects the good from challenges internal to the person.

Permit me here a word about vices. Vices are distortions or mal-developments of our natural capacities. Vices are the opposites of virtues and most moral virtues are flanked by vices of excess or defect. We needn’t go into this further except to say that moral vices not only distort our actions, they pervert our thinking. To the extent to which the vices creep into our lives, we are inhibited from seeing and understanding the good. Or to put it another way, a truly vicious person can no longer distinguish right from wrong in the arena in which he or she is vicious.
Let’s flesh out this idea of moral virtues and business. Our starting point has to be an understanding of the good that business does or serves. What human goods are realized and protected by the operations of a business and the leadership of a manager? I suggest there are three broad areas to consider (in no particular order): First, a business should serve the genuine human needs of its customers or clients. Second, a business should provide good and stable work for its employees. Third, a business should create wealth for owners and investors.

How do the moral virtues contribute to this?

**PRUDENCE** (Practical Wisdom): The habit of recognizing good ends and choosing effective means to achieve them. In business, this means discerning genuine human needs and devising ways of addressing these needs that are proportioned to the capacities of the enterprise.

**ASSOCIATED VICES**
- False Prudence: good judgment about means, but poor choice of ends (e.g., a good thief); false professional competence
- Imprudence: poor judgment about means; incompetence

**ALLIED VIRTUE**
- Sound deliberation: care in examining possible means and willingness to accept advice from others.

**JUSTICE** (Fairness): A firm commitment to choose the good as identified by prudence; the habit of exercising virtue in support of the Common Good (general) or giving to others what they are due (particular). A manager must be able to determine what is fair in particular cases (employees, customers, etc.) but also able to devise and sustain structures that are well-ordered and fair.

**ALLIED VIRTUES**
- Truthfulness (lying, exaggeration)
- Gratitude (ingratitude, excessive gratitude)
- Vindication—just punishment (revenge, insensitivity)
- Liberality—moderates love of money (greed)
- Affability—promoting agreeable relations (flattery)
- Trustingness—the reasonable inclination to trust others (suspicion, gullibility)
- Friendliness—the reasonable inclination to treat others as potential friends (hostility, false familiarity)

**COURAGE** (Fortitude): Right tenacity; a willingness to endure suffering for the sake of the good; the habit of exercising control over inclinations toward fear and boldness to achieve the goals directed by reason. (Vices—cowardice/rashness) Courage aggressively defends the good against threats external to the person.

**ALLIED VIRTUES**
- Loyalty—the habit of remaining faithful in a relationship in the face of difficulties
- Magnanimity—the habit of doing great deeds worthy of honor (presumption, ambition, smallness, faint-heartedness).
- Magnificence—the habit of doing great deeds regardless of cost or effort (extravagance, stinginess).
- Patience—the habit of moderating sadness (impatience, impassivity).
Perseverance—the habit of persisting in the pursuit of a good end in the face of obstacles; constancy of purpose (stubbornness, softness).

**DISCIPLINE** (Temperance): Right passion; selfless self-preservation; the habit of exercising control over inclinations toward enjoyment and denial to achieve a reasonable, well-ordered life. (Vices—indulgence/insensitivity) Discipline protects the good from threats internal to the person.

**ALLIED VIRTUES**
- Moderation: the habit of ordering one's desires for the pleasures of food and drink (gluttony, abstemiousness).
- Chastity: the habit of ordering one's desires for the pleasures of sex (lust, disaffection).
- Industriousness: the habit of engaging in well-ordered work (“workaholism,” laziness).

Discipline: the habit of doing what needs to be done when it needs to be done (compulsiveness, procrastination).

Finally, a word about two other virtues, the supernatural virtues of hope and charity.

Aquinas teaches us that hope, as a virtue, focuses us on a future good, difficult to attain but nevertheless possible. That future good, for Christians, is a share in God's eternal life. That is, this is something we see as a real objective to be attained, not easy or assured but possible. We rely on God's help—grace is a neglected topic in modern theology—and hope that our efforts will achieve the goal.

Charity is the development of our capacity to love, supernatural because the object of our love is the hidden God. And charity directs us to love all of those made in God's image.
What are some practical challenges with living the vocation to business?

Sean Fieler
PRESIDENT, EQUINOX PARTNERS

A WORK IN PROGRESS
There is a speech that I wish I could give. I wish I could tell you that you can embrace your faith and your work, intertwine the two and everything will go swimmingly. I would, of course, provide some appropriate examples from my life, showing that your faith will not cost you success in business, and add that while your colleagues may not always share your faith, they will respect the depth of conviction with which you hold it.

And, as uplifting as this would be, it is not exactly true, at least not in my experience. Instead, what I’m going to tell you is a little more complicated. I’m going to tell you that it will be incredibly difficult to bring your faith into your place of work. That you will likely be challenged if your faith entails truth claims. And, if you are in leadership, you will have to openly make the case for what you believe.

But, despite these challenges, because we believe that business is a calling and not a burdensome means to an end, we must try to intertwine our faith and work.

We must try because even though the business world may not embrace us, they need us. They need people of faith, and they increasingly realize it. For, there is a growing sense that business without values does not work. And, in particular, there is a growing sense that finance without values does not work—that financial firms organized around no purpose other than making money over time corrupt themselves and their employees and do not serve society.

THE FIRST HALF OF MY STORY
My own journey in finance began 20 years ago when I took a job at Equinox Partners, a hedge fund in New York City. Equinox was a start-up at the time, and an unprofitable one at that. We didn’t make money for the first six years. But, I stuck it out. I worked my way up to partner and eventually president. Today, we manage $1.5 billion dollars, have great clients and have generated a 16% return for 20 years, during a period when the stock market returned 9%. In short, the business has been a remarkable success.

But, it is the challenges I’ve faced not the success of Equinox Partners that I want to talk about today—specifically, the challenges a Catholic faces leading a partnership of highly talented Christians, Buddhists, Muslims, Jews, Hindus, and atheists in New York City.

And, as interesting as I hope this story proves, I want to admit that managing a religiously plural work place was the last thing I was thinking about when I began my career. When I graduated from college, I wanted to work at a successful hedge fund. I wanted to make money for our clients and for myself and I wanted to move on to a more meaningful activity.
And, as straightforward as this plan was, from the outset, I had a very large and very mundane problem. We were losing money hand over fist shorting the technology bubble of the late 1990s. Happily, once we solved this admittedly serious problem, the other elements necessary for building a successful business fell into place.

And, it wasn’t until 2005 that the next critical path decision presented itself. That was the year we faced a serious ethical dilemma. That was the year that we bought three Internet gambling companies: Gaming VC, Bet on Sports, and UK Betting.

Now, I had been to Vegas. I had gambled. And, to be honest, gambling struck me as one of the least bad things that happens in Vegas. But, when I looked into the business model of these Internet gambling companies, I came to understand that they didn’t target the social gambler. They needed heavy users. In fact, their business model only worked if their users were betting very large amounts of money on a very regular basis. The economics simply did not work with people that played occasionally. So, the whole business model of these companies was oriented towards keeping heavy gamblers gambling and getting light gamblers to become heavy gamblers.

I understood this dynamic and, accordingly, was viscerally opposed to these investments. But, I could not convincingly articulate my opposition in financial terms. Over the weekend, I explained this situation to my wife. My wife in turn distilled the issue for me.

If you know that these firms are intentionally harming people, and if this harm cannot be corrected but is intrinsic to their business, you cannot invest. So, the following week, I marched into work and objected. This objection was met with surprise, and, I was overruled. After all the investment case was compelling. The companies were very cheap. The returns were very high. And, after all we were trying to make money.

Then it happened. Within months of my curious and unsuccessful moral objection to these investments, the CEO of one of these company’s, Bet On Sports, was arrested in transit from the UK to Costa Rica. The company’s stock went to zero. And, one of the other companies stock’s declined 60%. These events were a Godsend. Rarely is one proven so right so quickly in the investment business. These Internet gambling companies were corrupt. They were skirting U.S. law and got caught. The arrest and investigation crystalized the case for avoiding businesses oriented towards unethical activities.

Drawing from this experience, my partner and I agreed not just to avoid investment in gambling companies, but more generally we agreed “not buy businesses that we find ethically objectionable.” In sum, we decided not to check our values at the door.

While I didn’t know it at the time, the incredibly modest statement we agreed upon that excludes maybe 1% of the potential investments out there, set Equinox Partners on a very different path from our peers.

**ASIDE ABOUT FINANCE**

You see, gambling is not just a problem in Vegas. Gambling is a problem in finance, and our unwillingness to invest in gambling companies would truly prefigure the business trajectory of Equinox Partners.

Now, let me explain why the temptation to gamble is so pervasive on Wall Street. There are basically two choices that finance professionals have today.

Their first choice is to insist that all financial transactions make sense. To think them through. To make sure all parties benefit and that a bad acting is discouraged. (This is not the most popular option.)
The second choice is to treat finance like a game. Every financial product has a willing buyer and seller. For the players in the game of finance money equals winning. Those in search of more meaning, argue that by playing this game they are actually making society better off. (This is the more popular option.)

The problem with the game metaphor is that it encourages you to treat your customer like an opponent rather than a person. And it does not require a particularly nuanced understanding of Catholic social teaching to explain that this runs counter to it.

But, there is a second, more worldly problem with reducing the vocation of business to a game. Over time, the idea of work as a game will break apart firms that do business this way.

You see, the relationship that a firm has with its clients tends to be the model relationship that is replicated over and over again throughout the firm’s activities. It is like the firm’s DNA. It guides all of the relationships in the firm.

Following this logic, if you treat your clients like a means to an end or an opponent, your employees will treat your firm and their job as a means to an end, and the firm will divide against itself and break down over time.

To be clear, this is exactly what has happened at many of our largest financial firms. They are playing against rather than serving their clients and internally divided amongst themselves. More systems, more rules, more technology, are not going to fix this problem. In fact, the number of rules and regulation in finance has increased in tandem with the cultural decline of Wall Street.

While rules and regulations are intended to work against the problematic essence, the DNA, of these firms, they do nothing to change this DNA. In fact, they are actually aggravating the problem by presuming the moral inferiority of financial professionals to their regulators. The predictable result of this process is that finance remains a game, just one with more and more rules.

The estimated 30,000 pages of rules stemming from Dodd Frank should give you a sense of the dynamic to which I’m referring. We’re far beyond an attempt to reign in bad actors. Rather, we are knee deep in an attempt to create the perfect systems that will force good behavior without changing the hearts and minds of the financial professional themselves.

And, we are ignoring the reality that for finance to work, we need highly ethical people in finance, more so than most other professions. And, we need to give these professionals freedom to act and to decide. We need to encourage these ethical people to put their values above profit. And, undoubtedly, a very important part of this is going to be a reacceptance of religion in the work place.

If you are in leadership, you will have to openly make the case for what you believe.

RETURN TO THE STORY
Returning to my career, a lot has changed since 2006 at Equinox Partners. We survived the financial crisis, and I became president. While I didn’t fully appreciate it at the time, this leadership role has put an enormous incremental focus on my faith. In my case, this increased dramatically after we turned down a client that was a major sponsor of abortion shortly after I became president.

While we didn’t turn this client down on religious grounds, my partners understandably wanted to know how my faith was going to affect my work. We were no longer just avoiding unprofitable investments, we were actually sacrificing.

From their perspective…. “your faith can’t impact my work because that would make this a Christian firm and that’s not acceptable to us.” In essence, this is the age-old problem that so many Catholics have faced.

From my perspective, I couldn’t say that my faith doesn’t affect my work. I knew that I could not wall off part of my life from God.

And, this simple refusal to segregate work and faith has set me on an interesting journey. God has given me an opportunity not to create a Catholic firm, nor a firm of believers…but, to plot out a viable path for a religiously plural financial partnership in New York City.
CONCLUSION

Having been on this journey for the past few years, I’ve come to a few conclusions. First, the strategy of allowing my faith to gently permeate my work, a strategy that worked fine as a co-worker, is not viable for a leader asking others to sacrifice. My partners felt like they were being controlled by an unseen force that was affecting their work.

What were the limits of this force? Was I favoring one investment over another because of my faith or my analysis? How could they know?

So, I had to make the case for how what I believed impacted my work. In these conversations, I distilled social teaching down to the simple idea that people are made in the image and likeness of God and must be treated with their God-given dignity.

Having made the case, I then had to show my partners that I was not going to force them to adopt my position. That is part of treating them with their God-given dignity. This means not only making the case in the clear-cut instances, but also making the case when there is ambiguity and room for judgment.

The decision, for instance, not to invest in a good business with objectionable management has been a recurring theme. Is the objectionable behavior contained, or are we necessarily the same person at work, at home, with the clients, with your employees?

In the money management business, these decisions come up over and over again, giving me an opportunity not just to make the right choice once but to validate the right choice over and over again. My hope is that in this process if we are able to treat others with their God-given dignity and insist on the same of the companies in which we invest then this way of thinking will become part of our firm’s DNA. ★
PART II

Solidarity is the Answer
What is solidarity, and how does it apply to the marketplace?

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INTRODUCTION

‘Solidarity’ lives in the popular imagination, like much of Catholic social thought, as a variety of straw-man representations. Each false image gets at least something right, but none of them really provides a proper conception of what solidarity is.

It’s easy to find these straw men. My favorite example, and maybe the worst, is the idea that progressive taxes are what solidarity is. Quebec has a ‘solidarity tax credit’ and the Germany’s income tax includes a ‘solidarity surcharge.’ There are many more examples of these kinds of taxes in the European Union and elsewhere. This is not to say that progressive taxes are bad, but rather, that progressive taxes aren’t what solidarity is.

Another popular image of solidarity comes from the ‘solidarity movement’ in Poland, which causes us to identify Christian labor unions with what solidarity is. Iconic images of Lech Walesa and his heroic co-workers will live in our memory for a long while, especially for those of us who remember the end of Soviet rule in Poland. We know too how much John Paul II inspired and cared for this movement in Poland, making it tempting to equate solidarity as a theological notion with the historical reality of such a fine movement.

A final straw man comes closer than the previous ones, but still falls short of a capturing what solidarity is. This notion says that solidarity is the same as charitable giving and the preferential option for the poor—especially the sick and the suffering. Under this misconception, all charitable activities, ranging from soup kitchens, to missionary work, to monetary donations, count as works of solidarity. I would like to say that this is often true—but not by virtue of giving stuff away or helping the poor per se. Rather, solidarity is something else, something that frequently gives rise to giving stuff away and helping the poor.

So what is solidarity exactly? And why is it that we rely on these blurry ideas about something that is a core principle of Catholic social doctrine? In what follows, I will argue that we lack a proper definition in existing magisterial documents.

DATA ON SOLIDARITY IN THE MAGISTERIAL DOCUMENTS

At first glance it may seem that we have a good definition of solidarity. To begin, there is the oft-cited passage from Solicitude §38 defining solidarity as “a firm and persevering determination to commit oneself to the common good.” But of course, it is a principle of Catholic social thought that all of social life ought to be ordered to the common good—so this definition by itself leaves us perhaps putting too much on solidarity. It would have to carry all of the various virtues and habits that are somehow related to the right ordering of social relations.
Now, at the same time, in the same passage, we find another idea: that solidarity is the virtue that arises from the recognition of interdependence. And finally, there is the notion of mutual responsibility. “We are all really responsible for all.” Note how many possible definitions arise from this one passage of *Solicitudo*. Solidarity is not well defined here.

An observer might think that I have turned to *Solicitudo* first as a rhetorical trick. After all, we don’t expect encyclicals to provide concise definitions. But curiously, the Catechism too leaves us short of a consistent, working definition. We find in §1939 that solidarity is “also articulated in terms of friendship or social charity,” and “is a demand of human and Christian brotherhood.” Note that to say “A is also articulated in terms of B” is merely to say that it goes by another name—this is not yet to define what A is. Furthermore, to say that “A is a demand of C” is still not to define A. So it is critical to look at what the Catechism offers next. In §1940 the Catechism of the Catholic Church states “Solidarity is manifested in the first place by the distribution of goods and pay for work.”

At this point more than one contradiction arises. First, it is hard to see how this is the primary manifestation of solidarity, when solidarity is also defined in *Solicitudo* as the firm commitment to the common good. One wants to ask at this point whether the common good is chiefly material or spiritual? If the latter, how is the distribution of goods the primary expression of solidarity? Second, although we are first told that solidarity is also articulated as social charity, §1940 says that pay for work is a primary manifestation. But pay for work is primarily a matter of justice and not charity. So this seems to be a contradiction. We must conclude that solidarity is not well defined.

For one final piece of data on magisterial definitions of solidarity, I present the entire treatment of solidarity from the *Compendium of Social Doctrine of the Church* §192-196. While the text is too long to quote here, the most striking fact is that in more than one thousand words on solidarity, the grammatical structure “solidarity is…” cannot be found. Instead the Compendium talks around solidarity in numerous ways, making reference to some of the same themes already mentioned here: interdependence, common good, inequality, justice, moral virtue, and more.

Taken together, these complex and competing ideas about solidarity are confusing at best, self-contradictory at worst. It can also seem as if a new idea about solidarity arises with each new pope, and each new document. Is there a fixed point—a central conception of solidarity that reconciles each notion and puts the various descriptions in order? I believe the answer is yes, and it is vitally important to identify this fixed point. For we shall know how to live solidarity in business if we don’t first know what it is.
ARRIVING AT A PROPER DEFINITION OF SOLIDARITY

I will therefore begin with a proposed working definition of solidarity—something like a draft version, if you will, since I have no authority to define this term on behalf of the magisterium. This definition is: unity arising from fraternal charity.

A. Fraternity: “He Ain’t Heavy, He’s My Brother”

Solidarity begins with the recognition of a common humanity in all men: we belong to the same human family, and we have a common destiny. Common humanity is captured by the term “fraternal” which means “of brothers.” Brotherhood is a familial relation of rough equality; note that within a family the distinctions of class, education, ethnicity, and so on, do not apply because brothers are presumably the same in those respects. Brothers are “as one.” This reminds us that one of the earliest Christian impulses was to say that human distinctions of race and class are irrelevant to the basic call to love and live in communion. “No more Jew or Gentile, no more slave and freeman, no more male and female; you are all one person in Jesus Christ.” (Gal 3:28)

Therefore, solidarity is the virtue by which we aim to introduce a fraternal spirit into the social order. This is the spirit captured by the winsome story of the older sibling carrying the younger child, and saying, when asked if the youngster was a burden: “he ain’t heavy—he’s my brother.”
Now immediately, when we think of this image of brother carrying brother, we have arrived at the sense of solidarity which is typically rendered “all are responsible for all”, or mutual responsibility. Because all men are my brothers, I am responsible for them. Because all men are my brothers, works of charity seem as nothing to me—no burden at all. So a definition of solidarity that anchors the virtue in “fraternal” charity is critical. It is this “fraternal” that is meant to be the source of mutual responsibility.

But solidarity doesn’t stop merely at this fraternal spirit of mutual responsibility and interdependence—already an admirable goal on a human level. Solidarity asks for fraternal charity—caritas. It is one thing to love our brothers, and quite another thing to love those who are not our family. And this is exactly what is included in the conception of solidarity found in Catholic social thought. Solidarity maintains that we are all brothers in the human family, and these familial relationships should be characterized by acts of friendship and love.

Many questions arise when we come to understand solidarity as fraternal love for all men. An important one is, do we have to love everyone in the world equally? St. Thomas says no, we need not, for “love can be unequal in two ways.” To love, he taught, is to will the good of another. Therefore, love can be unequal in what we wish for others, and also in the intensity of our action towards that good. In the wishing, Thomas says we should wish the same good for all men: namely everlasting happiness. But in the intensity of action towards the good of others—on this score we need not, indeed cannot, love all men equally. This is a relief, and seems...
to provide some sensible direction to the demands of solidarity, especially in a global world.

Another important question follows immediately from the first. If we need not love all men equally, which men should we love more than others? Here again, St. Thomas provides eminently sensible advice in the Summa II.II 26. He recommends that we should love those near to us more than those far from us, that we should love those in need more than those with lesser need, and finally, that we should love those for whom we have particular responsibility more than those for whom we do not—such as family, friends, or employees.

Finally, in the same part of the Summa (II.II 26, 5), St. Thomas offers the reason for loving our neighbor: “fellowship in the full participation of happiness.” Now “fellowship” is something like “oneness” or “unity”, and “participated happiness” just is the common good. Here, then, is the sought-after connection between solidarity and the common good so described by John Paul II in Solicitudo §38. And here too is the bridge to unity.

John Paul II describes two kinds of human bonding, or unity: first, that of belonging to the same human race; and second, a “new model of unity” arising from love between men. We can detect here precisely the entire “concept” or “notion” that solidarity aims to encapsulate. Solidarity is that Christian virtue through which, beginning from imperfect unity which is characteristic of mere biological participation in the human family, we aim, through acts of real love, at perfect unity. Solidarity can therefore be increased through two kinds of acts: acts of love, and acts of unity.

Though we are not used to thinking of the difference between love and unity, consider that without some distinction, solidarity would be identical to charity—we would have no need for the refinement we call solidarity. Now unity is the “end” of all true love—love by its nature unites. But in the natural order, some relationships are unitive by nature—such as marriage—while others are not. Therefore it is through the virtue of solidarity that we aim at actual unity with our friends and neighbors—and not only at friendship or love of neighbor.

To see the difference, recall the story of the Missionaries of Charity when they moved into San Francisco. The Diocese gave them a house, and had renovated it for them—giving them new appliances, a large water heater, and fresh carpeting. When Mother Teresa arrived, she and her sisters rolled up the carpets and threw them away. They instructed workers to remove the water heater. They made several other de- renovations that shocked and even insulted some of the kind people in the diocese. Why did they do this? Because the Missionaries aim to serve the poor—to work for their good—and this is charity. But they also wish to live like the poor—to experience what they experience—and this is unity, the sort of unity which solidarity aims to inspire in us.

C. Unity: Fellowship in Participated Happiness
I’ll begin the discussion on unity by returning to Solicitudo, but this time in §40.
With this definition in hand, I wish to return to some of the passages that seemed to lack a working definition. We may now understand those passages afresh, as if for the first time.

According to this passage, solidarity “has many points of contact with charity”. Solidarity is also born from brotherhood of all men in Christ, and inspires a “new model of unity.” Hence we have that solidarity is unity arising from fraternal charity.

Turning now to other treatments of solidarity beyond Solicitudo, I ask the same question: is the draft definition here consistent with the various usages of solidarity in magisterial documents? Consider John Paul II’s comment in Centesimus §10.

Already, with the new definition in hand, unity arising from fraternal charity, Solicitudo §38 is more intelligible as a description of a Christian virtue that tends to unity in the pursuit of the common good. And this, the Pope wants to say, is opposed to a reductive set of shallow sentiments. But if we move forward and look at the full text of Solicitudo §40, we find the definition even more striking. This passage contains what is arguably the best description of solidarity in that encyclical—but without the working definition it would be easy to miss even here.

John Paul II links solidarity with friendship and love—and he goes on to claim that this is implicitly the case in Leo XIII’s great encyclical Rerum Novarum. This is a striking thing, of course, since Leo never used the term “solidarity.” But a close reading of Rerum Novarum §25 reveals that same formulation again—bonds (unity) of friendship and brotherly love, arising from a recognition of common humanity, and a single, common destiny, which is the common good of all men.
What is solidarity, and how does it apply to the marketplace?

Strikingly, one finds that same formulation also in the following passage from the Christmas Message of John XXIII in 1959.

A comprehensive examination of every usage of solidarity in Catholic social thought, which cannot be presented here, yields this same, consistent formulation of what solidarity is. What remains to be shown here is one final thing which one may possibly find quite incredible—or altogether credible depending on one's prior familiarity with the history of Catholic thought.

In Centesimus §10, John Paul II wrote that solidarity, or “social friendship,” was a concept already possessed by the Greeks. While many passages could be cited, here is one from Aristotle’s Politics that is particularly striking for its closeness to what we are here discussing.

Aristotle states that friendship between men gives rise to unity within the state. He also states that this unity arising from friendship was believed to be the greatest good of the state. Beautifully, then, this same concept is perfected in social thought among Christians from the very beginning. It is perfected since with Christianity the grounds for friendship are expanded in a way that the Greeks didn’t think about.

IMPLICATIONS FOR THE MARKETPLACE

In the space that remains, I will outline briefly six implications of this working definition of solidarity.

1. Solidarity is not social justice

To take just one example to start with, consider the above passage from Caritas in Veritate by Pope Benedict. Many people, reading this text, worried that the Pope was arguing that market functions be replaced with some kind of new “system” of gift and gratuitousness? But, as the Pope begins with an appeal to solidarity, we can say with certainty that this is not the case.

To see this, note from the earlier discussion that solidarity does not principally concern exchanges. Exchanges are governed by a distinct virtue, namely justice, by which we give others what is due to them. Solidarity is instead tied to the
virtue of charity (and friendship), by which we seek to give others what is their good.

So when the Pope says that we need “internal forms of solidarity and mutual trust” for proper economic function, he is saying that those persons who interact in the economy—whether as employers and employees, or buyers and sellers—should strive to interact as friends and not as mere agents. This does not mean each transaction requires a business lunch on the side. But it does mean that we should aim to avoid the fallen impulse to view other people as means to an end. If we go through a check-out line without a smile, an inquiry, an expression of human solidarity, then we have merely used the other person.

Another way to put this point is to say that solidarity is not social justice. Rather, solidarity is social charity. Now charity presupposes justice, since charity is a higher order virtue. But to equate social charity with social justice is to ask for too much from justice—thereby subverting and weakening justice. If charity can be left to charity, then the juridical order stands robust—eager to be perfected by the gratuitousness and gift—friendship and love—of which Benedict speaks. Pius XI in *Quadragesimo Anno* provides the clearest example from Catholic social thought of these two pillars laid out side by side.

2. Solidarity, Friendship and the Knowledge of Persons
Solidarity can’t be lived without living friendship, and friendship can’t be exercised without a real knowledge of other people. So solidarity will always favor a marketplace in which agents can and do know something about each other. Take farming for example. Most of us have no idea how our food gets to the table. We don’t know the people who grow it, process it, transport it, or prepare it. So it is hard to think about being in solidarity with farmers when we don’t know any farmers, and don’t know anything about what a farmer cares about. This sad reality surely motivates the Starbucks-style campaigns in which we see a poster with a photo of “Jose” together with text assuring us that us he was paid a fair wage. I doubt that these campaigns can really advance human solidarity as we have understood it, but they do speak to the fact that no one likes a purely impersonal marketplace.

For real growth in solidarity, what is probably more important is that each layer of management at Starbucks has real relationships within the corporation, both vertically and laterally. As for me, a faux relationship with the guy who picked my beans has little value. But I can probably work to improve the way I deal with the people behind the counter—putting my phone away, for example, making eye contact, and providing a friendly greeting day after day.

There are many implications that can be worked out for various circumstances in business and the marketplace. But the central principle is that solidarity requires friendship, and friendship requires knowledge of persons. This principle represents a large challenge in an increasingly centralized marketplace, and a digital-virtual economy.

3. Solidarity, Friendship and Gifts
Sometimes—very often—solidarity demands that we give things away. But a quick survey of much of what passes for Western charitable giving leads to an important clarification. First and foremost, solidarity demands that we treat others as friends—and as equals as much as possible. This principle should remain central in the manner and substance of our giving as in other areas of friendship. For example, as I have argued elsewhere, creating a job (or many jobs) may be more
What is solidarity, and how does it apply to the marketplace?

fitting of a relationship of friendship than a pure donation. By the same token, education and training may be a better gift than a gift of capital for investment—depending on the conditions. I leave the development of this to a further analysis—but one can see here the contours of an argument for decreased regulation of businesses, precisely for the sake of providing a most suitable means for the giving of gifts in the manner of friendship.

4. Solidarity Corrects Against Individualism
A proper conception of solidarity really says that individualism is an inadequate social philosophy—we are enjoined not to think in terms of our own narrow interests, and not even in terms of some kind of Lockean or Smithian individualism in which we blithely suppose that individual interest-seeking is a tide that lifts all boats. Solidarity requires not only that we do good things for others, but also that we understand ourselves to be really aiming at unity with others. As this is true, solidarity favors arrangements in human affairs in which we are really tied in with each other, dependent upon each other. This dependency need not be legal or contractual, but it does need to be real. If others around us rise and fall, and we are yet the same—it makes no difference to us—surely something is wrong.

5. Solidarity Corrects Against Collectivism
Following upon the above, getting clear about what solidarity is helps to remind us that the great poles of social thought are not communism and capitalism. In fact these are not even opposites in any intelligible way. Rather, the great poles, called the twin rocks of shipwreck by Pius XI, are collectivism and individualism. Therefore, just as solidarity is that virtue whereby we reject individualism soundly, it is also that virtue whereby collectivism is rejected. At first glance this may seems paradoxical—since solidarity aims at unity, which appears to be the aim of collectivists. But in fact, solidarity calls for a unity built upon the good of each man, not a unity that sacrifices the good of each man for the good of the collective.

This highlights the authentic genius in the proper conception of solidarity—as with all things Catholic. Solidarity delivers us both the nobility of the singular good, and the majesty of the common good. We get the good parts of collectivism and individualism, if Christian principles prevail, but none of the bad parts. No wonder, indeed, that Pius XI called solidarity—social charity—the soul of the social order.

6. Solidarity Unites the Practical and Speculative Orders
Perhaps the most interesting thing about getting it right about solidarity is the conclusion that there is an analog between the social virtues and the individual ones. In the private sphere, the moral life—what we should do—is understood properly only in terms of the end of human life—what we should be. The goal of our striving is not exactly love—but union with God. Love is the means to union with God. But the love is for the union—the union is not for the love.

Solidarity says that the same holds true in social life. We aim to love others—to live a moral life—so that we can achieve union with others. Now that union with others becomes sensible, desirable in fact, if it is also union with God. And this is what we call the common good: fellowship in participated happiness, in union with God. ★
How should we understand private property in the context of solidarity?

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The problem of how to square the institution of private property with the demands of Christian charity (fellowship, or solidarity) has long plagued the Church. Scripture gives a mixed reading. Sometimes private property is renounced, as in the practice of the early apostles. Sometimes it is regarded as a blessing, as in Job. But most often, the institution of private property is spoken of as carrying with it an obligation to others. Although some of the Church Fathers regarded private property as a concession to fallen human nature, the Church has long affirmed the institution independently of such concerns. Private property is seen as fitting to human nature, and is therefore a good institution. However, the right to private property is not unqualified. It must be understood as being ordered to the common good.

This leaves us with something that feels like a tension. On the one hand, private property allows individuals to own the fruits of their labors, with a primary purpose of allowing them to use their property to pursue their own self-interests. On the other hand, we are to bear in mind the needs of others as we dispose of our property. People of goodwill are then confronted with the question of how to balance their pursuit of their own interests with the call to care for others.

There are two reasons for this difficulty. First, the public square is dominated by an overly individualistic account of the human person. C.B. MacPherson refers to this as a spirit of possessive individualism, which he locates in the early modern period. On this view, we own ourselves outright. As a consequence, we also own our own labor or effort. And as a further consequence we own anything with which we have mixed our labor or effort. What we have, we have by right. The primacy of the individual is further reflected in the idea that society exists as a social contract between individuals. Because individuals are in competition for scarce resources, a social contract emerges as a means of securing the peace. We sacrifice some of our freedom to do as we like in order to secure ourselves from the harm that might be done to us by others exercising their own unfettered freedom.

This view of the human person is not entirely wrong. The tradition of Catholic social thought has echoed the insight that there is some natural right to the fruits of one's own labor. But it locates that insight in a very different view of human nature—one that affirms the importance of the individual, but which sees her as an intrinsically social being (as opposed to one who is merely social by contract).

The second reason for the difficulty we have in balancing the pursuit of our own interests with the demands of others lies in our misunderstanding of the nature of the good life. Modernity tends to view happiness as the matter of satisfying one's preferences. But for the Church there is an objective quality to human happiness, and fallen humans may well have disordered desires that lead them away from
genuine flourishing. Such disordered desires create the illusion that the call to care for others detracts from our ability to pursue our own self-interest.

My task here is to briefly sketch out the Catholic view of private property in light of its view of the human person. I want to do this by first discussing why we should be concerned with the needs of others—that is to give a stronger foundation for understanding why there is an obligation to use one's private property in light of the common good. I then want to take up the more challenging argument that if we had a better understanding of our own interests, we would find that there is little or no tension between the pursuit of our own self-interest and the call to be in solidarity with others. The big problem is that we have a disordered relationship with material wealth itself.

THE HUMAN PERSON IS INTRINSICALLY SOCIAL: Why we should be attentive to the demands of solidarity.

The place to start is to ask what constitutes fulfillment for a human being. If we see humans as being made in the image and likeness of God, then there is reason to think that just as God’s relational nature is essential to his being, so too is our relational nature essential to our being. Although this is a theological insight, some reflection on the nature of human beings bears it out. Consider, for example, the fact that human beings are rational. We are able to reason about the world around us, and about the actions we should take. But our ability to reason is deeply bound up with language, which is inherently social. We need words to form concepts, and those words emerge in conversations with other humans. Indeed, our ability to even know ourselves depends on seeing ourselves reflected in the eyes of another. It is no accident that the worst punishment you can inflict on a human being besides the death penalty is to put them into solitary confinement.

Because we need others for our own fulfillment, part of our perfection as human beings entails cultivating the virtue of justice—to will with whole hearts that we render to others their due. It further entails cultivating the virtue of charity—which is to take even greater concern in the welfare of others. Any view of the human person that diminishes our sense of community and connection with others, rests on the illusion that we aren’t as radically dependent on others as we really are. On that mistaken view, we may act in a way that undermines our social bonds in a way that hinders our own flourishing (even if we don’t recognize it as such).
The economic realm reflects the reality that we are intrinsically social. Although there is something to the view that individual effort should be tied to individual rewards, it is an incomplete view. Our wealth does not depend solely on John’s hard work, or Jane’s entrepreneurship. As Adam Smith notes, a good deal of our wealth stems from the simple fact that we are far more productive when we work together than we would be if we worked alone. Consider your shirt. If you had to make the shirt for yourself, from scratch, it would take a great deal of time. You’d have to pick the cotton and card it. Spin the cotton into thread. Weave the thread into cloth. Gather the materials necessary to make a dye, and then dye the cloth. And so on. By contrast, because of our interdependence, you are able to work at your job for an hour or so in order to earn enough to buy the same shirt. That difference in time is an example of the enormous dividend we enjoy as a result of the social nature of economic production. There really is something like a free lunch after all.

This is not to say that individual effort isn’t also important and shouldn’t also be rewarded. There is both an individual and a social component to our productivity. But if a good bit of our wealth draws on the social dividend, it would seem to follow that we have a natural duty to be worried about the social good as well as our own good. We benefit from the fact that we are part of society. We therefore have obligations to secure the good of the whole—and that is best embodied through the virtue of solidarity.

The responsibility to others can be exercised in a variety of ways. We can pursue it through the practice of providing good products and services at just prices; by hiring others at just wages; by meeting the needs of others through charity; through volunteer work; and by exercising our political duties as voters and citizens with an eye towards promoting the common good rather than our narrow self-interest.

PROPER RELATIONSHIP WITH MATERIAL WEALTH

If we left it there, we’d have an explanation for why we are responsible for both the pursuit of our own self-interest, and for the well-being of others. But we’d also still be left with the sense that the duty to care for others comes at our own expense—if we give more to others, we have to make do with less.

This tension appears to arise in St. Thomas Aquinas’s account of private property. In his discussion of whether private property is permitted, Aquinas argues that we need to consider private property from two different angles. The first angle relates to the question of how private property should be managed. And from that angle, private property is permitted—indeed is actively good. It prevents bickering. It assigns responsibility. And it channels our natural concern to look after ourselves and our families to productive uses. In setting out these principles, Aquinas has a lot of resonance with modern economic thought both in terms of why markets are superior to central planning and the notion that self-interest is a good motivator to work. The second angle, however, seems to surface our familiar tension. With respect to use, we should hold private property as if it were in common, i.e. ready to share with others in need.

“The institution of private property is beautifully suited to serving our self-interest in solidarity with the larger community.”

The argument that private property is good, because we are more likely to work diligently when it is for our direct benefit, seems to be in tension with the idea that we should then turn around and consider the fruits of our labor as though they were goods held in common. But for Aquinas there is no tension here. To see why, we need to explore more what Aquinas means when he says that it is natural for people to work more diligently to secure their own needs and those of their families.

The answer lies in what Aquinas has to say about our proper relationship with material goods. He emphasizes that they are instrumental goods… goods that are desirable in light of the ends they are meant to serve. In many ways, Aquinas shares modern sensibilities about this. Material goods support biological life, but they are also necessary to allow us to live “becomingly” in keeping with social norms. They can be used to support virtuous activities—including the virtue of magnificence which has to do with spending large sums of money well (usually in support of social goods like libraries and so on). They can be used in support of arts and crafts.
But Aquinas differs in one crucial way: unlike us, Aquinas thinks that our desire for material goods should be measured or bounded by the ends they serve. What does that mean? Aquinas offers the example of medicine. If one has a headache and it takes two aspirin to cure the headache, one wants two aspirin, not four or ten. The desire for medicine is measured by the end it is meant to serve. We should see our need for material goods in the exact same light. If it takes $X$ amount of dollars to achieve a good life, then one needs $X$ amount of dollars. Anything above that is surplus. Anything above that should be shared with others. And in such a world, the sharing does not come at our own expense. Once you have what you need, why wouldn’t you share the rest?

If we add this all together we get the following picture: Private property gives us responsibility for a section of the universe, to cultivate well. It channels our natural concern for ourselves to productive uses. But our natural concern for ourselves is to provision ourselves with what we need. Anything above that should be shared with others. And in such a world, the sharing does not come at our own expense. Once you have what you need, why wouldn’t you share the rest?

Of course, it’s easy to say we should have bounded desires. It’s actually quite difficult to do. In Aquinas’s day, the socially appropriate standard of living for someone was set by social norms based on one’s occupation. For example, there was a sense of what standard of living was appropriate for a baker. Once the baker had enough income to maintain that standard of living, any extra income would be surplus.

In our world, we have social mobility, and that means that appropriate standards of living are set not by our position, but rather by whatever income we manage to earn. So in Aquinas’s day, it would not have been difficult to identify what was ‘surplus.’ In our day, there is no ‘surplus’—because the standard of living we are ‘entitled’ to is set by the income we manage to earn. Worse, the culture tends to keep ratcheting up the standard of living. Twenty years ago, one didn’t need a cell phone to live becomingly. Today we do. The cultural pressure to keep raising one’s standard of living is very strong and difficult to resist. But that leaves us with the predicament that a lot of well-meaning people who are objectively rich by any historical standard, can also genuinely feel like they don’t have quite enough. And as a result, they feel like there’s a tension between using their property to pursue their own ends, or to assist those in needs.

Is there any way out of this conundrum? I have just a few suggestions to make here. First, we need to work to have more wisdom about what things are really needed and what things really weren’t. Instead of thinking in terms of lists of things it would be nice to have, we should think holistically. What is a pattern of life that is really fitting and beautiful? What things really work to serve our best ends and aims? What things are really distractions? The tragedy of our disordered relationship with material goods is that it keeps us working harder and harder without really bringing us nearer to the higher human goods that constitute real flourishing. It is as if we mistakenly think that a good poem consists in a string of appealing words, rather than recognizing that the beauty of the poem lies in the careful arrangement of a few well-chosen words. Just so, our material lives should consist in the careful arrangement of a few well-chosen goods.

Second, we need to recognize the social forces that shape our consumption patterns. It is much harder to reshape one’s approach to material life on one’s own. It can be a social liability to fail to maintain material standards that are considered appropriate by the community. As a result, if we are members of a community with an extravagant and ill-considered sense of what is ‘necessary,’ we will feel pressure to keep up, even if we know that such spending patterns are essentially wasteful. To combat this, it would help to form intentional communities that would work to keep the “becoming” standard of living from ratcheting ever upwards.

And finally, we probably have to concede that insofar as we are not going to arrive at a fully virtuous relationship with material goods, we are going to have to do more that feels like a “sacrifice.”

The institution of private property is beautifully suited to serving our self-interest in solidarity with the larger community. But that harmony only obtains if we can come into right relationship with material goods—by seeking beauty, fittingness, and perfection rather than “more.” The way I like to think of it is this: we spend a lot of time worrying about how to efficiently convert resources into income. We should spend as much time worrying about how to convert income into a life well lived. Until we do, we will fail to do right by others, but we will also fail to do right by ourselves. ★

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2 St. Thomas Aquinas, Summa Theologiae, II-II.66.2
Dean Abela asked that I speak to you today regarding the following topic: “How does the practice of solidarity in business strengthen human relationships and promote human flourishing?”

Well, assuming that you believe, as I do, that solidarity is a good thing, it is almost axiomatic that the practice of such solidarity, whether in business, or for that matter anywhere else, would indeed result in the strengthening of human relationships, and the promotion of human flourishing. I think we all accept that conclusion as a foundational premise. So maybe the truly provocative questions for us today are, first, what dynamics within the modern business world might encourage us to practice solidarity, and second, how might those opportunities be exploited most effectively?

By the way, I think conferences like this should be provocative. They should provoke new and challenging thinking about significant issues. Now of course, they should provoke us toward the truth, but if we are not truly opening our minds toward fresh perspectives, we are merely repeating already-accepted articles of faith. That is a good thing, not a bad thing, but it is not the best use of a conference like this.

So let’s start by exploring the dynamics of the modern business world that might present opportunities for practicing solidarity, and let’s start that process by acknowledging some realities of that world.

First, no one really escapes the modern business world. Nor should they want to. The modern business world is nothing more than the market, and an authority no less than Pope Benedict told us that markets are to be valued, for they are places where human beings encounter one another. Markets, the business world, are a place where people voluntarily trade with one another to the betterment of both parties. One may or may not act with virtue, either in the marketplace or in the temple, but assuming one acts with virtue in the market, he leaves the market having increased his...
wealth, and having increased the wealth of the person with whom he has traded.

A free market, when engaged in by people acting in a virtuous manner, is a place where everyone who trades becomes wealthier.

Now I know this last statement is going to shock you, and maybe take you aback. You may be thinking, “There is no way that everyone who trades becomes wealthier.” But you would be thinking that way because you are trapped in materialism. You would be defining wealth in a narrow materialistic manner, rather than in the way it ought to be defined.

You see, wealth is not merely money. The root of the word “wealth” comes from the old English word “weal,” meaning well-being. So assuming that a market is free, i.e. there is no coercion, and assuming that the participants are acting in a virtuous manner (rather than for example, negotiating for something that is inherently sinful, like prostitution), both participants to the trade leave the market with a greater degree of well-being, a greater amount of wealth, than they had prior to entering the market. So stated again, a free market, when engaged in by people acting in a virtuous manner, is a place where everyone who trades becomes wealthier.

Now future events may come about in which the participants in any particular trade regret their trade. For example, I may buy a share of stock. I only buy that share if I believe it is worth more than the money I pay for it. So right after the trade, I believe my wealth to have marginally increased. If the price of the stock later goes down, my well-being may decrease, but it will not be because of the trade I made in the market. All kinds of good and bad things may happen in the future over which I have no control, any of which may increase or decrease my well-being. If I catch a cold on the plane on the way back home, my well-being, my wealth, will suffer diminution, but not because I bought the plane ticket.

I said earlier that no one really escapes the modern business world. I am sure all of you are aware that after doing a thorough examination of the IOR, commonly known as the “Vatican Bank,” Pope Francis has decided not to close it down, but rather to keep it in operation. Whether he stated the conclusion in this way or not, I believe the Vatican Bank is staying open because of the belief that it enhances the well-being, the wealth, of those with whom it does business.

So why make this point? Well, I think when we ask a question like how the practice of solidarity in business can strengthen human relationships and promote human flourishing, we are close to perpetuating the stereotype that the business world is somehow this necessary evil against which we must guard ourselves. Instead, the business world is something to be embraced: as something whose very raison d’être is to increase the wealth of everyone who enters it. As something that is, in fact, a gift from God.

The thing to be guarded against, in the business world and everywhere else, is sin. Before I ever entered the business world, as a child, I had encountered betrayal, greed, selfishness, materialism, cheating, narcissism, rudeness, stealing, cowardice, and lying. The only really new thing I learned about these sins when I got to the business world is that they weren’t limited to children. And I also knew they weren’t an inherent feature of the market, as I had already encountered all of them on the playground.

Fine then. Let’s acknowledge, for the moment, that the business world is a good thing, that many of us are smack dab in it, and that none of us really avoid it. How do we practice solidarity within it so as to strengthen human relationships?

Well, one of the cool things about the business world is that it is focused on returns on investment. It measures them with mathematical order. Much as was done by our greatest teacher, who spoke of talents being invested to yield more talents, and who, when speaking of the seed that fell on good soil, referenced a yield of 30, 60 and 100-fold, so too should we imitate our Lord and seek such returns.

And this gets to the part of the effort where we, as evangelizers and as members of the Body of Christ, must herald our discovery. And that discovery is this: nothing creates more wealth, more well-being, than flourishing human
How does the practice of solidarity in business strengthen human relationships and promote human flourishing?

relationships. Pope Benedict, just a few years before he stepped down from the papacy, spoke to a group of leading businessmen, and told them that human relationships ought to be the constituent element of their lives.

The challenge is that it is hard to measure the quality of our human relationships, which is the source of our greatest well-being. So we rely on a shortcut—we measure our well-being, our wealth, in dollars. Now dollars aren't irrelevant; in fact, they are often quite relevant, but they are a very poor proxy for real wealth.

This is where the challenge arises for the Christian businessman. He or she must not neglect the dollars, but must in the end actually conduct himself as if something else has priority.

You see, this issue of being a Christian in the business world is not a constant Manichean choice between having money or being good. It is rather a matter of priorities. Do we put first things first? The way to practice solidarity in business, such that human relationships are strengthened, and human flourishing abounds, is to make such solidarity the higher priority. It is not in place of profits, but it is more important.

So I want to make a suggestion for strengthening those human relationships, which might strike against so much of what you may think makes you an American. For those of you who are not American, you will not find this as instinctively troubling. What I want to suggest is that if we want to strengthen our human relationships, which is the most important factor in the flourishing of all humanity, then we should decrease our independence, and increase our dependence.

This strikes against so much of what we believe it is to be American. Let's face it, our country got started with a Declaration of Independence. But you know what? That document was arguably misnamed. Most of the colonists did not actually want independence—they just wanted to be free from tyranny and injustice. That is very different from wanting to be independent.

We say we want our children to be independent, but do we really? What do we even mean by that? That we don't want them to need us? My father and mother are approaching the end of their lives—I still need them. My father and I would have a hard time working together daily, but we go to lunch all the time, and share thoughts, ideas, friendship, and love. I am not independent of him, and in fact, am quite dependent.

As Christians, we know we are never to be independent of our Father in Heaven. In fact, we are to cultivate our dependence, even to the point of deepening, and increasing that dependence, on a daily basis. In the best marriages, the spouses actually increase their dependence on one another.

This phenomenon is actually quite reasonable, even though it may at first seem counterintuitive. The reality is that human relationships are strengthened when the humans involved are dependent, rather than independent of one another. The business partnerships that prevail are the ones where both partners need one another.

Now some of the most financially successful companies in the world understand at least one dimension of this phenomenon. They desperately want you, their customer, to be dependent on their product or service. They know, with a fair degree of mathematical precision, that the more dependent you are on them, the more profitable is the relationship for them.

But here are two additional aspects of this phenomenon which might be equally counterintuitive to you.

First, if your dependence on a particular good or service is very profitable for that company, they are pretty dependent on you too. In other words, Google trades at a multiple of 30 times earnings. They trade at that multiple because

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First, if your dependence on a particular good or service is very profitable for that company, they are pretty dependent on you too. In other words, Google trades at a multiple of 30 times earnings. They trade at that multiple because
many people are dependent on their search engine, and go to it first. But Google is equally dependent on the relationship with its customers. If it fails to deliver good value, it will no longer be the first choice as a search engine, and its multiple will go to around 10 times, and the company be worth $300 billion less. You see, Google’s dependence on us is pretty significant too.

The second additional counterintuitive aspect of the phenomenon is that if you are dependent on someone else, the level of your dependence on them is probably correlated to the amount of additional wealth created by that dependence. Let me give you an example. How many of you have now become dependent on your cellular phone? Why is that? Well because it brings so much value to you. I know they are a pain, and a distraction, but we all carry them because they enhance our well-being, our wealth. Our dependence on them is correlated to the degree to which they enhance our well-being. By the way, if it does not enhance your well-being, you should throw it away, rather than complain about it. Your dependence on this product means that purchasing it has been profitable for you, and for the company that made it.

As I mentioned earlier, some of the most successful companies realize the value of creating these dependencies. Many cultures have some version of the saying “the customer is king.” The best businesses herald their dependence on their customers, and their gratitude for that dependence! Because here is what they also know—if they are constantly cognizant of their dependence on their customers, they are more likely to create the kind of value for that customer such that the customer becomes dependent on them. And guess what? This is a really good thing.

Think of a deep, long-lasting, abiding friendship. In such a friendship, there is a mutuality of dependence. The friends are, to use the pejorative psychological term, codependents. And they love and value that friendship.

So how might we cultivate more of this dependence in our businesses, and in our lives, so as to strengthen our human relationships, and promote human flourishing? I want to close today by providing the five steps I believe we need to take to accentuate our focus on cultivating dependence among one another.

First, we must continually be refining and/or redefining our notion of wealth. Various countries are now examining alternative ways to measure wealth other than the familiar gross domestic product. You see GDP measures income, but not wealth. We all know that a stream of income that is received for 20 years is worth a lot more than a stream of income that is received for five years. Even discounting the 20-year stream at 5% per year, it is still worth almost three times the 5-year income stream. In other words, long-term profitable relationships are worth much more than short-term relationships.

Cardinal Ratzinger, in his last homily before the conclave in which he became Pope Benedict, said that of all the things in this world—mountains, bridges, rivers, buildings, books, great art—the only thing that lasts into eternity is the human soul. And so if we want the best pay-off for our wealth, our well-being, we must invest in human relationships—in the human soul.

We all know, intuitively, that healthy long-term relationships make life richer. But did you know that someone actually won a Nobel Prize in economics by demonstrating the mathematical proof of this conclusion? Ronald Coase wrote about why people form firms and partnerships in business, noting, mathematically, that the transaction costs of having to negotiate anew for every new endeavor would at times be so great that it would be better for individuals to band together, even if such banding together would lead to some theoretically suboptimal economics, for in the real world, they would find it easier to work together over the
long run, and would end up having their joint productivity yield a greater result.

We don't need to go into all the math; suffice it to say, when my partner and I sit down to talk through a business problem, the fact that we have been doing this together for 25 years now makes our discussion not only easy, but even pleasant. We have benefitted so much from this phenomenon that we now emphasize to potential business partners that we are seeking long-term relationships that can last upwards of 20 years or more.

The second step we must take to cultivate our dependence on one another is to focus on value creation. These days, I am of the age that a lot of my friends want me to meet with their children who have recently graduated. They come to me because they want to talk about their careers, and their prospects. Among other things, one of which is that they should start looking for their spouse, I tell them that they must focus on value creation. No matter what field they might enter, they should constantly be focused on creating value for others. I tell them, “You see, if you bring value to others, they will depend on you, and that will further your career.” What it will also do is make them wealthy.

There are five ways one might obtain money: you can receive it as a gift, you can steal it, you can gamble and win, you can swindle (which is stealing wrapped in a fraudulent market transaction), or you can deliver value and be paid for that value. Only two of these are legitimate, and we should not go through life hoping to receive monetary gifts. So the last way, the delivery of value, is that on which we should focus our business energy.

The cool thing about delivering value is how “other-directed” it is. In order to deliver value to someone else, we simply must put aside our selfish desires and focus on the needs of someone else. I love the first line of Rick Warren’s best-selling book, “The Purpose Driven Life.” The first line of that book reads, “It’s not about you.”

If we want to practice solidarity by strengthening human relationships, we must realize that it is not all about us, and a great method of doing that in business, and for that matter in the rest of life too, is to think about this question of how I might deliver value to someone else.

The third step to strengthening human relationships and promoting human flourishing in our businesses is to practice it in our own homes. What better training! Our businesses should not be regarded as more important than the rest of our lives, nor as all that different.

I am involved in a lot of public policy issues, and I often have folks approach me with ideas for how to save the Church, or the world. And I tell them, you know, maybe before saving the world, we should save our country. But before saving our country, we should save our state. But before saving our state, maybe we should save our own city. But before saving our own city, maybe we should save our own workplace, or our own parish.

“Human relationships are strengthened when the humans involved are dependent, rather than independent of one another.”

“Oh Frank, you don’t understand, my pastor won’t listen to anyone!” So then we realize it is so hard to make our own parish better—maybe it is easier just to opine as to how to save the world. But you know what? Even before saving our own parishes or workplaces, we have to ask, are we saving our own families? In other words, if we are not strengthening the human relationships we have at home, and promoting human flourishing there, everything else we do is a clanging gong, or a clashing cymbal, for we have neglected the most important part.

The fourth step: we must understand that solidarity, and human relationships, require time and presence. So how do we cultivate time and presence? By staying still and silent. We know this spiritually—we know that in order to have time and presence with the Lord, we must be still and silent. But you know what most of us do? We do violence to this notion of being still. About a year ago, Pope Francis spoke of airport bishops, who travel around the world, but do not know the smell of their sheep. But he could also be speaking to many of us laypeople. We do violence to our geographical peace. Now please understand—I am not condemning air travel—I do it every week. But we must be aware of its hazards. We must seek to govern it. Otherwise, it can lead to escapism. I know that for many in business, it is a form of escapism, even though they may not want to admit it.
The same thing can happen with our college-age children. We send them away from their families and their homes for schooling as if it were the most natural thing in the world. I am not seeking to condemn those who make geographic moves, but we must consider the human costs in relationships when we send our best and brightest away from their homes. Does this promote solidarity?

You know the Church does not speak much about this issue of modern mobility. Many priests and bishops have moved far away from their families, and have sympathies for those who move for educational or economic opportunity. And there are many wonderful things that have occurred because of such mobility. But there is also a price. There is a price in terms of solidarity. We will not have solidarity in our society if we do not have it in our neighborhoods and our parishes and our workplaces, and if the turnover in each of those specific geographic locations passes the tipping point, each of them becomes more like a train station or an airport, rather than a home. As we all know, there is not a lot of solidarity and flourishing of human relationships in the airport.

And so can we then be surprised when corporations and employees don’t feel loyalty to one another, when they have not developed solidarity within their own communities?

And so the fifth step, which is related to the previous suggestion: If we are to strengthen our human relationships, and promote human flourishing, we must live with the smell of our sheep. This phrase has become one of the best known lessons of Pope Francis. He directed it at priests and bishops, but it is true for any of us who have any position of leadership. For as leaders, we are to be shepherds. We are to live with the smell of our sheep.

You know there have been some recent studies of baby smell. You know the wonderful smell of a baby. My 14-month-old grandson smells a little like vanilla. One study showed that when given three different hospital gowns, 80% of new mothers could identify which gown belonged to their babies. They know the smell of their sheep.

That is how we must be in our businesses. We must know our customers, we must know our employees, we must know our coworkers, but first, we must know our own families. We must understand ourselves to be shepherds, caring for our sheep. And this goes for all of us, no matter what station in life we might find ourselves. Everyone has a lamb to take care of. I took my grandson to his first football game this past Saturday. When he grins at me, he is taking care of me. And I hold him close, and call him “Angelboy,” and smell his skin and his hair, and take care of him, and we are both wealthier, for we are dependent on one another.

My dear friends, if we want to practice solidarity within our businesses, and strengthen human relationships, and promote human flourishing, we must seek and cultivate dependence, first on God, and then among our family members, our co-workers, and our customers. Thank you very much. ★
How can firms have solidarity with the poor?

Edward Hadas
ECONOMICS EDITOR, REUTERS BREAKINGVIEWS

HOW CAN FIRMS HAVE SOLIDARITY WITH THE POOR?

“Just as the commandment ‘Thou shalt not kill’ sets a clear limit in order to safeguard the value of human life, today we also have to say ‘thou shalt not’ to an economy of exclusion and inequality. Such an economy kills,” Pope Francis wrote in his apostolic exhortation Evangelii Gaudium (“The Joy of the Gospel”).

Francis is making a powerful point, which springs from his experience in Argentina, where very poor people abound. His basic argument is that there is a de facto exclusion of the materially poor, and that the rich are responsible for that, sometimes by sins of commission, but more often by sins of omission—the failure to recognise that these poor are in fact our neighbours, the least of our neighbours for whom we have a special responsibility. If I am not actively trying to take care of them, then I am in some sense depriving them of the fullness of life—a sort of killing.

The issue is necessarily global, because the world is global. I cannot say that the poor are not my problem because they are out of reach, or not members of my society. I can visit these poor people, trade with them, talk to them by mobile phone and study them by Internet. They are in my world and I have an obligation of solidarity to them.

Indeed, I have a greater obligation to them than to others who might be closer at hand, because the Church teaches there is a “preferential option for the poor.” In other words, the excluded are the first concern for Christians, who always wish to include those most in need.

The question to ask for this session: “How might the firm I work for be ‘killing?’” More likely by omission than by commission?

Caveat

Much economic solidarity with the poor comes at nonfirm level (either personal or political): e.g. migration, wage laws, education, charity, housing, transportation.

However firms have a role to play. Corporations are among the most powerful organisations in modern societies, gathering people, expertise, and resources in an organised way. (The Church and its charities used to, but they have lost ground.) Only governments are stronger. But monolithic, modernist government is undesirable. If corporations, including profit-seeking ones, do not exercise the preferential option for the poor, then the job will largely be left to governments, or it will not be done.

I have two commands and three observations.

Commands

1. Think about how the poor can be helped, both inside and outside of the course of normal business.
   ● Identify them: That may not be easy.
   ● Consider both material and spiritual poverty.
   ● Remember those sins of omission. Are there people you could and should help, but are not thinking of them?
   ● Think about products as well as people.
THEN FAVOR THEM. HOW?
In developing countries, the poor may be the firm’s workers. Paternalistic employment—solid wages, education, family benefits, housing—may be a good way forward.

In rich countries, the obvious economic battle is over living wages. Catholic Social Teaching has long promoted that, even though it is difficult. But in rich countries “spiritual poverty” is usually a bigger challenge than material poverty.

- Do not seduce customers (rich or poor) into sinful behaviour.
- Promote customers’ and employees’ spiritual welfare.
- Be wary of self-deluding descriptions of solidarity which exclude actual responsibility and the “someone else will do it” argument.
- Don’t forget traditional charity towards the poor. Indeed, businesses are excellent conduits of charity, because the people are skilled, they understand logistics, and they are often better at making hard decisions than self-styled charitable organisations.

2. Enlarge the corporate community. No company is an island, as they teach in business theory (Michael Porter’s Five Forces). Stretch boundaries, for the sake of the good.

- Competitors (agree to avoid ruinous conflict, agree on good behaviour [the food giants!])
- Customers (as mentioned, but think big—advertising, product development)
- Suppliers (the supply chain is your responsibility)
- Government (complicated, but still more friend than enemy)
- The environment (be ahead of the law)
- The parts of the community that you don’t touch directly, e.g., urban renewal in the U.S., basic development in poorer countries. You may have expertise that can be used with more social value outside the narrow corporate walls.

OBSERVATIONS
1. Shareholders are your enemy. At best, they represent one constituency (equity capital investors), who often have a self-interest problem (don’t we all?).

   Today’s institutional shareholders are much worse than this “best”—they have short horizons, limited understanding and limited patience. You can educate them, you can be firm with them, you can sometimes learn something from them (they are good on sleepy companies that can be made more efficient), but you should never believe that they have the right answers just because they are “owners” (a terrible misnomer).

2. The firm is itself a community, hopefully one with solidarity. A community is not a dictatorship, so not even a 100% shareholder chief executive can make arbitrary decisions, not for long anyway. The culture of solidarity with the poor can never be dictated, only evangelised from the top or slowly inculcated from the bottom.

3. We’re talking about hard decisions. This is rarely going to be win-win for all and sundry, at least not for a decade or two. That’s typical of virtuous behaviour. To be good is rarely easy (if it were, more people would try it…)

For many companies, solidarity with the poor requires a significant change in direction.

But what is at stake? Francis’s vision of implicit indifference, the firms that could do something, and the people in those firms who do not strive to lead the firms in the right directions. ★
How can we build solidarity in and through business?

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It’s not by chance that The Napa Institute partnered with us for this conference. Some of you know this, some don’t: The Catholic University of America is the only pontifical university in the United States. We’re the only university chartered by a pope and the only university owned directly by the Church in the US. We are the Church’s university in the United States, so our business school is the Church’s business school, the Pope’s business school in America. It is our mission to answer questions like the ones being addressed at this conference.

Yesterday Prof. Hittinger said that the “vocation to business is at the center of our post-utopian world”—because business touches on all the most important institutions of society: matrimony, polity, and church. The question I am going to address is now is how, therefore do we build solidarity in our businesses, and, through our businesses, in the rest of society? Solidarity, according to St. John Paul II, is the “firm and persevering determination to commit oneself to the common good,” or, as Prof. Pakaluk put it earlier today “unity arising from fraternal charity.” This unity, solidarity, is of course a good thing in itself, indeed a very good thing. But it is also instrumentally good for business—it’s useful and practical. There is ample empirical evidence for this.

Decade after decade we get a new book based on extensive research of successful companies, showing that being good to people is good for business: Peters and Waterman’s In Search of Excellence, 1982; Collins and Porras’ Built to
It's worth contrasting business with other human, social enterprises. Public confidence in big business is indeed low, at 19% of respondents who have a great deal or quite a lot of confidence. Confidence in small business, though, is 62%. But compared with other institutions, it turns out that the only institution that has greater confidence than small business is the military. Every other group doesn’t do so well. And even big business is ahead of TV news and Congress. To paraphrase Winston Churchill, it seems that business is the most unethical type of organization—except for all the others. That said, we certainly want to do better.

So what gets in the way of more widespread practice of solidarity in business? There are two things I want to highlight here. The first is bad theory. Business and economics theory, by conceptualizing human persons as amoral, utility-maximizers, actually leads us astray. Several studies suggest that being a student of economics makes you more selfish. Indeed economics professors themselves appear to have a significantly lower rate of charitable giving than professors in other disciplines.

And an important paper by the late Prof. Sumantra Ghoshal of London Business School argued that “bad management theories are destroying good management practices.” Amorality and utility maximization are just simplifying assumptions, we are told, but, Dr. Ghoshal argued, these assumptions become self-fulfilling prophecies. Business students come to think: well, I guess that’s how I’m supposed to behave.

The second thing that gets in the way of more widespread solidarity in business is the idea of ethics as compliance, as a checklist. This is a very common view, taught in most business schools—ethics is something you do separately from your day to day activity—it is a check on your activity, instead of the way you behave all the time.
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A good example of this is the B-Corp, or Benefit Corporation, movement. A B-Corporation is one that is certified to be following rigorous social and environmental standards. It’s an interesting idea, and arguably a good thing in itself, to have a type of corporation that is explicitly focused on benefiting society. I do have two concerns with it, though. First, that it suggests that all other corporations are not benefiting society. This is problematic, because all firms, if run properly, contribute to society—so long as they produce “goods that are truly good, and services that truly serve” as Cardinal Turkson explained yesterday. My second concern is what defines you as a B-Corporation. It’s a checklist.

And the thing about a checklist is it promotes a checklist mentality. The things on the checklist can be very meritorious: so it includes do you have employee ownership, what’s the ratio of CEO salary to front line salary, and so on, but it can promote the idea that the main thing is to check the boxes. What we need is not a checklist, influenced by whatever political correctness of the day. What we need is the idea of virtue. Ethics should not be something added to our work, or a constraint on our work. It should be the way we work—the way we are at work.

As Prof. Kennedy told us yesterday, quoting Aristotle, virtue is a habit: Virtue is a habit that makes a person good, and makes what that person does good also. Virtue is a good habit. Vices are bad habits. The collection of virtues, or vices, that a person has, is their character.

It seems to me that this is foundational: if you want solidarity in business, you need virtue—solidarity presupposes virtue, as Prof. Pakaluk said. Solidarity needs an organization of people who practice virtue, who work, and live, virtuously. So how do we foster virtue in organizations? And how do we know we are fostering it? In particular, can you measure virtue?

The answer is yes. One of the great advances in contemporary psychology has been the growth of the field of “positive psychology,” led by Prof. Martin Seligman at U. Penn, and his collaborators. Positive psychology focuses on human well-being, and has discovered, or should we say rediscovered, the idea of virtue and its importance for human flourishing, for human happiness.

As part of this work, scholars have developed survey methodologies for measuring different virtues, and they’re presented in the Oxford Handbook of Character Strengths and Virtues. So we can measure success in growth in virtue.

How then do you foster virtue in organizations? Hire virtuous people. Reward them for being virtuous. Tell them every day that you expect them to be virtuous. It’s simple enough, on the face of it. Hiring, coaching, and leadership are indeed important. But the real question is how do you do each of these in a fallen, complicated, and competitive world. Let’s think of these as three pillars, and look at each.

**FIRST PILLAR: HIRING**

I’ll begin with hiring. If you only want to hire saints, I think you’re going to have a difficulty finding enough employees. So what you have to do is identify which virtues you’re not willing to compromise on, and then focus on this narrower set. For example, Southwest airlines has three core values: a warrior spirit—this would include the virtues of both courage and perseverance; a fun-loving attitude—they phrase this as “take your work seriously, but don’t take yourself seriously” (I think they’re talking about the virtue of humility here); and a “servant’s heart”—or the virtue of charity. They do not compromise on these. They tell a story of a pilot who was being interviewed for a job there. The pilot was very qualified—indeed, on paper, one of the most qualified pilots they’d ever interviewed. But on the way to his
interview he was rude to one of the Southwest customer service reps. And then at headquarters he was also rude to the receptionist. So they didn’t hire him.

They’ve built an entire company on these three values, one that is the most financially successful airline ever. But here’s one statistic I like. Total number of layoffs from Southwest in their 43 years of operation: Zero. They really live these virtues. They believe that laying off people is inconsistent with a Servant’s Heart, so they don’t do it. So hiring for a specific set of virtues is the first pillar.

**THE SECOND PILLAR: EMPLOYEE COACHING AND EVALUATION**

You want to encourage employees to develop not just their skills—their intellectual virtues—but also their moral virtues.

My example here is Koch Industries, who provide a great example of employee evaluation based on virtue. At Koch industries, they make a distinction between talents and virtues—approximately, though not quite the same as, our distinction between intellectual and moral virtues. They evaluate all employees on both of these, on a 2x2 matrix. For talents, they distinguish between being below expectations for the skills specific to each role, and for Virtues, they look for behavior that is consistent with their core principles. So they want all employees not only to have the skills and knowledge specific to their roles, but also to live the core values.

**THE THIRD PILLAR: LEADERSHIP**

The key thing is here the leaders must be practicing and modeling the virtues themselves. As Prof. Pakaluk mentioned: not just serving them food, but eating with them. I find useful, here, the model for leadership developed by Dick Lyles and his collaborators, called Leadership in Context. Some of you may know Dick; he’s the host of the Catholic Business Hour on EWTN radio. His leadership model, published in his book, *Achieving Leadership Genius*, is the most sound, research-based theory of leadership I’ve seen. The central insight is that successful leadership is based on the context that you’re leading in: whether you’re leading one other person, a team, a whole organization, or an alliance of organizations—or just yourself. And “self-leadership” is the starting point for all others—so as leader you have to practice the virtues yourself.

These then are the three pillars: hire for a specific set of virtues; coach and evaluate based on both skills and virtues, lead by modeling the virtues. How do we put this all together? I will share with you a couple of case studies using virtue for corporate change. The first is a company that some of you might know. US Inspect is the leading home inspection company for corporate relocation. It was founded by Keith Fimian, member of Legatus. What they did was they surveyed all their employees and asked them each to list the top three employee attributes that most contributed to the company’s success. When they collected and analyzed these, they came up with the top five attributes—effectively the core virtues required for their company’s success. In their case they were diligence, dependability, charity, honesty, and knowledge. (Of course these are going to be different for different companies).

Then, after identifying these virtues, they created two additional phases of development—learning, and practicing. In the learning phase, they put together materials to teach each virtue to employees. And then—very important—the practice phase, because virtues are developed through practice. In the practice phase, each department figured out how
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a particular virtue would be applied in that department, and then the whole company practiced each virtue for two months, all at the same time. They also monitored a number of key metrics. Employee turnover declined from 20%, fairly standard for the industry, to 14% and then to 8%, while their number of claims dropped from 2.6% to below 1%. It’s a very effective approach, and one that pretty much any company can adopt. The initiative was led by Bill Bowman, who at the time was COO of US Inspect and now does consulting in this area; he’s also a research professor here in our school.

What O’Neill knew was this, that while his various constituencies—employees, suppliers, investors, unions—disagreed about many things, safety was something everyone could agree on. And what he also knew was that the skills and habits—the virtues—that would be fostered in the efforts to improve Alcoa’s safety record could and would be used to improve everything else as well.

And so we have our three pillars, and on these we can build solidarity in business. But there’s one other important piece to this, that I am really starting to think is foundational—and that is faith, and specifically, religious faith. There is good solid research, from secular sources, that religious people are more ethical than nonreligious people.5 And when you dig behind long-term sustainable companies, based on virtue, there is often a strong, though quiet, presence of religion.

I’m not saying it’s everywhere, and that companies can’t succeed without it. Charles Koch himself is apparently atheist. But many of his senior managers and employees are people of deep faith. The essential concepts of business like trust, freedom, and relationship—these have deeply theological dimensions, and it is impossible to really plumb their depths without a theological view.

Another example is Alcoa, the Aluminum Company of America, the world’s largest aluminum manufacturer, and the major transformation that then CEO Paul O’Neill made some years ago, as told by Charles Duhigg in his book The Power of Habit. When he became the CEO, the company had hit hard times and rather lost its way. From being an industry leader, it was falling behind. Investors and analysts were keen to hear how he was going to fix the company, but they were somewhat surprised when he told them that his focus would be on safety.

Safety is of course very important. The manufacturing of aluminum is potentially very dangerous—with big equipment, heavy weights, and very high temperatures. But Alcoa actually already had the best safety record in the industry. In the current situation, the analysts expected him instead to focus on growing sales, cutting costs, improving the stock price. But no, he was going to focus on safety. O’Neill led the company through many important changes in their ways of operating, particularly on leadership and evaluation, and this resulted in a dramatic reduction in the number of plant accidents—very successful. On average, handling molten aluminum at Alcoa is now less dangerous than doing someone’s taxes (what’s so dangerous about doing taxes?! But that’s the point.) And along the way, something else happened: costs went down, quality improved, productivity shot up, and eventually the company’s stock price tripled.

Indeed, as the Second Vatican Council taught, “only in the mystery of the incarnate Word does the mystery of man take on light” (Gaudium et Spes, #22). It doesn’t say, “Except in business.”

At the beginning of his apostolic exhortation Evangelii Gaudium, Pope Francis wrote: “I invite all Christians, everywhere, at this very moment, to a renewed personal encounter with Jesus Christ.” All Christians, everywhere—even in business. And the very first line of the first encyclical of St. John Paul II: “Jesus Christ is the center of the universe and of history.” The center of everything, including business.
We have this pretense that somehow we have to hide our faith when we're in the business world. But I think the time has come to be more open about this. Here in the U.S., it has already become clear that the fight for religious liberty is one that is relevant to business leader—the Hobby Lobby case in the Supreme Court made that clear. And the victory in that case, important as it was, was a slim one, 5:4. We need to show that religion in the marketplace is not just something that must be tolerated, but that is a strong, productive and humane influence.

All of the forgoing is of course still very preliminary, skimming the surface. You can think of it as a major research project that the School of Business and Economics at The Catholic University of America is taking on, and we're just beginning.
PART III

Solidarity and Liberty—The Role of Subsidiarity
In what ways does the legal environment facilitate or hinder solidarity and subsidiarity in business?

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In light of Cardinal George’s absence, I am going to take a little of my time to touch on his topic. The interdependence of the principles of solidarity and subsidiarity is important. I have, therefore, taken a very small part of a presentation I had given on another occasion to demonstrate how the two principles relate to each other.

The paradigm presented in the PowerPoint slides demonstrate how solidarity and subsidiarity are both rooted in the dignity of the human person. At times, policies and practices that seem to further human solidarity may clash with the goals of subsidiarity. And, at other times, the principle of subsidiarity may so isolate people that solidarity is lost. In short, the principles must be carefully balanced in practice to best promote human dignity and the common good.

My topic seeks to determine how the legal environment of the United States fosters or hinders solidarity and subsidiarity. This is most challenging at many levels. To begin with, implicit in my slide presentation, the question ultimately devolves into whether or not the legal environment fosters and respects the human dignity of all who are subject to the law. No legal system could pass that test. No government made up of human beings has the capacity, knowledge, or inclination to create a perfect legal order.

The complexity of the issue we are considering is magnified by the notion of the “legal environment.” It encompasses too much to be dealt with in a short presentation. The laws, treaties, executive orders, judicial decisions, regulations, and ordinances of the United States and its numerous state and subdivisions touch virtually all aspects of society and culture. They control much of modern life with directives, incentives, rewards, sanctions, and punishments. Each person in this room

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could identify laws and policies that either foster or impede an ideal Catholic social order. The United States’ immigration policies present problems from the perspective of the principle of solidarity. Traditional welfare programs seem to satisfy solidarity, but often do so at the expense of subsidiarity. They meet human needs, but leave the recipients dependent. The examples are numerous and in most instances the “right” answer to complex social issues will depend on prudential judgments about which reasonable people can differ.

Let me move to an issue that most people think of in the context of the law as it relates to business organizations: the legal obligation of corporate management to maximize the owner/shareholders’ value. While this is an accurate generalization of corporate law, it is not without exceptions and is frequently avoided in fact. I am not going to explain the rationale for the rule, which makes sense if not applied with unyielding rigidity. The challenge to this rule from a Catholic perspective is that it fails to recognize that a business enterprise is a community of human beings—stakeholders—who must exist in some sort of relationship of solidarity. Everyone’s valid interests merit consideration in the operation of the enterprise. The legal answer to this issue has generally been the adoption of “stakeholder statutes,” which impose a duty on management to consider the interests of all parties who are affected by corporate decisions. Courts, moreover, have been quite ready to find particular charitable and social corporate activities to be economically justified. We do expect businesses to be good citizens now days.

Let me turn now to an issue that many people associate clearly with solidarity, labor unions. Law and Catholic social policy had coalesced in the adoption of American labor laws. One of the most critical missives of *Rerum Novarum*
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The development of the labor movement in the United States was quite turbulent during the early 20th century. The growth of the union movement in the U.S. was rocky and violent. Some union leaders were too radical, but mainly the economic and political elites of the era were threatened by labor organizations and collective bargaining. President Roosevelt’s New Deal, which was influenced by Pope Leo XIII’s Rerum Novarum through the work of Monsignor John Ryan and the American Catholic hierarchy, established the legal foundation for unions, their rights to organize and to bargain with employers. The National Labor Relations Board was established to regulate the relationship between workers (unions) and management. Other statutes, federal and state, have been enacted to protect the rights of workers to adequate compensation; protection against invidious discrimination, and safe working conditions, but none since the NLRA have relied on the rights of workers to join in solidarity to bargain for their wages and working conditions.

There is a lesson and a challenge, however, in the development of union-centered labor laws. For whatever reasons, unions have diminished significantly in size and influence in recent years. For example, CNN reported in 2012 that “American unions already have a fraction of the influence they did a few decades ago. Only about 12% of workers are union members, down from 20% in 1983, according to federal data. In the private sector, the plunge has been even steeper: union membership has dropped from 17% in 1983 to 7% today.”

One result of this change in the character and power of unions is that “labor law” has become “employment law” which minimizes the role of one of the main

“A business enterprise is a community of human beings—stakeholders—who must exist in some sort of relationship of solidarity.”

The Synod of Bishops, Special Assembly on America

[T]he fundamental principles of the Church’s social doctrine, founded on the dignity of the person, are the principles of solidarity and subsidiarity. According to the first principle, each individual is called upon to contribute to the common good of society; according to the second, the State cannot substitute for the free initiatives and responsibility either of individuals or intermediary social groups on the level where each is able to act.
mediating subsidiary bodies in the relationship between employers and employees. This presents a challenge to both society and the Church with regard to the application of a critical social principle in the real world. Traditional unions no longer represent the major subsidiary organization for working people. Solidarity among working peoples must find new structures; as well as new subsidiary organizations to prevent the government or the market from assuming total responsibility for working conditions.

The point is not that traditional unions do not provide a concrete example of solidarity in action. Many of us stand on the shoulders of men and women who provided well for our health and education with salaries that unions made possible. The point, rather, is that the old system does not seem to be working well in today’s economic environment. Given the nature of much contemporary business, many American workers are well situated to negotiate their own benefits. In some types of industries or services, workers may benefit from the types of organizations that are less tied to a single industry. It is possible that some forms of syndicalist or corporatist models of cooperation will work in some industries. For those many, many workers who remain in positions where individual bargaining and profession-based collective negotiations are not possible, the government is more likely to have to provide for minimum standards of safety, health, and income. That poses its own set of problems.

Let me now move on to something more abstract and in my judgment important. Let us focus primarily on what is more an American economic ethos rather than the details of specific laws. To put it bluntly, and over simplistically, we are a robustly individualistic society. Our national lore is one of self-made men and women who achieve wealth and satisfaction through hard work, innovation, and risk taking. In the economic world of the United States, markets serve as the major mediator between individual needs and wants. To be sure, regulations of economic relationships are ubiquitous. But, by and large, most regulation is intended to correct for market failures and imperfections.

The founding documents of our nation set the tone. We have an inalienable right to liberty, the Declaration of Independence tells us, and the Constitution provides protection for private property and contracts. Our constitutional jurisprudence has wavered but fairly consistently opted for market-based transactions, in the context of speech as well as material goods. American economic law—again I am using the term very loosely—came is several waves. Private monopolies were recognized as problematic to a market-based economy in the late 1800s. The initial response recognized as valid by the U.S. Supreme Court involved the regulation of rates for grain elevators and warehouses by Illinois. With language that resonates with Catholic teaching, the Supreme Court held that “[p]roperty does become clothed with a public interest when used in a manner to make it of public consequence, and affect the community at large. When, therefore, one devotes his property to a use in which the public has an interest, he, in effect, grants to the public an interest in that use, and must submit to be controlled by the public for the common good, to the extent of the interest he has thus created.” The first major federal regulatory enactment, The Interstate Commerce Act of 1887, was intended to control the rates of railroads. So, the precedent was set for government to intervene in markets when the structure of the industry would not support free market transactions.
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“Business enterprises are allowed by corporate law to do good things if they are run by men and women who bring sound moral values to their work as directors and managers.”

The “Magna Carta of free enterprise system” was the Sherman Antitrust Act of 1890. It dealt generically with the problem of monopolist power. Combinations to restrain trade (cartels) and single firm monopolization were made criminal. Without going into too much detail, economic law in the United States has been left to antitrust law where markets are feasible and regulation where markets cannot work.

The antitrust laws have gone through a more-or-less populist enforcement era; where “big” business was suspect if not outright bad. One of the earliest interpretations of the Sherman Act showed remarkable sympathy for “small dealers and worthy men” even if protecting them would result in higher prices for consumers. Much of the history of antitrust jurisprudence attempted to strike some balance between the “freedom of traders” and economic efficiency. For several decades following World War II, the law tended to favor per se rules that leaned in the direction of the populist paradigm. Since the 1970s, however, antitrust law has been largely remade by the Courts in the image of an economic model most often associated with the University of Chicago. Efficiency is good. Large size and various types of controls on suppliers and distributors make economic sense. The freedom of these dealers and suppliers to deal on their own terms was no longer protected. Consumer surplus would be enhanced if businesses were allowed to achieve economies of scale and distribution.

One of the untoward results of this modern insensitivity to size has been the “too-big-to-fail” phenomenon. This is not an antitrust problem per se, but in the financial industry in particular the government will not let the market penalize firms for their inefficiency or worse. We likely need new ways to deal with the issue when a firm’s size turns into excessive economic and political power. This is particularly true in the regulated sectors of the economy.

The regulatory track has gone through similar changes. Policies that assumed disinterested but knowledgeable regulators found that the agencies were either outright captured by the regulated sector or dependent on its expertise to the point of de facto capture. Regulatory bodies imposed industry-wide remedies on firms that prevented the types of innovation which bring progress. And the net of the regulatory process often went beyond the sections of the regulated sector that operated outside of a competitive market. In the oil and natural gas industries, for example, natural monopoly characteristics exist with regard to transportation, i.e., pipelines. The wellheads, however, where the resources are extracted are many and capable of engaging in healthy competition.

Please allow me to sum up the “legal environment” of the United States, at least in the context of the economic order, as a strong commitment to free markets. Let me then take this one step further and translate it more broadly into a commitment to freedom itself. I am of course abstracting wildly from an immensely complicated legal, social, and cultural environment.

Accepting my construct of the United States as a nation committed to individual freedom in the economic sphere with a strong preference for market transactions among free individuals, how does this relate to the principles of solidarity and subsidiarity? The answer is unsatisfying but consistent with so much we have heard during this conference. The emphasis on freedom ultimately means that individuals will determine how well the communities within which they operate meet the ideals of solidarity and subsidiarity. The bonds and the allocation of functions will be driven by many factors, not simply economic efficiency. And even economic enterprises can be motivated by the collective good of their members. This again invites further study that goes beyond this short paper. Business endeavors and personal initiative will help to determine how solidarity and subsidiarity fit into the modern global economy. As Pope Benedict stated in Caritas in veritate,
“[w]hat is needed, therefore, is a market that permits the free operation, in conditions of equal opportunity, of enterprises in pursuit of different institutional ends. Alongside profit-oriented private enterprise and the various types of public enterprise, there must be room for commercial entities based on mutualist principles and pursuing social ends to take root and express themselves. It is from their reciprocal encounter in the marketplace that one may expect hybrid forms of commercial behaviour to emerge, and hence an attentiveness to ways of civilizing the economy. Charity in truth, in this case, requires that shape and structure be given to those types of economic initiative which, without rejecting profit, aim at a higher goal than the mere logic of the exchange of equivalents, of profit as an end in itself. [And, further] It is in response to the needs and the dignity of the worker, as well as the needs of society, that there exist various types of business enterprise, over and above the simple distinction between “private” and “public”. Each of them requires and expresses a specific business capacity. In order to construct an economy that will soon be in a position to serve the national and global common good, it is appropriate to take account of this broader significance of business activity. It favours cross-fertilization between different types of business activity, with shifting of competences from the “non-profit” world to the “profit” world and vice versa, from the public world to that of civil society, from advanced economies to developing countries.”

As always in Catholic teaching, freedom comes with responsibilities. The quality of our lives as Americans and of others whose lives are so dependent on U.S. policies will be a function of decisions made by many, many people.

The American legal system, then, seldom directly imposes policies to achieve solidarity or subsidiarity. Other countries are more direct. Japan does so by custom and Germany by law. We by contrast are dependent on people of goodwill and moral standards to provide these goods. The message of Catholic social teaching is, as always, that society will be better when men and women have a change of heart. ★
How can liberty and solidarity address the problem of crony capitalism?

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DIRECTOR OF RESEARCH, ACTON INSTITUTE

Thank you. It's a great pleasure to be here again at The Catholic University of America, to see so many good friends, and, like many others, I want to thank the School of Business and Economics and The Napa Institute for the kind invitation to speak to you today.

The issues that I have been asked to address this afternoon are, first, the problem of what many people call “crony capitalism,” and, second, how the Catholic understanding of liberty and solidarity might assist us in addressing this challenge. And, in the spirit of this conference, and because we have limited time, I also thought that it might be helpful to be somewhat provocative: not for the sake of provocation, but in order to stimulate thought.

Crony capitalist behavior is a problem that manifests itself in multiple sectors of the economy. Nor is it limited to America and the West. As a way of acting economically, crony capitalist behavior is well entrenched throughout the global economy. Politically speaking, it’s also a problem in which both the political left and the political right has been complicit in fostering.

Yet despite the economic problems, but also the considerable injustices, resulting from crony capitalism, official Catholic teaching has not examined this issue in any significant depth. Nor has crony capitalism received much attention from scholars working in the area of Catholic social thought. This, I’d suggest, is strange for two reasons. First, as I hope to illustrate in these brief remarks, crony capitalism is not a new phenomenon. Second, as I’ll try to show, crony capitalism does enormous damage to the reputation of business; it corrodes confidence in the executive and legislative branches of government; and, even more particularly, it facilitates and it solidifies significant injustices in economic life.

So what’s crony capitalism? The term is used a great deal today, so let’s be clear about what I have in mind. On one level, it is similar to what is often called “corporate welfare.” Crony capitalism goes, however, beyond direct handouts from government to business. The expression “crony capitalism” first emerged as a partial explanation of the 1997 Asian financial crisis, and the role played in that crisis by government decisions that favored “cronies” of politicians and state officials.¹
Now I want to stress that crony capitalism is not necessarily criminal activity or outright corruption—though it sometimes verges on, and often enters, these spheres. At its essence, crony capitalist behavior concerns the hollowing-out of market economies and displacing the workings of free exchange within a framework of rule of law in favor of what might be called “political markets.”

In political markets, the focus is no longer upon prospering through creating, refining, and offering products and services that people actually want at competitive prices. Instead economic success depends upon your ability to harness government power to stack the economic deck in your favor. While the market’s outward form is maintained, its essential workings are slowly supplanted by the struggle to ensure that governments, legislators, and regulators privilege you at other people’s expense. In that sense, crony capitalist behavior certainly constitutes a form of redistribution: but away from taxpayers, consumers, and those enterprises focused upon creating wealth, and towards those businesses who are politically organized, politically powerful, and politically connected.

So who are crony capitalists? Obviously it includes businesses who lobby governments and legislators for privileges: such privileges might include monopolies, regular subsidies, access to “no-bid” contracts, price controls, regular bailouts, tariff protection, preferential tax treatment, and special access to government-provided credit at below-market interest-rates.

Invariably such privileges are premised on the claim that a particular business or a certain industry somehow merits special treatment, instead of being subject to the discipline of free competition that the rest of us accept as a spur to greater creativity, innovation and efficiency. A very prominent American Catholic, former Treasury Secretary late William Simon, once recalled watching with incredulity as businessmen ran to the government in every crisis . . . Always, such gentlemen proclaimed their devotion to free enterprise and their opposition to the arbitrary intervention of the state into the economy. Except of course for their own case, which was always unique and was justified by their immense concern for the public interest.2

Speaking of those who dispense the favors—legislators and other public officials—they obviously want something in return. A common payback to politicians comes in the form of campaign donations and other forms of assistance at election time. As for regulators, the astonishing number of government employees who secure jobs in the industry they once regulated is well documented.3 And make no mis-
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Crony capitalist arrangements create, for instance, distinct groups of insiders and outsiders. If you are a young entrepreneur with a new idea, product, or service but you lack political connections, you are automatically disadvantaged in such a world. Many a principled but frustrated entrepreneur who refuses to play crony capitalist games is reduced to seeking out areas of the economy that crony capitalists have not yet got their hooks into, or, may decide to migrate to a less politically charged environment. In fact, there’s considerable evidence that private investment tends to gravitate away from crony capitalist environments. That’s good, but the same evidence suggests that the same environments also tend to drive those already in receipt of corporate welfare to seek even more.17

In those extreme cases in which an economy becomes dominated by crony capitalist arrangements, the good news is that, like mercantilism, such arrangements are economically unsustainable. After all, an economy based on crony capitalist political markets assumes there will always be some people actually creating the wealth rather than engaging in rent-seeking. Once, however, the wealth-predators outnumber the wealth-creators, it’s hard to avoid a steady drift toward crony-capitalist corporatist debacles such as Cristina Kirchner’s Argentina.18 But until they disintegrate—and, like mercantilism, that could take a very, very long time—economies dominated by cronyism will continue to foster some of today’s least-justifiable forms of inequality. That’s bad news for everyone, but especially the poor. The wealthy and the powerful—especially those who rotate between the political, lobbying, and business worlds—can always take care of themselves in a crony capitalist economy. They are crony capitalism’s nomenklatura. But those without access to government power are at a perpetual disadvantage.

Now I want to be specific: I’m not suggesting that any form of government assistance to business whatsoever is unacceptable. Nor am I arguing that businesses should be prohibited from representing their interests to legislators or the executive branch. As citizens and communities of persons respectively, business leaders and businesses have as much right as anyone else to make representations to elected officials concerning the likely impact of legislation. Indeed, they’re likely to possess insights that may well improve the legislation but which would otherwise go unnoticed by legislators and regulators.

This, however, is very different from asking to be given something—to be given an economic privilege—which, by definition, isn’t accorded to other people in the same industry or to people who may want to enter that industry as new competitors.

So now I’d like to turn to the second part of my remarks: what can Catholic social teaching say about this subject? Well, one positive step for Catholic social teaching would be for it to actually state that crony capitalist behavior and crony capitalist economies are in fact deeply unjust. Regrettably, at present, there are no such references to this subject in official Catholic social teaching, despite the fact that crony capitalist behavior isn’t new. The only document that comes close to addressing this subject was the Pontifical Council for Justice and Peace’s 2012 text on the vocation of the business leader. Here the Pontifical Council directly referenced the need for business leaders to examine their consciences and ask themselves whether they were in fact engaged in the work of wealth creation, of helping to unfold God’s Original Creative Act; or, by contrast, whether they were engaged in just another form of rent-seeking or anti-competitive practices.19

Another set of issues concerns possible policy responses to crony capitalist behavior. Many solutions have been proposed. These include efforts to identify and eliminate laws that are framed ambiguously to allow legislators to exercise discretion in the way they allocate funding. A second is to pay very close attention to regulatory proposals emanating from those industries most prone to cronyism. According to the Economist’s 2014 Crony Capitalism Index, these include gambling, defense, investment-banking, oil and gas, infrastructure and pipelines, mining, utilities, real estate, and construction.20

“If we are to combat crony capitalist behavior in lasting ways, that means changes in the values, the beliefs, and the expectations that all of us bring to economic life.”
But while policy matters, it’s generally not the business of Catholic social teaching to enter into the details of formal policy issues or to make specific policy recommendations. Most such issues are overwhelming prudential in character. And they are also for the most part, as the Second Vatican Council reminds us, the direct responsibility of Catholic laypeople rather than our pastors. Here, however, I’d like to offer some suggestions about the ways in which Catholic social teaching’s commitments to liberty and solidarity can guide lay Catholics as we wrestle with this problem.

Catholic social teaching, at least throughout the 20th century, has formally recognized economic initiative and liberty as a right: not obviously as an absolute right, but rather as an expression of the biblical and anthropological truth that man is made to be creative, including in the economy, and therefore needs the space to be creative, again, including in the economy.

Crony capitalist behavior, by its very nature, unjustly shrinks the scope for entrepreneurship, unjustly seeks to stifle innovation, and unjustly blocks and raises the costs of entry into competitive markets while simultaneously diminishing competition within markets. In other words, the briefest of reflections upon cronyism soon yields the conclusion that it systematically violates legitimate exercises in economic liberty. This suggests that legislators ought to examine regulations carefully, to see whether a proposed restriction on economic freedom is for the common good, or whether it is actually designed to promote particular existing businesses by undermining the freedom of others.

So how might the Church’s commitment to solidarity help to address some of the problems of crony capitalism? Here two steps may be helpful. First, I would suggest that Catholic social teaching could reflect further upon the meaning of solidarity, and dissociate it from the language, agenda, and policies of corporatism, which, as mentioned, have been very influential in shaping much Western European and Latin American economic life. Leaving aside the fact that solidarity doesn’t imply any automatic commitment by Catholics to corporatism (or any other economic system for that matter), it might be argued that corporatism has helped create even more opportunities for the type of collusion I have discussed today, and which is often rationalized by endless invocations of the word solidarity.

Second, and on a more positive note, it’s worth considering that, as Saint John Paul the Great reminded us, solidarity is nothing more and nothing less than the virtue of consistent love of neighbor as oneself. Put another way, when we love our neighbor—and that means always choosing to act in accordance with the requirements of divine law, the natural law, and divine mercy—we can’t help but promote the common good. Hence, with regard to crony capitalism, Catholics could ask questions of themselves and others such as legislators, regulators, and business leaders: questions which revolve around whether they are in fact living out the virtue of solidarity.

Such questions for Catholics in business might include: Do I show my love of neighbor by trying to enlist government power to block potential competitors from entering into markets that I apparently believe I own? Do I show my love of neighbor by lobbying for subsidies in an age of high government indebtedness? Do I show my love of neighbor by seeking a legislated tax break that isn’t accorded to any other business in my industry, state, or nation? Do I show my love of neighbor by effectively encouraging legislators and regulators to sail very close to soft forms of corruption?

But crony capitalist behavior, we know, isn’t just about business. It’s also about government, legislators, and regulators and therefore policies, laws, and regulations. Again, the simple asking of questions by Catholics could go some way to altering people’s consciences to the injustice of crony capitalist behavior, and thereby help to limit if not wind back cronyism in an economy.

Solidarity—the virtue of love of neighbor—is core to the Catholic understanding of justice. This being the case, such questions addressed to government officials might include: Is it just for me to legally privilege one business over others simply because the head of that business is my friend and political supporter? Is it just for me to effectively write a form of inequality into the law and therefore unjustly discriminate against those people in an industry who aren’t my
friends or my political supporters, but who I am supposed to love as much as any other of my neighbors? Is it just for me to protect this particular industry from either new competition or from the consequences of years of complacency, poor management, fear of antagonizing over-mighty unions, and a refusal to innovate on the part of that industry? Is it just that I as a legislator effectively tell new and potential entrepreneurs that they must labor under legislated disadvantages simply because they don't have the same access to me as existing businesses? Is it right, is it just, that I make myself the focus of business leaders' attention, instead of directing their focus to the millions of people otherwise known as consumers who make up the market economy and who business exists to serve?

Such questions, proceeding as they do, from Catholic social teaching's attentiveness to the good of freedom and the virtue of solidarity, won't lead to the very same policy conclusions on every occasion. But while structural, legislative, and policy changes certainly matter in economic life, changes in the economic cultures in which we live, move, and have our being are even more important. And if we are to combat crony capitalist behavior in lasting ways, that means changes in the values, the beliefs, and the expectations that all of us bring to economic life. Underscoring that point in the minds of business leaders and their political counterparts is, to my mind, one of the greatest potential contributions that Catholic social teaching could make to combatting the economic and political cancer of crony capitalism, thereby helping restore integrity to economies today so desperately in need of it. Thank you.

ENDNOTES

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5 See, for example, Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations (Indianapolis, IN: Liberty Fund, 1981), Book IV.ii. and iii.


10 See Gregg, Becoming Europe, pp.152–156.


12 See, for example, William Freeland, Ben Wilterdink, and Jonathan Williams, "The Unseen Costs of Tax Cronyism: Favoritism and Foregone Growth," State Factor, July 2104.


16 Smith, Wealth of Nations, Book IV.i.


21 See Second Vatican Council, Decree on the Apostle of the Laity Apostolican Actuositatem (1965), especially no. 7. "The laity must take up the renewal of the temporal order as their own special obligation. Led by the light of the Gospel and the mind of the Church and motivated by Christian charity, they must act directly and in a definite way in the temporal sphere. As citizens they must cooperate with other citizens with their own particular skill and on their own responsibility. Everywhere and in all things they must seek the justice of God's kingdom. The temporal order must be renewed in such a way that, without detriment to its own proper laws, it may be brought into conformity with the higher principles of the Christian life and adapted to the shifting circumstances of time, place, and peoples." www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_decree_19651118_apostolican-actuositatem_en.html

My topic is subsidiarity, and I have three goals: First, I’d like to get you comfortable with subsidiarity as a concept that has broad applicability in today’s organizations. Second, I’d like to describe two case studies in which subsidiarity was applied in a more meaningful way. And lastly, I’d like to give you some guidelines that will assist you in implementing subsidiarity within your organization.

GETTING COMFORTABLE WITH SUBSIDIARITY

Subsidiarity gets its name from the Latin word *subsidius*, which refers to hierarchical military relationships. *Subsidio* essentially prescribed when it was strategically appropriate to send in reinforcements.

The Catholic idea of subsidiarity was first applied in 1891 by Pope Leo XIII in *Rerum Novarum* when he discussed why intervention of the state on matters subject to individual or family decision-making is a grave injustice.

The concept was further articulated and specifically named by Pius XI in 1931 in his encyclical *Quadragesimo anno*. Pius XI wrote: “It is an injustice and ... a disturbance of right order to transfer to the larger and higher collectivity functions which can be performed and provided for by lesser and subordinate bodies” (79). In both of these encyclicals, the subsidiarity principle was applied to relationships between individuals and the state.

But the subsidiarity principle, as further developed over the years, deals with much more than hierarchical relationships or the command and control management style associated with the military. Subsidiarity is the principle that energizes our creativity, defines our sense of personal responsibility, enhances our personal liberty, and empowers each of us to grow in our capabilities. It applies equally well to relationships within organizations as it does to relationships between organizations or between individuals and other entities within society.

Recent management research has given us considerable insights into human behavior in work environments and what management practices contribute to helping employees achieve superior performance. This research demonstrates that when subsidiarity is implemented by imparting four essential characteristics—individual creativity, sovereignty, influence, and relational unity—then employee performance is maximized.
I don’t know about you folks, but I am always tickled when mainstream research announces breakthroughs that we Catholics already surmised through our understanding of theology and natural law. These recent “breakthroughs” in empowering employees to achieve outstanding performance are a good example. In all honesty, creativity, sovereignty, influence, and relational unity can be readily discerned without expensive studies.

What do I mean? Subsidiarity begins with a scriptural understanding that each of us was created in the image and likeness of God. Yes, we all have God-like characteristics that we must apply or we do not feel complete as human beings.

The first of these characteristics is creativity. Just as God creates in a big way according to His almighty capabilities—after all, He created the heavens and the earth, and all that is in it—we want to create things in our work, according to our capabilities. We design, we plan, we solve problems, and we build, all in imitation of the power that God possesses. It is our human nature to not be satisfied unless we are doing something creative. Subsidiarity, when implemented correctly, grants each of us the opportunity for creativity within our job and organization. We can create and build with freedom and confidence.

The second God-like characteristic is sovereignty. Just as God is sovereign over the big issues in life, such as defining what is right and wrong and what is good and bad, we want to imitate this sovereignty by taking responsibility and control over some aspect of our existence. We want a place with our name on it, an area of responsibility in which we define the rules, or a task in which we are the go-to person, the one in charge. We don’t feel complete without such control. Subsidiarity grants each of us the opportunity for God-like sovereignty over some part of the activities within the organization for which we work.

The third God-like characteristic is influence. Just as God gave us His son, Mary, and all the saints to show us how to live, we want to imitate His influence over those areas of our lives beyond our direct control. We like to advise our work colleagues on priorities in our unit, and exercise a strong voice that impacts strategic, administrative, or operational activities. We want our voice to be heard and respected. Subsidiarity grants this influence.

And lastly, the fourth God-like characteristic is relational unity. God is triune—a loving three-in-one relationship—and just as God desires that all creation form a loving relationship with Him, we imitate that desire. We want our organization and work colleagues to achieve a relational unity with us; to share our beliefs, values and standards. We want our values to be reflected in the values of our company. We can get really excited and enthused about what our company is doing when it reflects the values we hold dear. Subsidiarity, when implemented effectively, helps drive this feeling of relational unity.

So, we have creativity, sovereignty, influence and relational unity: four God-like characteristics that humans imitate because of our nature. The subsidiary principle gives each of us the opportunity to exercise all four characteristics in our job.

TWO CASE EXAMPLES

Let’s look at two examples on how subsidiarity might be implemented in a large organization. My first example is an insurance company that specializes in industrial accidents and occupational diseases. At the time when this firm began to apply subsidiarity into its operation, the company was the leader in its market in Spain, had approximately 2,000 employees and annual revenues of $445 million.
The implementation began by tackling relational unity. The CEO initiated a company-wide process aimed at identifying the values that employees thought should define the company. After several rounds of discussions at all levels of the organization, “person-centeredness” was identified as the one core value that everyone could get enthused about. Accordingly, person-centeredness was established as the guiding value of the company, with everything else subordinate to it. By involving employees, listening to their ideas, and focusing the company on the key value that was uncovered by the process, the company was able to establish relational unity with its employees.

But there was a problem. The company ran its claim processing operation through a bureaucratic structure that required a high degree of specialization and rigid hierarchical divisions. It seemed that most of the daily management effort was spent on resolving work flow issues, to the detriment of providing real customer service. For example, a file relating to a sick worker seeking the company’s assistance could be passed through a chain of up to eight different employees with each reviewing one aspect of the paperwork. When a customer inquired as to the status of her claim, it was difficult to figure out how much more time was needed to complete the review. The only people who could make case decisions were well up in the hierarchy. This system ignored the subsidiarity principle and it sure wasn’t person-centered.

To fix this issue, the company CEO, decided to turn the organization completely upside down by implementing the “integral agent” concept, with each agent having significant role sovereignty. Instead of several employees being required to solve each customer problem, job categories were wiped out allowing any of the clerical personnel to conduct the complete relationship between the company and a particular customer. Customers were then assigned to agents on a territorial basis: each agent would now deal with all aspects of the relationship between the company and its customers in any given territory. Each integral agent could act independently in his or her region but participate as part of a small team of agents to provide mutual support, and to stand in for one another during periods of sickness or vacation. Each of the agents was endowed with considerable freedom and authority to do what it takes to solve issues quickly.

This restructuring also required that the agents apply individual creativity to resolve issues that arose with clients. Further, it required that agent teams work together effectively. These changes required employee training so that agents and teams could adapt at their own pace and learn from one another.

“Subsidiarity is the principle that energizes our creativity, defines our sense of personal responsibility, enhances our personal liberty, and empowers each of us to grow in our capabilities.”

These changes did wonders for increasing the relational unity, sovereignty, creativity, and influence of each individual agent. Employees really appreciated the increased independence, greater responsibility, and opportunity to work in an environment that shared their enthusiasm for the human person. Each year after the change process started, the company’s growth and the scope of its activities have increased substantially, and its market share has increased. The whole company has become a more formidable force in the industry.
A good way to begin applying subsidiarity in the firm is to select one department and then develop some experience before proceeding to other departments of the firm. That’s the approach used by the engineering division of a Fortune 500 technology company. The process began within a product design department comprising one manager, 10 engineering supervisors, and 80 software, hardware, and computer engineers. Later, the process was repeated for other departments within the company.

The implementation process began when the department manager sponsored half-day “interactive skills” workshops for all departmental personnel. The sessions were designed to address the engineers’ needs for improved “people skills,” and in the debriefing sessions that followed, some of the discussion caused the manager to think about how he might develop his supervisors so as to reduce their micro-managing of the engineering talent in their sections.

The manager then conducted a series of leadership training sessions for the engineering supervisors. The manager hoped that this training would be a means of building teamwork and cohesion within his team, and given these benefits, then the rest of the organization would stand a better chance of success.

The training process involved a 360-degree feedback assessment of the leadership skills of each member of the senior team. A set of open-ended questions was asked related to each manager; for example, “What are this manager’s three key strengths?” “What are this manager’s three key development areas?” “What five adjectives would you use to describe this manager?” and “What advice do you have for this manager to become a more effective leader?” A two-day leadership training workshop followed, at which the individual feedback reports were presented, corresponding action plans were created, and key leadership concepts were presented. The manager required each of his managers to prepare detailed “personal leadership development action plans” to address weak areas identified by the 360 feedback.

It was then that the process changed into a grassroots application of subsidiarity. Engineering supervisors began to drive the process. Instead of reacting to the initial positive results with complacency or discouragement, the supervisors assumed that more progress was possible and necessary. They began to assume sovereignty over their respective areas of responsibility. Over the next two years, individual supervisors held various employee training sessions and other programs designed to foster learning and sustain progress on leadership development. The whole organization began to catch fire and came alive with enthusiasm for the idea of improving the work environment for greater creativity.

The manager organized a series of “keynote talks,” presented to the entire organization so that everyone understood the changes that were bubbling up in the organization. These keynotes included programs focusing on creativity, teamwork, employee influence, and empowerment. Concurrent with the keynote talks, the manager conducted quarterly “Bridge-Building” sessions with groups of employees. These sessions were structured as forums in which small groups of employees would prepare answers to a set of open-ended questions designed to encourage upward communication, common understanding on key issues, and problem ownership within the groups. These groups developed responses to questions such as “What is going well in our work? What is not going well?” “What can we, as engineers, do to address our own problems and concerns?” “What recommendations do we have for upper management and the senior team to help us become more effective?” and “What questions do we have for the senior team?”

These sessions served to build trust and responsibility, and enabled the senior staff to learn about what the “rank and file” were thinking and feeling. Through dialogue, mutual feedback, and listening, the relationship between the supervisors and engineers was strengthened. The sessions also produced hundreds of suggestions related to the operation of the department, and the management behavior of the supervisors and upper management.

All of this followed from a simple strategy: Sessions and interventions were begun to help develop the supervisors; supervisors in turn applied the ideas, concepts, and feedback within their areas; and as a result, the engineers became energized, engaged, and empowered.
One example of this process has to do with influence. The engineers desired to have more influence over how the department was operated, and as a result, supervisors began allocating a portion of their weekly staff meetings to sharing important performance information, reviewing and revising group goals and values, and soliciting reactions and questions. Two of the supervisors began using a team website to list the responsibilities and tasks of their team, then allow the individual engineers to vote online for the activities they most wanted to accomplish. This version of “job-assignment democracy” gave engineers the opportunity to choose the top projects they wanted to work on, within the boundaries of what the team was responsible for, thereby making them more committed and satisfied doing those tasks.

Consistent with the idea of greater team responsibility, some supervisors began to use a “team covenant” with their staff, a type of behavioral contract outlining mutual expectations and obligations between the team and the supervisor. And virtually all of the supervisors began routine use of subteams, groups, and group consensus to make critical decisions, rather than autocratically deciding on issues that could affect the whole group. Implementation was applied in a bottom-up approach, with everything proceeding according to the pace set by the team. After three years in process, departmental morale was up significantly, as were other objective measures of departmental performance.

**EFFECT ON EMPLOYEES**

When companies are autocratic and control-oriented, subsidiarity is usually ignored and employees are permitted to exercise little creativity, sovereignty, influence, or relational unity in their jobs. Consequently, these employees become less motivated to achieve high levels of job performance. They tend to withdraw emotionally and simply do what they are directed to do. Such employees often disconnect themselves from the firm emotionally and seek release in other areas of their lives.

Through these case examples, we can see that the application of subsidiarity is an excellent approach to improve organizational productivity. Subsidiarity provides the freedom for employees to exercise their God-like characteristics while growing in the job. Subsidiarity energizes creativity, deepens the sense of personal responsibility, and empowers employees to grow in their capabilities.

**SUBSIDIARITY AND JOB DESIGN**

It’s time to say a few words on good job design. In the encyclical *Laborem exercens*, Saint John Paul the Great regards work as a calling to perform service for other humans. We express what it means to be created in the image of God through working creatively and responsibly in a God-like way. Thus, the subjective dimension of work must be included as the central factor in designing and organizing work. In John Paul’s own words, “the purpose of any kind of work that man does is always man himself,” so that “man does not serve work, but rather work serves man.”

The classic approach to job design is based upon the scientific management approach of Frederick Winslow Taylor. Although first devised at the turn of the last century, it is still an influential approach today. Scientific management is based upon the idea that there is one “best way” to perform any operation. By insisting that workers always perform their job using the best way, the business can become more profitable. Unfortunately, scientific management subverts human behavior to economic objectives. As a result, we can end up with bored, non-thinking employees with diminished capacity for innovation.
A different human-centered approach to job design began emerging in the last 20 or so years that partially implements subsidiarity. The basic idea behind the human-centered approach is that both human needs and technological possibilities must be considered in the design process. This recognition is a positive step toward subsidiarity that fosters human development partly through allowing workers to choose operating strategies so that the worker really controls the technology, not the other way around.

However, implementation of the human-centered approach can fall apart when specialists do all the job designing and individual workers are barely involved in the process. Job design should be employee driven!

### Guidelines for Implementing Subsidiarity
Implementing subsidiarity means evaluating each individual job in the company and looking for opportunities to allow the job holders more creativity, sovereignty, influence, and relational unity in their work. There are seven guidelines I’d like to highlight:

1. **Diagnose whether employee influence over decision processes is really feasible.** Identifying appropriate situations primarily involves an assessment of the importance of the decision, the relevant participants in the decision, the likelihood of cooperation and acceptance of the decision, and whether it is practical to gather the participants together in a meeting to make the decision. Don’t tell employees that you are open to letting them control the process, when in fact you are not.
2. **Proceed at a pace that corresponds with the readiness of your employees.** Even though we are all made in God’s image, we all have different talents, different capabilities and different levels of maturity. Consequently, not everyone has the same readiness to blossom under subsidiarity. It is best to walk before you run and allow your employees to influence the rate of change.
3. **Support employees in their acceptance of increased responsibilities.** This involves encouraging people to speak up to express their concerns and ideas, and then rewarding them for their efforts. In addition, training is important. Employees need to know how their jobs are changing, as well as which new skills are necessary for job success.
4. **Consider both the task and the actor when deciding when to apply sovereignty.** Those tasks that should be given to the lowest appropriate level include tasks that can be better performed by the subordinate, or tasks related to the subordinate’s career, or tasks not central to the manager’s role.
5. **Provide clear responsibilities to each employee, with adequate authority and limits imposed.** Progress toward goals should be monitored, such that the each job activity becomes a positive learning experience for the subordinate. Others in the organization must be informed and reporting relationships must be specified in advance.
6. **Ensure that employees have access to relevant information and resources.** Information, resources and training are the keys to making sure that implementation is successful. Express confidence and trust in people while providing coaching and advice on a timely basis. Removing unnecessary bureaucratic controls and constraints will ease successful completion of tasks.
7. **Encourage and support employee initiative and problem solving by recognizing important contributions and achievements, and ensuring that rewards are commensurate with new responsibilities.**

### Reasons for Failure
But not every organization is successful at implementation, and there are at least three reasons for a lack of success.

1. **Subsidiarity usually represents change.** Managers do what they know best and that typically involves command and control. True subsidiarity requires that managers relinquish some of their control to employees. Managers may be afraid to delegate responsibility and power. They may fear that employees will make mistakes and poor decisions. Some managers are threatened by programs that would reduce their power and status as heroic leaders. Managers need organizational support and training in subsidiarity behaviors in order to make the subsidiarity efforts succeed.
2. **Subsidiarity takes time.** Transitioning from a command and control culture to subsidiarity requires a commit-
ment to long-term change. Too often, management fads and quick fixes have been implemented rather than relevant changes in management systems, structures, and cultural values. To be successful, subsidiarity must be seen as a long-term program of employee participation and involvement.

3. Employees may resist subsidiarity. Decision making and influence are part of the political power system in organizations. Employees may have been conditioned over the years to follow orders, not collaborate with management. Being given greater responsibility may induce fear and insecurity in some employees. For instance, one oft-stated complaint is that “I only want to come in each day, do my job and go home at the end of the shift.” The idea of taking initiative and contributing to the bigger picture is sometimes fear-inducing. For subsidiarity efforts to succeed, employee development and training must be included in any plan.

CONCLUSION
In conclusion, I remember President John F. Kennedy’s famous inaugural address, in which he urged Americans to “Ask not what your country can do for you, but ask what you can do for your country.”

These were classic lines, but they really don’t square well with the idea of subsidiarity. If we were to rewrite Kennedy’s speech, we might say, “Ask not what your country can do for you, but ask how your country can reduce its interference in your lives while providing assistance only when local and intermediate support groups fail.” Or if we were to rewrite the line to apply in an organizational setting, we might say, “Ask not what your employees can do for you, but rather give them the training, resources and personal freedom they need to do the job, and then get out of their way!” This is the essence of the Catholic principle called subsidiarity. ★
Building an economy that serves the poor

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What a great university The Catholic University of America has always been—and has especially become over the last four years. My own academic path is probably more checkered than most of yours. Some of my closer friends know that I dropped out of college when I was 19. (Dropped out, kicked out—splitting hairs.) And I spent the next 10 years travelling around, making my living as a French horn player with no real intention of going back to college.

By my late 20s, when I was by this time playing in the Barcelona symphony, I married a Spanish girl. Life was pretty good. But I started to think to myself, “Maybe I should go back to school, try something else with my life.” Well, that entailed going back to the United States, enrolling in correspondence school, and trying to support ourselves. My wife at the time was 28 or 29 years old and she said, “Sounds great, but how am I going to help support our family?” She didn’t really speak much English at that point. She was afraid if we came back to the United States, she wouldn’t be able to find a job, as an immigrant, as someone that didn’t have language skills. But we took the plunge anyway. We needed her to work. So we came back to the United States.

She got four job offers in her first month. And she said something profound which I will translate into English for you. She said, “This is the most amazing country in the world for people who want to work.”

Now, this had a big impact on me. No one had ever said anything particularly positive to me about the United States. (Recall, I was a musician.) And she worked in a minimum wage job for the next three years. We needed that money. It helped us to get onto our feet. The rest went really well for us, I have to say, as things unfolded. The story ends, so far, with me speaking before you tonight! It was a pretty happy future, as it turned out. But here’s what enrages my wife the most today. When she hears somebody in this country talk about a dead-end job—nothing makes her more insane than people talking about a dead-end job.

Why?

Because she had a “dead-end job”—and it wasn’t actually a dead end. That’s what I wanted to talk to you about. I wanted to talk to you about the future that people can have, if we help them, and how to make that future in this country.

The truth of matter is that our story is becoming, sadly, less and less likely to occur today.

If you look around at the circumstances the poor face in America, they are grim. It is worse now than it has been in two generations. Consider this: economists will typically tell you that this year will have a steady but mild economic growth, something like 2.5%. That’s actually not exactly true. We will see 5% economic growth in the top half of the economy, and 0% growth in the bottom half of the economy. We have bifurcated our economy and we are denying economic opportunities to the poor in our population. This is simply a fact.
Consider the following: Since January of 2009 the stock market in the United States—which the president frequently uses as an example of an improving economy—has indeed increased at 125% in inflation adjusted value. Eighty-one percent of those gains have gone to the top 10% of the economy. At the same time, if you are in the bottom half in America, you have seen declining purchasing power on average in your family every year for seven straight years. Extraordinary.

In January of 2009, 32 million Americans were on food stamps, looking to the government to support themselves and their families. That’s a lot. Today, it has climbed to 48 million Americans. There has been a 50% increase in food stamp recipiency over the period after the recession. We’re supposed to be recovering, expanding, yet one of six Americans is now so poor that they have to ask the government to help pay for food.

“\textbf{The problem is not that we have too much free enterprise in this world. The problem is that we do not have enough free enterprise for people who need it most.}”

When we look at the events that are really tearing the country apart right now, you look at Ferguson, MO. last month. Recall that black teenage unemployment is now 37%. That’s just among young black men who are actively looking for jobs, not those who are so frustrated that they have left the workforce for good.

Now, you can treat these things as economic problems. But that’s not really what they are. These are social justice problems. You understand this because you understand economics and business, and that economics and business are fundamentally social justice issues and areas.

So what do I mean by social justice? As a Christian, I take my definition of social justice from the 25th chapter of Matthew. “As you did to the least of these my brothers and sisters, you did to me.” That’s the 40th verse of the 25th chapter of Matthew. Of course you’ve known it since you were children. I’m reminded of this every day when I’m in the car with my wife and there’s someone panhandling at the corner. My wife rolls down the window, and she has gift cards for McDonald’s or Giant. At one point I said, “Really? Again?” And she said, “That’s the face of Jesus.”

This is what we learn. This is what we are supposed to learn as Catholics.

That’s social justice. As you did for the least of these my brothers and sisters, you did for me. But that’s not all of social justice. Because in Matthew 25, that very same chapter, back up a little bit to the 14th verse, and you begin the parable of the talents, where the master goes away and the three servants are given five, two, and one talents. The first two invest these things, but the third servant buries the talent in the ground. The master returns and calls the first two “good and faithful servants,” who have doubled the amount they have under their control. He sends them away with praise. With the third, he laughs and says you miserable servant, you know I’m a hard master yet you buried it in the ground.

The lesson is so obvious. We are supposed to use the talents that we have, the abilities that we have, the great gifts that God gives us, and use them to expand our passions and skills for the good of others. The vision of social justice that says we look out for the poor \textit{and} we expand in ourselves the abilities that we have, and we help others to expand those abilities as well—that is the wholesome vision of social justice. Violating this, we imperil our own salvation.

Many of you know Father Bob Barron, whose boss is Cardinal George, who is not with us today. Father Barron tells a story about Cardinal George, where he’s talking to donors, wealthy donors, to the Archdiocese of Chicago. And he says to the donors, “The poor need you to pull them out of poverty, but you need the poor to keep you out of Hell!” I’m not saying that to my donors exactly…but I can tell you that today, when I look around the United States, we’re not helping the poor. We’re not lifting people up. We’re not helping people to use their talents.

How do we do that? What’s the key to lifting up the poor, if we’re going to solve this problem?

The key is to do exactly, I believe, what brought me into the movement to help poor people. That brought me from
Syracuse University, where I taught, to the American Enterprise Institute, an institution that is dedicated to the free enterprise system and to lifting all people up. Here's really what I experienced.

When I was a little kid in 1970, I remember my first experience of poverty. My brother subscribed to National Geographic magazine. Maybe you got it too; everybody did. I remember seeing an article about poor children around the world, with distended bellies and flies on their faces. Real poverty. We grew up in a lower middle class family in Seattle, and there were a lot of poor people by American standards living around us. But nothing like that. And it occurred to me as a kid, “There's nothing I can do about this.” I can put pennies in the basket on Sunday, alms for the poor, but it's drops in the ocean. I felt in my heart that this was an insoluble problem.

But I was wrong.

Fast-forward to the present. Let's look at the world today. If you ask most Americans if poverty around the world is better or worse than it was in 1970, 70% of Americans say it's worse.

And they're wrong! The truth is that between 1970 and 2014, the percentage of the world's population living at starvation levels has declined by 80%. An 80% decline in starvation level poverty. Now, there's still too much poverty around the world, and I believe we are called to serve the least of these my brothers and sisters just as much as we were at any time in human history. But an 80% decline—that's a miracle! Two billion people have been pulled out of absolute poverty since I was a child.

You have to ask yourself, what did that? Was it the United Nations, or U.S. foreign aid, or the International Monetary Fund, or the World Bank? No, no, no, no. Those may be good or bad institutions, based on your ideology, but they didn't do that. According to development economists, five things pulled 2 billion people out of poverty, and we didn't even know it. Those five things were globalization, free trade, property rights, the rule of law, and entrepreneurship. It was the free enterprise system that you work for, that those of you in this room are warriors for, that pulled billions of people out of starvation, and you didn't even know you built that. Charity is important, as Cardinal George tells us, to keep us out of hell. But you need a system that works while you sleep, that works on a massive scale, that can do that again and again and again, and relieve this world from true poverty.

The problem is not that we have too much free enterprise in this world. The problem is that we do not have enough free enterprise for people who need it most. The rich do not need capitalism; the poor need capitalism. They need the means of capitalism shared with them aggressively, and fairly, and compassionately—and today.

So, how are we going to do that? It's one thing to say the poor need more free enterprise. It's something else to say how you are going to do that. Because if it were really simple, it would be happening. Right?

It's a nontrivial question in my world. I run a think tank. I'm an academic by background. And when you talk to scholars, they don't know how to help the poor. Scholars don't know how to help poor people. It's extraordinary.

When I was at Syracuse, my closest colleague specialized in poverty reduction. And he tells a story about when he was working on his dissertation, his doctoral dissertation, at the University of Michigan and he was doing his work at the center for poverty studies, right, with big marble pillars. One day, he was just in there beavering away on his dissertation in complete silence with 30 other scholars, writing about what poor people need. And one afternoon a poor man walked in, saw the sign (“Poverty Research Center”) and he thought, “I need help with my rent, maybe they can help!”

Nobody knew what to do. They were befuddled. You
know, “Call security!” No one had any ideas! This is a problem, when scholars, specialists, people who profess to care the most about the poor have no idea what to do.

My own institution, which has been around since 1938, started a major push three years ago to do the most important work as far as we could on the subject of poverty. We started hiring scholars, and together we asked, “Where do we get our data?” Where do we get our data? Well, perhaps not by coincidence, all of us are Christians in this poverty research working group. And where do we get inspiration, where do we get real data? Where do faithful Catholics get data about poverty? The Holy Father said recently that the shepherds need to smell like the sheep. What does he mean?

Get your data by going there. By talking to them.

So when we go into poor communities, it’s an interesting thing. We have a major project: we are going to homeless shelters and soup kitchens and doing work right now. Next week, I will be in New York working with an organization called the Doe Fund, which specializes in providing homeless services for men that have been incarcerated for more than 10 years. These are the lowest members of society, who come out of prison not even knowing how to use a cell phone, who have been in prison since they were 17 or 18 years old. They are homeless. They simply don’t know how to succeed.

When we go there, what do we do? We look at people who are trying to pull themselves out of poverty, who are trying to change their lives, and we ask one question: “What do you need?”

And you know what? They all tell us the same thing. They tell us that they need three things, and they are three things that are actually kind of hard to hear.

To begin with, they have actual contempt for politicians. I know we all do, but they have a special contempt for politicians. I was here in Anacostia, it is a part of Washington, DC, that has been particularly marginalized and vulnerable for a long time, and I was talking to a couple of guys. One said, “Yeah, when politicians come through it’s always the same thing.”

I said, “Well, tell me about it!”

And he said, “Well, left-wing politicians come through, and they say, ‘I’m gonna get more money from rich people, and you’re gonna get it.’”

And I said, “Yeah, but what about right-wing politicians?”

And he said, “Oh, that’s the worst! You get these guys who come through and they see a homeless guy, and the Repub-
lican conservative says, ‘Buddy, you need to start a small business!’”

So we ask, “What do you actually need?”

The number one answer? “Stop treating us like children. Remember that we can be held to the same standards as you.”

They realize that there is a need for moral transformation for everybody. The call to conversion, the call comes to the rich and the poor alike. It is very clear to poor people that when we act as if they cannot be held to the same moral standards, the same secrets of moral success, that we hold ourselves to—that’s what we call the soft bigotry of low expectations. They resent it. They know it is wrong.

So what are our moral secrets to success? If you look at the demographic data, the secrets to success are fourfold for a happy, prosperous life: faith, family, community, and work. Not because they bring money, but because these are the things that bring a good life. And to the extent that our society doesn’t share faith, family, community, and work, doesn’t talk about these things, we rob the poor. Their moral transformation gets harder.

Imagine if I said, “I’m not going to share those values with my children. I’m not going to share that because they have to figure that out for themselves. I don’t want to be judgmental.” I would be a terrible father. But aren’t the children of the poor my children too? What am I doing denying these things? That’s what our society does. Reversing that is the secret to moral transformation.

The second thing these folks always talk about is—and this is really hard for political conservatives to hear in the United States—they talk about relief.

See, the truth is, believe it or not, there are a lot of poor people who do need help with their rent. Who do need food stamps. Who do need a little help to get by. You know, I think the greatest achievement of the free enterprise system is the construction of the social safety net paid for by the government. It’s the first time in human history that any society has been able to achieve and afford something like that—and it sustains itself through prosperity that comes from the free enterprise system.

Now, that doesn’t mean a social safety net is for crony corporations and for rich people and for everybody who has their hand in the cookie jar. It’s simply help to the truly indigent. They say they need it, we know they need it, and all of us need to be warriors to protect it no matter what our politics are.

Third—and this is what people who are making their way out of poverty talk about most of all—is hope.

Hope.

Now, in business and public policy, we call that opportunity. But the language of hope is the most inspirational of all. Not hope as in, “I hope I win the lottery. I hope the president has a good policy that redistributes money to me and takes care of me.” No—real hope.

Real hope is a combination of “it can be done” and “I can do it.” If I work hard and play by the rules, there is a reward I can attain! There’s not a brick wall. I can actually do something, I can earn my success. It can be done. That’s real hope.

And this is where we get more practical. Because every single one of us who is interested in economics and business, and specializes in the means of prosperity—we have in our hands the hope agenda. If we just put our minds to it, we can bring hope to more people.

How? How do we practically do it?

I’m going to suggest something to you that has three parts.

Work as a sanctified thing;
Entrepreneurship properly understood; and
Education as a civil right.

Let’s start with work. You hear politicians talk a lot about “jobs.” The term “jobs” is very instrumental; they need to talk about work.

Work is a blessed thing that gives life hope, and gives life shape, and gives life meaning. There are really only two kinds of people in the world: those who think that work is a punishment and those who think that work is a blessing.

If you believe that your apostolate is in anything that you do which you can sanctify, that anything can be a priestly vocation, then you have an obligation to bring these ideas to everyone.

We need to get away from that notion that drives my wife nuts, that some jobs are dead-end jobs. I learned this the hard way. Five years ago, I was on a plane. A guy sat down next to me, and he had the bad judgment to start talking to me. I eventually asked him, “What do you do for a living?” Because if I don’t know you and you sit down next to me, I’m an economist, so I want to know what you do for a living. It turns out this guy was the CFO of a company that
owned 750 Burger Kings. Very interesting to me. I was asking him about the supply chain management, all the stuff that I think is neat.

At one point he was talking about labor rules, et cetera, and I made a mistake. Just off-handedly, I asked, “Do you ever feel like you’re creating a lot of dead-end jobs?” He gets red. I’m thinking, “Oh, there’s two hours left on this flight…” But he says: “Look I’ve heard this a lot.”

“I’m sorry…”

“No, look I’ve heard it a lot. But let me tell you. There are dead-end people. There’s dead-end government. There’s a dead-end culture. But there are no dead-end jobs. That’s the problem with our culture. We talk about dead-end jobs.”

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“Entrepreneurship is the dignified endeavor of building your life.”

And who are the elitists that believe in these dead-end jobs? It doesn’t matter what your politics are. Any of us can fall prey to this.

So with that said, here’s my question. Do those of us who have fancy degrees and good money and a great education—do those of us in this room honestly believe that there is equivalent moral worth between managing a hedge fund and trimming hedges?

If we don’t believe there is equal moral worth in all work, then how is the rest of the world going to believe that? Won’t the president of the United States say that everybody has to go to college or they will get a dead-end job? Won’t that view be propagated again and again across the generations? Won’t people who work hard but don’t have the precise skills that we do feel marginalized? If you believe in the inherent dignity of work, you have to talk as if you believe in the inherent dignity of work. That’s how policies follow.

The second piece is what we all love most—entrepreneurship. The Horatio Alger story is the basis of American society. We love it! Rags to riches! You know, when I’m talking to the guys at the Doe Fund who are coming out of prison, starting to work for the first time in decades, they say, “Someday, maybe I will own a business.” I celebrate that. I thank God for that. I thank God for that ambition. I think it’s wonderful.

We love entrepreneurs. Now, as a society of immigrants, that’s normal. The single most entrepreneurial act is the act of immigration. What is a mutation on the DNA of Europeans is typically the norm in the United States, because we all self-selected from that. That’s one reason why we are an entrepreneurial society in the United States. That’s why we are the wonder of the world in this way.

The trouble is, we have kind of forgotten what entrepreneurship really means. It seems like we are always in a presidential campaign now, and when you hear candidates talking about entrepreneurs, the heroes of the American economy, the story always goes something like this.

“I met a guy in New Hampshire,” or Delaware, or Arizona, or something, “last week. And he started out down on his luck. He dropped out of school, he had a problem with drugs. But finally he said to himself, ‘I’m going to make something of my life!’ And he started a sandwich shop. And then he borrowed a little money, and he got a second store, and he saved up his pennies and he worked really hard…”

And this is kind of a stem-winder. It goes on for a while. And then it ends like this: “…and then he made a billion dollars!”

That’s always the punchline of that story.

That’s the wrong ending. That’s not the entrepreneurial ending. The entrepreneurial ending is: “Then he supported himself, and his family, and then his kids saw him earning a living.” That’s the entrepreneurial story.

Why?

Because entrepreneurship is not starting a business. That’s simply one manifestation of entrepreneurship. Entrepreneurship is the dignified endeavor of building your life. Each one of us has the firm foundation that is our life, and single person has the dignity endowed by God, our creator, to be an entrepreneur with his or her life. That’s the spirit that we have to get back. If we don’t, we marginalize the people at the bottom that need entrepreneurship the most.

We’re in Washington, DC, the capital of the wealthiest nation in the world. Let’s say in Washington, DC, you want...
to change your life—your kids grow up, you want to change careers, and you want to become a realtor. You want to sell real estate. This is a typical second career, by the way, for women when their children move out and they’re in upper middle class families. To do that, you need a license and you need training. How much training? You need 135 hours of training. Okay, a lot? A little? You decide.

But now, let’s say you want to become a cosmetologist so that you can braid hair and paint nails in your living room. This is a typical first job for minority women who are poor and have children at home. Okay. For your license, you need 1,500 hours of training. You need to go to school for a year. Or you will be fined and shut down by the government.

Unless we have a bias for entrepreneurship that goes all the way to the bottom—before it can come up—then that’s what we are going to get! We are going to get discrimination against poor people who want to build their lives. That’s not just un-American. That’s immoral. And that’s what’s going on around us as we speak in this very place. Extraordinary.

Now, I left the best one for last, because we are working in an educational institution. American education—as most of you know—is in a crisis. It is a crisis that actually affects big parts of the world. Here’s a radical, crazy idea: this is the new civil rights struggle of our time, this education that especially helps poor people to gain the skills that they need to start their lives out right.

How about if we had a public education system that benefited children first, instead of grownups first? That would be a radical departure from what we have today. Here in DC, in the public schools, we spend $21,000 per child per year. $21,000. What do we get for that?

What percentage of 8th grade public school students read at national grade level in Washington, DC?

Eighteen percent.

That’s what our money buys. If I go to the government and I ask, “What do you need?” they’ll answer, “More money.” Okay—we are really rich as a country. How much money? $36,000 per year? $49,000? $110,000? Name the number! I’ll pay it. I don’t care. It’s for the kids!

But it’s not the money. That’s throwing money down a well. It doesn’t matter how much money it is until we have the entrepreneurial idea that innovation and choice are what we need. Until we have the genius of people in this room, and your students, and our colleagues, and everybody as warriors to get innovation and choice into the public school system, nothing is going to change. And the poor are going to stay poor. Twenty-five percent of the kids in this country are not getting an education that trains them meaningfully for any role in the modern economy, and virtually all of them are poor. That’s discrimination against poor people. And we are actually supposed to have a preference for poor people.

My point tonight is that we have a moral obligation to work for the people who have been left behind.

We are leaving millions of people behind. Free enterprise is the key to this, but not free enterprise that only helps the rich. No, free enterprise that has a bias towards the poor, that we push all the way down to the bottom before it can come back up. That means a free enterprise agenda of hope—that’s work, entrepreneurship, and education. We have in our hands the opportunity to use the gift of economic freedom to help “the least of these our brothers and sisters” in new and creative ways. That’s a glorious gift to all of us.

When I speak to businesspeople and advocates of the free enterprise system, my challenge is this: “Don’t ask yourself if you’re angry enough to fight for free enterprise. Ask yourself if you have enough love written in your heart for every person rich and poor, especially the poor, to fight for free enterprise.”

Because if you do, you will be a happy warrior and we have an honest fighting chance of changing the lives of those around us with the greatest gift that our economy could ever give us. God bless you, and thank you. ★
PART IV

Living Solidarity in the Marketplace,
Through the Vocation to Business
How do solidarity, liberty, and gift work together in the Christian life?

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INTRODUCTION
The purpose of my presentation is to show the relationship of solidarity to liberty and the notion of the “gift” in theology. Allow me first to define the terms as I shall use them. “Solidarity” in Catholic social doctrine contains factual and

normative claims. Factually it means that we humans are social and political beings who find themselves in all kinds of relationships with other people. These relationships are necessary to the flourishing of each and every person. Without them, and without a variety of relationships, our personal flourishing diminishes. We can already see the normative, or moral, consequence of the factual claim: because we are social and political beings, we need to care for and cultivate these relationships, even expanding them and assisting those left out of social institutions that might enhance their own relationships. In other words, the fact about the kind of beings we humans are leads directly to claims about the kinds of societies we ought to create and inhabit. We therefore need to make a “firm commitment” to the common good of our own societies (Solicitude Rei Socialis 38). As Christians we have the privilege and responsibility of caring for our neighbors by welcoming them into relationship with us. Solidarity is another expression of charity in the social sphere.

Solidarity should not be a challenging idea to Catholics. In our liturgies, in particular in Mass, we are taught about the social nature of humans and how that stems from the “social” nature of God: just as a Trinitarian God is a God already in re-
relationship, so is God’s creation of man the creation of a being already in relationship, both with God and with other men as well. In addition, that creation by God solidifies the idea that we are all equal members of a family that traces its origins back to a common source—a loving gift of a loving God. Our common origin in God’s creative act is a source of solidarity, as is our common goal to live with God in his kingdom. By origin and goal we are united as a family and sent on a shared mission in which the success of our brothers and sisters is of concern to us.

Our liturgies remind us of the universality of this family; we learn it in at least three ways: first, by our participation in a liturgy that despite slight and inessential differences is a common and universal liturgy—no matter where on Earth a Catholic attends Mass, he or she will be “home;” second, by praying for the intercession of those saints (and Saints!) who have come before us we express the solidarity of a community that not only extends geographically, but temporally—we are brothers and sisters of all those who came before us and all those to come after us; third, we know it in our conception of tradition: a handing down of something precious to those who come after us.

Liberty is also a concept of some familiarity to many of us, and sometimes Catholics are suspicious of it, concerned that false notions of liberty or freedom might be dangerous to us. False notions of freedom do abound in our culture, but even a false notion of liberty contains some truth. Freedom is often reduced in our culture to license: we are free to do anything we wish. Of greater power, and greater falsity, is the cultural notion that we are free to create our own standards of right and wrong. That said, these are perversions of truths that Catholics maintain: our tradition does teach that we are free, and that our freedom to choose is an essential characteristic of our humanity. Liberty is, as St. Thomas Aquinas wrote, “being left to one’s own counsel.” We, and the angels, were given the gift of freedom; that freedom makes us like God, but unlike God we can choose against the good. We are free first to judge, to judge the good, to judge the right, and in this we are God-like. By these judgments we do not determine whether something is good or right, by our own dim lights we merely evaluate whether that thing is good or right for us. We can be wrong in our judgment, of course, but that is a consequence of freedom and our limited reason. Reason is thus essential to liberty; indeed, liberty is a corollary of reason: only creatures that possess reason can be said to act freely.

The capacity of our reason to discern the good, to judge in accordance with good itself, is something that waxes and wanes. A healthy home and a healthy culture can contribute to an environment that nourishes our capacity to judge well which in turn can expand our freedom. Likewise, a bad envi-
How do solidarity, liberty, and gift work together in the Christian life?

Greek and Roman philosophers explained the discipline necessary to virtue by making comparisons to athletics. Just as athletes make sacrifices and set limits upon their activities—denying themselves food, drink, and "distractions" in order to become excellent at their sports, so too societies and people must discipline their souls by cultivating desires that lead to their flourishing and suppressing desires that do not. In the figure of Jacob Marley, the great British writer Charles Dickens provided an instance of a man who failed to suppress his desires for wealth and self-interest. He visits Scrooge as a ghost in heavy chains, "wound about him like a tail; … made of cashboxes, keys, padlocks, ledgers, deeds, and heavy purses wrought in steel." Under questioning, Marley explains to Scrooge the he forged the chains himself. "I made it link by link," Marley says, "and yard by yard; I girded it on of my own free will, and of my own free will I wore it." By his actions in freedom, Marley imprisoned himself; made himself more and more the slave of greed. His exercises in freedom enslaved him.

Before we can move on to discuss the notion of "gift," we need to address the apparent collision of freedom and solidarity. Often the two concepts can seem opposed; to speak of solidarity as I did above, as a privilege and responsibility of caring for others can seem opposed to a common understanding of liberty as being free of social ties that we don't enter into on our own. To be for liberty, some claim, is to be against a sense of deep social commitments. The Catholic social doctrine believes this opposition is a false one; a canard advanced by parties on different sides, either those opposed to certain liberties or those opposed to thinking of the human being as a social being. For each of these parties possesses imperfect conceptions of liberty and solidarity. The one thinks of liberty encroached upon by social commitment; the other thinks of social commitments as endangered by liberty. And, in terms of their imperfect conceptions of each idea, they are right. Liberty as license is threatened by bonds of loyalty and dependence; certain social conceptions of the person are incompatible with liberty as "being left to one's own counsel."

If, however, we understand each term properly, we can see the compelling nature of the Catholic claim (and we should remind ourselves that the Catholic claim follows and builds on a claim common to some strands of Greek and Roman thought—the claim is not true because it's Catholic!): the disciplining of the soul described above expands individual freedom which in turn conduces to the expansion of freedoms socially. Societies expand their own freedoms through their individual members training their souls in freedom. Societies assist this, and grow, when they assist in the disciplining of the soul, by guiding individuals towards genuine goods and renouncing or declaring against false goods. Some people worry that expecting societies to assist their members in renouncing goods or adopting behaviors taken to be good for them leads to intrusions on freedom. They worry that this is "conservative" or even authoritarian. Conservatives of more libertarian bent worry that this can express "liberal," sentimental conceptions. Taken together the worries of these two positions shows their incomplete vision: sometimes the demands of solidarity might be more "conservative" and sometimes more "liberal." For instance, ecological and envi-
ronmental practices designed to save resources for future use might involve sacrifices now that certain conservatives oppose and liberals champion, whereas efforts to strengthen stable families, churches, and other institutions of civil society might involve sacrifices now that certain liberals oppose and conservatives champion. In each case, the sacrifices are judged not by partisan politics, but by a prudent analysis of whether they conduce to goods that ultimately will free people for better lives. The purpose of assistance is to expand opportunity for those whose opportunities might be limited by decisions made by others. Healthy societies need social institutions (families, churches, businesses, clubs) and sound stewardship of resources for their flourishing, a flourishing measured over time, and not merely in snapshots of one moment.

So, how does the language of “gift” fit into this? The language of “gift” is a theological language, and as such is viewed by some as muddling rather than clarifying economic considerations. Pope Benedict’s encyclical Caritas in Veritate met some opposition precisely because of its extensive use of gift language. Pope Benedict said rather plainly that the logic of gift and gratuitousness—that is, love—“must find their place within normal business activity.” (CiV 36) But this seems absurd: the market is self-interested, we are told; there can be no space for gratuitous love in something that is essentially and inescapably self-interested! To be self-interested is to renounce other-regard. To embrace the gift would entail turning away from the market economy.

This obvious opposition of gift and the market is, however, gravely flawed. First, “gift” is not merely other-regarding, it is also self-interested. Anthropologists and sociologists who have studied gift exchange note that gifts are given attached to certain self-regarding expectations. Among the first of these expectations and one that is familiar to any gift-giver is the expectation that the recipient will like the gift. Gifts are given with expectations that they will be welcomed and establish, deepen, or solidify relationships within and across communities.

Self-interest, then, should not be understood as bad, nor incompatible with other interests, including interests for the good of others. Indeed, other-regard requires some basis from which to move, and that is usually self-regard. So, gift economies are not free of self-interest. They are not utopian—or, better, the utopian notion of love as giving absent all self-interest is not a utopia at all, and perhaps not even a description of a human community, but a monstrous one. Further, gift is also present in many common market exchanges: we might think it absent because of our own wooden ways of regarding the operation of the market.

Many people assume that the market economy runs on profit, and even here they assume it runs on profit “at all costs.” Thus we have a picture of a ruthless and inhuman economic system predatory on desire for the gains of the few. But the ruthless pursuit of profit doesn’t account for the day-to-day operation and flourishing of the market economy. Characteristics of the market economy include not only—or perhaps even first—concern for profit, but also trust, perseverance, honesty, and good faith. Every day men and women provide labor and services and take risks that cannot be accounted for simply by regard to profit. Perhaps this suggests the presence in the market of the gift already, submerged beneath structures we take for granted?

The logic of the gift may already be embedded in the free market economy. Pope Benedict’s language captures that possibility. The gift opposes selfishness, selfish interest, not self-interest. Drawing out and expanding the already embedded elements of gratuitousness in the economy can solidify the commitment to solidarity and enhance personal freedom. It can help oppose the tendency to see all social and political problems as resolvable through what Pope Benedict called “commercial logic.” Pope Benedict wrote, “Society does not need, then, to protect itself from the market, as if its development were ipso facto to entail the death of authentically human relations… The Church’s social doctrine holds that authentically human social relationships of friendship, solidarity, and reciprocity can also be conducted within economic activity, and not only outside it or ‘after’ it. … in commercial relationships the principle of gratuitousness and the logic of gift as an expression of fraternity can and must find their place within normal economic activity.”

— Joseph Capizzi, Ph.D.
What are our degrees of freedom for living solidarity?

Andrew Yuengert, Ph.D.
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THE MARKET MADE ME DO IT
The danger in speaking after 13 talks on Catholic thought and business is that there is nothing left to say. Russ Hittinger started with the observation that his job was to tell you what you already know. I fear my job is to tell you what you have already heard. But I think I can come at it from a slightly different angle.

The title of this talk is “What are our degrees of freedom for living solidarity?” In other words, is this a pipe dream? Is it possible to live up to the demands that the Catholic Church puts on businessmen, to build a business which serves the common good? I hope you have been encouraged that this is possible, however difficult. In this talk I want to focus on something that may lead us to think that this challenge is utterly unrealistic: we talk about markets, finance, competition, and management in ways that lead us to think that we have no scope for moral behavior in markets. I call this excuse “The Market Made Me Do It.” This way of talking about the challenges of business shapes our sense of our responsibilities in markets, and limits where we can effectively exercise the virtue of solidarity.

We know that as Christians, we have an obligation to work toward a more just society of good work. Solidarity makes this claim on all of us. But where is this solidarity exercised? What is the outlet for this virtue? When we see the world through the lens of subsidiarity, we see ourselves as part of many communities, all connected, each with a common good. The common good of some communities like the state is supposed to include the common goods of the communities which are embedded in it. A businessperson has obligations of justice and prerogatives of love in each of the communities in which he lives: in the family, in the local business office, in the corporation, in the local church and other communities, and at the level of the state. Since communities higher up (like the state) are supposed to address tasks and challenges which are beyond the communities further down, the question arises: where should we act on the demands of solidarity? Does it make sense to try to live solidarity in the workplace? Or does solidarity mean state action?

The crucial question for us is “can anything be accomplished for justice and solidarity at the local level, the business, the office, etc.?” If the answer is no, then we are going to find it impossible to bridge the divide between our lives as Catholics and our lives in business.

Let’s say you own a business, or are responsible for one. You are sometimes, maybe often (probably always) faced with difficult decisions.

For example, maybe the decision is difficult because it affects your workers. Their pay is low, and you decide you can’t give them a raise this year. Or you must lay off some of them, even though many are vulnerable to job disruption. Or maybe your decision is difficult because it involves long-term suppliers, who are your friends, or with whom you at least have built a sense of trust and loyalty. You must find lower-cost or higher quality suppliers; perhaps your current suppliers will suffer as a result.
Or, finally, maybe the decision involves costs to your family. Your already long hours don’t seem long enough to get the job done, or you are anticipating more travel time. Your spouse, your children, and others who depend on you outside of the workplace will see less of you.

Let’s focus on decisions which affect workers, because they are most often in the news, and in our consciousness. You have workers, some whom you know, and perhaps all whom you care about. Your business is under pressure, and you cannot pay them as well as you would like to. Or you must lay off some, and it eats you up, keeping you up at night.

Why exactly do you feel bad about this decision (this is a question only an academic would ask)? There are many answers to this question, and they fall along a spectrum: On one end of the spectrum, you feel bad even though there is nothing, really, you can do about it. On the other extreme, you feel bad because you could do something about it but do not.

The first extreme is: you really have no choice. If you pay your workers more than minimum wage, or employ them full time with benefits, your business will fail. You feel bad for your workers, but you also feel helpless to do anything about it. Your employees losing their jobs, or having crummy pay, is something that happens to them without you really doing it to them. You would feel bad for them if they worked for someone else and lost their jobs. You can comfort yourself with the realization that you are not really responsible; it’s not your fault. You are like a bystander: sympathetic, wondering if there was something you could do, but not really responsible.

On the other end of the spectrum is a situation in which you could without cost pay your workers more or keep them employed. Of course, I’m an economist, and know that there are always costs! When you pay your workers more than minimum wage, or give them more generous benefits, profits will be lower, but let’s say the lower profits do not threaten the business; you are not on the knife edge of failure or survival. In this case, you feel bad because you are in fact doing something morally wrong; you could easily help your workers, avoid laying them off, or increase their compensation, but you don’t, because you don’t have to. Your conscience is bothering you, and it should. Your feelings are a sign that you should treat your workers better.

So which is it? Are you helpless (in which case you have no moral responsibility) or fully in control (in which case you need to change your behavior)? Of course, the truth is somewhere in the middle. How close we are to either extreme is very important, however, because it forces us to confront both the culpability of the business owner, and our moral responsibility.

Of course, it is very difficult to discern in any given situation where on the spectrum we are. I think there are three reasons for this difficulty in discernment:

- First, we never have the luxury of certainty. We never know exactly what will happen if we pay our workers more; we only know risks and probabilities, and we don’t even know those well. It’s hard to know, and our judgments might be wrong.

- Second, we are imperfect and sinful. We make mistakes, and sometimes let ourselves off the hook. These decisions involve our own judgments about how much we need to live on, what sort of risks are acceptable to our standards of living and our status, and we are as vulnerable as anyone else to wanting too much. We mistrust ourselves, and our mistrust is, we know, often justified.

- Third, everyone around us is telling us that we have no choice but to pay as little as possible for as much work as we can get. This is my biggest concern. I worry that those of us who look at these decisions from a distance (from academia, from government), make it too easy to say that there is no choice in matters like this, that “The Market Made Me Do It” is always true.

Both the right and the left sides of the political spectrum encourage the attitude of “The Market Made me Do It,” that there is no choice but to drive costs down as far as possible, no matter the consequences, and that those who treat their workers better will not survive in a dog-eat-dog market.

On the left, the story goes like this: Those who have power (business owners, owners of capital) are as trapped as workers are by competition; the system of competitive
capitalism is to blame. I participated in an excellent seminar recently in which most of the seminar members were on the left. One of them used Mitt Romney’s work as an example of this blamelessness. There was no question among the participants that Bain capital’s mission was to cut wages and jobs at U.S. companies, to make them more profitable at the expense of U.S. workers. The question was whether we could really blame him for his actions. Those who were more generous did not blame him, because to blame him would be to claim that the problem of capitalism was that capitalists were greedy. According to this story, however, replacing greedy Romney with a virtuous CEO would not help matters, because it wasn’t Romney who laid waste to U.S. workforces, it was the system and its incentives.

It is not just the left that tells us that business owners have no choices with regards to how they treat their workers. The story on the right is actually kind of similar: employers who produce in very competitive markets must pay market wages, which are determined by supply and demand in competitive labor markets. They must also generate rates of return on investment and other inputs, which are also determined by supply and demand forces. After you pay market rates of return to labor, capital, and other investments, there is precious little left over. If you increase worker pay, you must decrease something else, and there is not a pot of money lying around. The money to pay your workers more must come from some other resource, and the owners of the other resources will take those resources somewhere else if you pay them less.

Both of these extremes, left and right, foster a similar attitude toward the moral responsibility of business owners: it’s not their fault, and remedies for market faults must lie elsewhere. In other words, solidarity is properly exercised outside of markets, not within them. What this means for business owners is different on the left and on the right. On the left, the moral business owner is obligated, along with everyone else, to work for a different system which gives the worker more power and a greater institutional share of the economic pie, either directly in the workplace via minimum wages, mandated benefits, employment protections, and union power, or via redistribution through a generous welfare state. On the right, owners are equally helpless, but there is less to worry about, since the system—the invisible hand—delivers benefits broadly in ways which cannot be improved upon by intentionally planned alternatives. If there are any problems with the system, though, they should be taken care of at a systemic level—through a safety net, through charity, or greater competition.
Where does Catholic social thought come down on this question? Not surprisingly, Catholic thought often emphasizes solutions taken at the level of the economic and political system: government-provided safety nets, support for unions, regulation of the labor market. The idea of social justice takes for granted a need to act at a systemwide level to address social problems.

You may be surprised, though, to find that Catholic social thought places expectations on the business owner, as well as the government official, for social justice. If actual markets leave as little room for businesses to act toward any goal but the maximization of profit by any legal means, then what shall we make of John Paul II’s exhortations in *Centesimus Annus*?

“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” (para. 35).

If the maximization of profit is only one of the goals of a business, which exists as a “community of persons,” there must be some room for the pursuit of goals other than profits in markets.

In *Centesimus Annus*, John Paul II, after affirming the need for government to oversee the “the exercise of human rights in the economic sector” goes on to say that

“primary responsibility in this area [the area of human rights] belongs not to the State but to individuals and to the various groups and associations which make up society” (para. 48).

It makes no sense to place primary responsibility on individuals and groups if they have no practical scope, if they cannot act other than market pressures dictate.

John Paul II was not alone in expecting more from business owners. In *Caritas in Veritate*, Benedict XVI criticized ways of thinking in which the business sector was morally neutral, in which for-profit businesses focused on efficiency, the government sector ensured distributive justice, and the nonprofit sector charity. Instead, Benedict encouraged us to create space for the operation of justice and charity in the for-profit sector. Again, it makes no sense to expect charity to operate in the private sector if business owners have no practical space in which to allow love and care for workers to operate.

According to *Lumen Gentium*, from Vatican II, lay Catholics are supposed to be leaven in the world.

“They are called there to the secular order] by God that by exercising their proper function and led by the spirit of the Gospel they may work for the sanctification of the world from within as a leaven.”

Think about what this means. Leaven does not work to raise the bread according to some master plan, executed from the national Department of Leaven. The leaven is not a voting bloc; it is instead a sort of local catalyst. Each bit of leaven works where it is, and the dough rises.

Catholic social teaching, while assigning a crucial role to government in the promotion of rights, demands that businesses play their appropriate subsidiary role. Is it possible for them to do so, and remain viable in competitive markets? Or is Catholic social teaching demanding something impossible?

I worry that economic theory contributes to “The Market Made Me Do It” attitude, by making it seem that there is no room for moral agency in business, by the way it presents the concept of competitive markets. In the economic ac-
of return, and he will risk being driven out of business or bought out by a less scrupulous employer who will act to maximize profits. What’s a moral person to do? “The Market Made Me Do It.”

If the Market makes us do it, then we can’t expect much to be accomplished when we try to make businesses more human. The only way to exercise solidarity is to try to make systemic changes, to change the rules under which we must operate. It is impossible if all markets fit the perfectly competitive model of economic theory.

Most real markets, however (even competitive markets), are full of niches: geographic, brand, service niches. Long-term relationships with customers and suppliers, barriers to entry, and the unique skills and talents of workers and employers create ‘economic rents’—that is, profits that are not easily competed away. They can provide a space—sometimes only a little space—to give fuller rein to an employer’s desire to more fully include the interests of employees and other stakeholders in his business decisions.

Mainstream economics can easily miss the room for moral agency in economics, because it often ignores the reality of imperfect competition, and lacks an analytical language to describe the challenges and contributions of entrepreneurs.

There is a larger point here. The analytical models that we use to understand the economy, and to run a business, are not enough to fully understand the economy, and are not enough to act in it. For example, the competitive model of supply and demand doesn’t tell us how buyers and sellers find each other, figure out what prices to pay, or set up and staff production operations. These things happen without being described in an economic model. Economists don’t know how new products come about. A couple of nights ago Matthew Brach told me about newly minted finance college grads who cling to their spreadsheet models of valuation, reluctant to make the rule of thumb adjustments and to add in things that don’t fit the model—is the company losing long-term clients, for example. Although the spreadsheets and valuation formulas are necessary to sound valuation, they are not sufficient. Valuation must always make use of the framework, but must always go beyond it.

What I’m trying to say is: there will always be a big gap between economic descriptions of the economy, and of how people act in the economy, and what it is like to make a real decision. And what fills the gaps in the theory—what Catholic social thought calls practical wisdom, practical judgment—is crucial to the operation of the economy, even though we cannot describe it precisely.

What fills the gaps? People making decisions, entrepreneurs developing new products, making things happen that we economists can’t predict or explain fully. An entrepreneur specializes in making things happen in the messy, uncertain environments in which businesses operate. There is little room for the entrepreneur in economics, since the messy, uncertain details of business have been assumed away—we assume that everyone knows what the demand curves and cost curves look like, and new products, technologies, and business organizations come into being magically, without any entrepreneurial enterprise.

Many of our students already are entrepreneurs, or soon will be; they are often attracted to the challenge of making something new happen in environments where no one expected it could be done, of finding a way. The challenges facing the entrepreneur are similar to the challenges facing the moral business owner: how to create value where none was before, how to create an organization that generates benefits not just for the entrepreneur but for customers. The challenge of creating a business that has aspects of a good community of capital owners, customers, and workers is the same sort of challenge. There are remarkable people out there trying to make these sorts of businesses work, and succeeding. Sometimes it will not be possible, but sometimes it will—it is a challenge worthy of, and big enough for, a morally serious entrepreneur.

The work of the morally serious entrepreneur will not be visible in economic models, because entrepreneurial activity is invisible to economic models. So there is space for this work.

There will of course be times when market pressures will force a business to make difficult choices with real human costs: to let people go who need the work, for example. In preparation for this talk I wanted to read case studies of firms which are trying to do things differently—to make products which are good for people and to provide for good work: to pay more, to avoid layoffs, for example. Mike Naughton and David Specht have done us all a real service with this collection of case studies, Leading Wisely in Difficult Times.

We need more books like this, stories about how it is possible to live your faith in business without minimizing the difficulties. And what I love about this book is that the “Difficult Times” are distressingly real: all of these companies
face severe competitive pressures, demands for cost cuts from customers, and being true to stated values is difficult and discouraging work.

What practical advice can be gleaned from this book, and from the talks we've heard at this conference? I have three pieces of advice.

First, watch your language. How we speak affects how we think, and how we think can constrain us and close us off to the possibilities. The challenge to work in business and to lead differently is a social challenge. Sean Fieler in his talk on finance noted that the way we talk about business and finance matters—are investments “plays,” are managers “jockeys,” are people “seats,” are customers just competitors in the game? Bob Kennedy resists saying that people work for him, instead reminding himself that he is working with them, and that his job is to help arrange things so that they can contribute to the common project. Mission statements don’t matter if they are ignored, of course, but they can be an important source of concepts and language, to help a company to frame its challenges, to hold it accountable to its principles, particularly when times are tough.

A second piece of advice is to embody your principles in a set of practices. Don’t leave them in the mission statement. Families that want to maintain their unity adopt practices like “eat dinner together,” “say the rosary together,” “have a game night at least every other week.” In the same way, a company that is serious about its values must make them real in practices. Practices help to develop habits. One of my favorite stories from this book is that of a new manager who was told of an unusual practice at his new firm: when someone was fired, the manager who fired him would contact the fired employee and meet with him in person at least two times in the following year. When he had to do this, very soon after being hired, it was excruciatingly difficult—the first time. After his experience of reaching out to fired employees as a human being, this manager says he will continue this practice even if he moves to another company. It affects the way he fires workers, but it also affects the way he hires and manages his workers. Embody your principles in practices.

The third piece of advice is that this challenge is social. Find a community of business executives who are struggling to do things differently, and meet with them, be accountable to them. Support and challenge one another. Find out who is doing what you are trying to do, and take them to lunch. Encourage young mentees to seek out work with companies which are trying to be good, and to work under those bosses who embody these values and bear the scars of these struggles.

One final point: Sometimes change must come at the level of government, at a high level. But if you think of society purely from the perspective of a government regulator, or if you see the economy purely from the perspective of an abstract model, you will also miss how changes can emerge from the initiatives and struggles of those at local levels. No one in the homeschooling movement was trying to change the education system, but they have made a difference. The government did not bring about workplace innovations of flex time, the franchises of McDonalds and Chik-Fil-A did. Important institutional changes emerge from the social order; they do not always have to be imposed from above. They are the results of entrepreneurial adjustment to changing circumstances, changing views of what is and is not important.

We should not minimize the reality of competitive pressures, and the difficult choices facing the business owner. Neither ought we to maximize the reality of competitive markets, either: many markets are less than perfectly competitive, and firm owners are not helpless in the face of competitive pressure. Sometimes “The Market Made Me Do It” will be a copout.

We need to encourage our students not to be overly intimidated by the market. Those who are entrepreneurial should be encouraged to add one more thing to their desire to start a business and make it a success; to make it a good, caring place for everyone involved. The business world is a great place to let their desires to create run free, to the benefit of them, their workers, and their communities. ★
How do we live the vocation to business, starting today?

Andreas Widmer
DIRECTOR OF ENTREPRENEURSHIP PROGRAMS,
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“How Well is Catholic Social Doctrine Understood?”

When I ran a business strategy consulting firm, the first thing we would do in any project was survey the market. In order to understand how a product or industry is or can be situated in the market, we would run mental model surveys. Mental models can be described as a person’s view of the world—how we “understand” things to work, absorb, and interpret them. This can be more or less out of tune with an objective perception. As the saying goes, perception is reality.

Through our surveys, we would find out which industry terms resonate with the customers, what they mean to them, and how the company or industry should use language in order to get its message better understood by potential clients. There are hardly any consumer product companies that do not undertake such research before communicating with their target market.

It occurred to a group of us that this could also help in helping the Church increase the effectiveness of her communicating Catholic social doctrine.

Our first task was to establish a list of Catholic social doctrine terms and their actual definition. We decided to focus on less rather than more in order to keep our research focused and avoid what one could describe as “borderline terms,” which the Church may have used in the past but that are not very clearly defined or are beyond our scope (e.g., minimum wage; environmental stewardship; trade; etc.).

Below is a list of the core Catholic social doctrine phrases, principles, and thoughts we tested for in our research:

- Human Dignity: Men and women are made in the image of God and destined for eternal life.
- Justice: To each his due.
- Social Justice: Groups and individuals receive what is rightly owed to them.
- Common Good: All the conditions in society that allow individuals and groups to reach their fullest human good, both in this life and the next.
- Solidarity: Unity arising from love of neighbor.
- Subsidiarity: Higher groups in society should not take over tasks that lower groups would like to perform, unless the lower group asks for help. In other words, social functions should occur at the lowest possible level so that individuals and groups have a true sense of purpose.
- Universal Destination of Goods: God gave the good things of the earth to the whole human race.
- Charity: The love of God and neighbor.
- Preferential Option for the Poor: Charity requires us to place the needs of the poor before our own needs.
- The Purpose of Social Life: Social life should be aimed at the common good.
- Private Property: Private property is good: through ownership we imitate God.
- Entrepreneurship and Business: Economic initiative is a fundamental value and human right.
- Hiring and Firing: Owners should make the dignity of employees central in their decision making, though sometimes firing is necessary.
- Relationship between charity and operating a business: Owning and operating a business is itself an act of charity for a Christian.
- The Role of Truth in Society: A free society must affirm some truths as absolute.
- Wages: Wages should be sufficient for families to support themselves and also save something.

We also sought to measure some underlying perceptions of and engagement with Catholic social doctrine:
- Catholic Church’s “tone” about business and market economy.
- Catholic Church’s understanding of your professional work.
- Relevance of Catholic social teaching for individual Catholics in their daily life.

We started by researching the resonance for some key terms of Catholic social doctrine. Based on our research, Human Dignity, Common Good, Social Justice, and Solidarity are all at or above 60%. This is very high for general terms. It makes sense that Subsidiarity is lower as it’s a very particular term that only applies to Catholic social teaching.

What we find is that Catholic social doctrine terms highly resonate in the general public, that is to say that these are regarded to be positive terms that people like and relate to.

Let’s see if they’re right: Almost 50% of Catholics do not recognize the actual Church definition of Solidarity, compared to 31% of non-Catholics.

Subsidiarity is lesser known and the fact that 52% of Catholics say that they don’t know what the term means illustrates this—the highest “don’t know” percentage of any term we’ve researched. We reconfirmed that finding in also researching whether people would recognize a violation of the principle of subsidiarity in action… and only 19% of Catholics got that right while 43% misidentified it.

Common Good, the second most resonating term we’ve researched, is also the least well understood term we’ve researched: only about 10% of Catholics and 5% non-Catholics correctly identify the definition of Common Good. Notice that 85% of Catholics are convinced that they know what this term means… yet 75% of them get the answer wrong.

Universal Destination of Goods is the best understood term among Catholics by a factor of two.
How do we live the vocation to business, starting today?

SOCIAL JUSTICE, PREFERENTIAL OPTION FOR THE POOR, CHARITY, JUSTICE

Interesting here is to compare the results regarding Justice and Social Justice. Double the amount of Catholics say they don’t know what Social Justice means versus what Justice means. And 75% of Catholics do not identify correctly the Church’s definition of “justice.” This is the highest percentage of “wrong” answers of the entire survey, closely followed by the wrong definition of Common Good with 74.4%. The term Social Justice is a distant third in misunderstanding among Catholics with 60%.

Charity is another high-confidence, low understanding, term among Catholics. Only 10% of us “don’t know” but 67% get the definition wrong.

The Preferential Option for the Poor is the best understood term among Catholics—a third of us correctly identify this definition.

FACTORS INFLUENCING RESULTS
One of the insights we gained from this research is that Catholics seem to know that they “should” know what the Church teaches… but that more than half of us don’t actually know.

Granted, for each question, there is a greater percentage of Catholics who choose the correct answer than non-Catholics, but a greater percentage of Catholics also choose an incorrect answer than did non-Catholics.

I can almost hear you say: … this must be the “non-practicing Catholics” who pull down the Catholic average…

We thought of that as well and tested for it—and found that this is actually not the case: Attending Mass weekly or more significantly decreases the likelihood of a Catholic respondent answering “I don’t know” … but is only slightly increases correct responses. Overall, Catholics have only about a 5% greater likelihood of answering our questions correctly vs. non-Catholics.

Being a pro-life Catholic increases the likelihood of answering correctly by 6.4%—but if included with all other pro-life respondents, there is no pro-life correlation to correct answers.

Catholic school attendance gives the Catholic and non-Catholic respondents an uptick in correct answers of 5.12%. Age did not correlate at all, and Catholic women are 6.3% more likely to answer incorrectly.

We also researched what people feel they know about the Church’s stance on several issues related to business and work. Roughly a third of Catholics say they don’t’ know—with the almost half of them saying that they don’t know what the Church teaches on private property.

Here again, the wrong answers are high. Led by our ignorance about the Church’s teaching on hiring/firing, followed by “wages” and “entrepreneurship.

We further asked about how people feel with regards to the Church’s “attitude” and empathy toward them:
The good news here is that about a third of Catholics feel the Church understands them in terms of their work and needs... and a another third of Catholics uses the Church's teaching—or their understanding of it—in making decisions at work and in their private lives.

THE BOTTOM LINE OF OUR RESEARCH SO FAR IS THIS:

Catholic social doctrine terms resonate strongly with both Catholics and non-Catholics. Catholic school is where the Church gets the best traction so far in terms of teaching social doctrine. Catholics in particular feel like they should know the answers... but the truth is that they do not.

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Andreas Widmer—Principal Investigator

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We are grateful to all those who contributed their time and talents to make this groundbreaking event a success. In particular, we would like to express our gratitude to the conference master of ceremonies Rev. Robert J. Spitzer, president of the Magis Center and Napa Institute. We also thank the staff of The Napa Institute, including: John Meyer, executive director; Billy Fritz, program manager; Emily McCormick, events coordinator; and Jean Jacoby, conference registrant.

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All the conference content and materials have been compiled and are available at http://business.cua.edu/libertyandsolidarity for all who are interested in re-experiencing this conference and engaging in the teachings, insights, research, and inspirations shared by a unique team of academics, business executives, and religious leaders.

Our next conference will be held on March 15-17, 2016, on the occasion of the 25th Anniversary of Saint John Paul II’s Encyclical Centesimus Annus and the 125th Anniversary of Pope Leo XIII’s Encyclical Rerum Novarum.
JOIN US AT OUR NEXT CONFERENCE

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Encyclical Rerum Novarum
“With academics, policy makers, ethicists, theologians, and business leaders as presenters, the conference delivered the ideal blend of business theory, social responsibility, theological inspiration, and best practices.”

— ROBERT J. SPITZER, S.J., PH.D, President, Magis Center and Napa Institute

“It was a great joy for me to share ideas with colleagues already given to our Christian anthropology and to do so in the spirit-centering (and mind-expanding) context of daily prayer and sacrament. I’ve never been party to such fruitful exchanges.”

— LLOYD SANDELANDS, Professor of Management and Organization, Stephen M. Ross School of Business Administration, University of Michigan

“The conference was profound because of so many fundamental shifts in perspective. Amazing quality of speakers.”

— LOUIS KIM, Vice President, Hewlett-Packard

“This is a very important topic of integration of business leadership and faith. It’s always a great joy for me to be around people who are excited about incorporating their love of God into a passionate business world.”

— ANDY LAVALLEE, Founder & CEO, LaVallee’s Bakery