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Cover Page Footnote

I would like to thank the Catholic Community of the Graduate School of Business of Stanford University for entering into this dialogue with me. I also thank John Coleman, S.J. and John Koeplin, S.J. for the comments and encouragement.

INTRODUCTION

As a Jesuit priest, I have had the honor of several different kinds of ministries. I have served in Latin America, where the issues of economic development became a major focus of my work. I then studied and taught economics, particularly around issues of poverty both domestic and international. And, finally, I have worked in advocacy, seeking to affect both governmental and private corporate policies regarding poverty and justice. In each of these contexts, I and others have encountered a frustrating limitation: the inability of the Church and business to dialogue well together regarding the ethical implications of business activity and economic justice, in other words, business ethics broadly understood.

The Roman Catholic Church's thought on economic justice is officially articulated in its Catholic Social Teaching. In particular, since Pope Leo XIII wrote *Rerum Novarum* in 1891, a series of papal encyclicals and more local documents have tried to articulate the Church's concerns regarding the experience of ordinary people in the developing capitalist and socialist economies.¹ Especially since the Second Vatican Council's emphasis on dialogue with the wider world, the Church has tried to speak beyond church membership to "all people of good will" about its concerns.

The business community's self understanding has been articulated by economic theory describing business activity as governed by technical autonomous forces guided by the market. While businesspeople may often engage with religious thinking on a personal moral level, many, if not most, business practitioners and theoreticians do not feel the Church engages them or understands them on their own ground within the rules that they play by as business people.

Meaningful conversation is quite difficult across these two different paradigms and mindsets. To be sure, there are instances of such conversation. There are various kinds of regular meetings of businesspeople who share particular religious traditions as well as more formal events, such as the series of exchanges between Catholic bishops and a wide variety of people that led to the pastoral letter *Economic Justice for All* in 1986. While there is mutual respect between many in the Church and in business, too often each has seen ourselves either as separate realms with little to do with each other; or each see ourselves in conflict, with the values and actions of each being criticized as unrealistic at best and evil at worst.

¹ Cf. David J. O'Brien and Thomas A. Shannon, eds. *Catholic Social Thought: The Documentary Heritage* (Maryknoll, N.Y.: Orbis, 1992).

Benedict XVI in his June 2009 encyclical *Caritas in Veritate*, which translates into English as *Love in Truth*, joins that conversation, and sees it as important both for business and for the church. “Reason always stands in need of being purified by faith...religion always needs to be purified by reason...any breach in this dialogue comes only at an enormous price to human development.”² It is a strong, extensive and rich document. As Peter Oslington of the University of New South Wales recently commented on the first anniversary of the encyclical, it is “an admirable engagement with economics – certainly at the upper end of church statements on economic matters...that seeks to frame the discussion”³

In this article, I will focus on that conceptual framework of *Caritas in Veritate* and its implications for business ethics and the economic thinking that is its context. As we will see, Benedict speaks to varied levels in the business community. Benedict describes his vision of moral ways of doing business and discusses concrete structures for profit making corporate activities as well as addressing economic theory and its philosophical bases. Thus, this work seeks to engage workers, business executives and managers as well as academics in the fields of economics, business and ethics. There is much common ground shared by the Church and the business community; my hope is that this encyclical will provide a basis for more fruitful dialogue between the Church and the corporate world..

CATHOLIC SOCIAL TEACHING

Love in Truth comes from the rich tradition of what is commonly known as Catholic Social Teaching. Like all theology, the Church’s social teaching follows pastoral practice. It is a response to concrete socio-economic issues that people face. In particular the Church has always been concerned about ‘the widow and the orphan,’ the impoverished, and marginalized in whatever society the Church finds itself. Since the promulgation in 1891 of Leo XIII’s *Rerum Novarum*, which is considered the magna carta of modern Catholic Social Teaching, the Church has focused on those impoverished by the growth of economic structures, particularly capitalist and socialist economies after the industrial revolution. More recently the focus has shifted towards those people affected by those structures internationally, especially in the developing world. My point here is that despite Catholic Social Teaching’s formal, theological,

² Benedict XVI, *Caritas in Veritate*, accessed online at <http://www.vatican.va> on July 8, 2009, no. 56.

³ Peter Oslington, “Pope Benedict’s Greed Free Capitalism,” *Eureka Street* (July 15, 2010), <http://www.eurekastreet.com.au/article.aspx?acid=2070> (accessed July 16, 2010).

abstract genre, it is rooted in concrete experience and so has more common ground with the practicalities of business activities that might at first appear.

A second clarification: Catholic Social Teaching does not “have technical solutions to offer,”⁴ nor pretend to provide an alternative ‘Vaticanomics’ or a “third way” between capitalism and socialism.⁵ The Church has lived as part of every variety of economy, some easily, some in conflict, but the church always sees its role as challenging the society in which it finds itself to be its best self. The People of God wish to engage, not replace, the economic structures in which we concretely find ourselves.

Caritas in Veritate – Love in Truth

Pope Benedict’s conceptual framework is captured in the title of the Encyclical, whose translation into English, I feel, is more appropriately ‘*Love in Truth*’ than the more common ‘*Charity in Truth*’. For Benedict, love is not extraordinary saintly virtue, much less romantic feeling. From the first paragraph of the encyclical, Benedict describes love as “the principle driving force in every person and all humanity,”⁶ “through which we have our being.”⁷ For Benedict, humanity’s very existence is the result of relationship, of our interconnectedness and interdependence on one another and on God. Furthermore, love “is the principle not only of micro-relationships (with friends, with family members or within small groups) but also of macro-relationships (social, economic and political ones).⁸ Now, the heart of that relationship is the “astonishing experience of gift,”⁹ of the gratuitous nature of all of the relationships on which our very lives depend. This is in contrast to the view of our lives as independent, and self-made, in which “Sometimes modern man (sic) is wrongly convinced that he is the sole author of himself, his life and society” whereas actually we human beings are “made for gift.”¹⁰ This view of our human nature is not simply a spiritual statement, but quite practical. As we will see later, for example, Benedict will argue that this understanding of human life actually underlies the functioning of something as practical as the market. It is difficult to overstate the importance of this fundamental principle, and its contrast to our contemporary “utilitarian and

⁴ Benedict XVI, *Caritas in Veritate*, no. 9.

⁵ Oslington, “Pope Benedict’s Greed Free Capitalism,” 1.

⁶ Benedict XVI, *Caritas in Veritate*, no. 1.

⁷ *Ibid.*, no. 5.

⁸ *Ibid.*, no. 2.

⁹ *Ibid.*, no. 34.

¹⁰ *Ibid.*

consumerist” view of the autonomous self-created person, which makes it so difficult to recognize our true selves.¹¹

The story of the creative and destructive ways we have lived out this interdependence, the relationships we have created, the social structures that we have inherited, in short our history, is the truth which is the “locus” of love.¹² Our God is active in our history, and our choices have made us who we are. But we know that that truth is not always a pretty one, especially in the last forty years, which is Benedict’s timeframe as he celebrates and updates Pope Paul VI’s 1967 encyclical letter *On The Progress Of Peoples*.¹³ Benedict’s greatest concern is globalization and in particular its negative effects. For example, international economic growth, while positive in some parts of China and India, as Benedict notes, “is weighed down by malfunctions and dramatic problems, highlighted even further by the current crisis”¹⁴ The scandal of inequality that Paul VI pointed out is now on the increase, showing that “mere technical progress does not resolve the true issues of human advancement.”¹⁵

The connection between Love and Truth is crucial: Love must be *in* Truth – “without truth, charity degenerates into sentimentality.”¹⁶ Without love, the “truth” of our world is clearly, in religious terms, sin. Benedict understands sin precisely in our rejection of this aforementioned reality of interdependence and overemphasis on individualism. Benedict returns to this theme over and over: “Many people today would claim they owe nothing to anyone, except to themselves”;¹⁷ “A person’s development is compromised if he claims to be solely responsible for what he becomes.”¹⁸ Speaking directly to the concerns of this article, “In the list of areas where the pernicious effects of sin are evident, the economy has been included for some time now.” While “authentic human social relations can be conducted within economic activity,”¹⁹ “The conviction that man is self sufficient...and that the economy must be autonomous...has led man to abuse the economic process in a thoroughly destructive way.”²⁰

The heart of Benedict’s message is therefore the call to recognize what he sees our true nature, as interdependent gifts to each other, and, rejecting the view

¹¹ Ibid.

¹² Ibid., no. 5.

¹³ Paul VI, Encyclical Letter *Populorum Progressio* (26 March 1967), 22: AAS 59 (1967).

¹⁴ Benedict XVI, *Caritas in Veritate*, no. 21.

¹⁵ Ibid., no. 22.

¹⁶ Ibid., no. 3.

¹⁷ Ibid., no. 43.

¹⁸ Ibid., no. 68.

¹⁹ Ibid., no. 36.

²⁰ Ibid., no. 34.

of ourselves as fundamentally autonomous and in competition, to embrace “economic, social and political development that is authentically human, that makes room for gratuitousness as an expression of fraternity.”²¹ On that basis we can look at some of the implications he draws out of this vision for business ethics and the economic model within which business activity faces moral choices.

IMPLICATIONS FOR ECONOMICS

In a review in *The New Republic*, University of Chicago Professor David Nirenberg says:

The fundamental claim that runs through Benedict’s Encyclical is that economic exchange requires love; and further, Benedict is asking a basic question about our markets and our societies: can the values they require to function properly be produced from within themselves, or must those values come from beyond themselves...²²

– but notes that “nobody is much interested in debating this crucial argument.”²³ This captures well three implications for economics in this encyclical.

First, why would nobody be interested in debating this crucial argument? As already argued above, for Benedict, the answer is quite clear: it is “the conviction that the economy must be autonomous, that it must be shielded from “influences” of a moral character...”²⁴ The economy is seen as an activity governed by its own technical rules, not to be interfered with by other parts of the human experience, except at our peril. The debate ends before it begins. Luigino Bruni and Stefano Zamagni, two authors Benedict draws upon in his composition of this encyclical, call this “intellectually dismembering the economic sphere from the other domains of human life.”²⁵

Their observation is in part due to the anthropological presumption that, at least as far as economic activity is concerned, human beings are autonomous utility maximizers whose relationship, if any, is one of competition. While all economists know that that is a simplifying assumption for the sake of the model, it is Benedict’s claim that that presumption has driven much of the direction of the economy, especially the international economy, to the detriment of the human development of much of the human race. Benedict puts it this way: “Development

²¹ Ibid.

²² David Nirenberg, “Love and Capitalism,” *New Republic*, September 23, 2009, 39.

²³ Ibid.

²⁴ Benedict XVI, *Caritas in Veritate*, no. 34.

²⁵ Luigino Bruni and Stefano Zamagni, *Civil Economy: Efficiency, Equity, Public Happiness* (Oxford: Peter Lang, 2007), 11.

depends on seeing ourselves as a human family, not as a group of subjects who happen to live side by side.”²⁶

To be sure, the economics profession is well aware of this issue, and new currents of economic investigation – behavioral economics, game theory, etc. which reach out to fields such as psychology, political science, etc. – are addressing this concern. The broader practical effects of this change in thinking will be slow in coming.

A second implication of this sense of economic activity as something autonomous, self contained, isolate-able from the rest of social relations, is that equitable distribution – obviously a major concern for the Benedict - becomes the responsibility of social relations outside of the economy, not part of the economic model itself. In particular, it becomes the responsibility of the state. Too simplistically perhaps, the picture is that the economy produces and the state distributes, at least as regards equitable distribution. But Benedict sees this division as dangerous, particularly in an increasingly globalized world in which there is no real “state” that can meaningfully address the equitable distribution issue. He calls for “a true world political authority”²⁷ (perhaps the most quoted part of the encyclical), but he also warns that the separation of state from economy symbolizes the underlying misconception of the role of economic activity in human life. “When the logic of the market and the logic of the State...exercise a monopoly over its respective area of influence...much is lost.”²⁸

Ultimately, Benedict’s concern is of course the moral sphere and the presumption that the economy is a technical matter, independent from moral questions. It is this autonomy of economic activity from the rest of human responsibility that the church finds particularly dangerous. It “...has led man to abuse the economic process in a thoroughly destructive way...”²⁹ Indeed, the church has always argued, and Benedict does so quite forcefully, that all human activity has moral implications precisely because it is human activity. “The economic sphere is...part and parcel of human activity, and precisely because it is human, it must be structured and governed in an ethical manner.”³⁰

That leads us to what Nirenberg calls Benedict’s crucial argument: that the market itself cannot function properly without values and direction that come from outside itself. Benedict states this quite clearly: “if the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires to function well;” the market “cannot

²⁶ Benedict XVI, *Caritas in Veritate*, no. 53.

²⁷ *Ibid.*, no. 67.

²⁸ *Ibid.*, 39.

²⁹ *Ibid.*, no. 34.

³⁰ *Ibid.*, no. 36.

rely only on itself” to guarantee the needed kinds of human relations, “because it is not able to produce by itself something that lies outside its competence. It must draw its moral energies from other subjects that are capable of generating them.”³¹ For Benedict, it is obvious that the market is a relationship, not simply an equation that functions magically. It is fundamentally a relationship of trust among human beings. The fact that we must address the limits to trust in the human condition – by laws and regulation, by social regulation, etc. – only shows how basic the trust relationship is in the human activity of trade.

Unfortunately, in the recent financial collapse we have all lived through the effects of forgetting or ignoring that basic character of the market. Confidence, and lack of it, is the word repeated over and over again explaining why that market is still functioning so poorly. Benedict’s point is that the financial market was indeed not “self correcting.” Many have argued that it was precisely leaving the market on its own, to its own ‘freedom,’ which did indeed undermine its own ability to function.

That is what I might call the challenge to the internal workings of the market. There is another need that the market has that I might call external. The ‘free market,’ as we know it, and its underlying theory, can explain our economic interactions, but it is less capable of answering the questions: What for? What is the goal we economic actors are trying to achieve? In Benedict’s language: “...more interested in How? Than in Why?”³² The answer that Economics 101 gives is “utility maximization” which plays out as “getting more.” We all know that ultimately that is not enough to keep getting us out of bed in the morning.

In their volume *Rediscovering Abundance*, Helen Alford, O.P. of the Pontifical University of St Thomas in Rome and others see the tendency to view wealth as an end in itself – rather than as a means to more excellent ends – as one of the major shortcomings of our modern perspective on economics and business.³³ They suggest that conceptualizing the economy as one of abundance, rather than scarcity, allows one to see the economy as the instrument of the common good that it really is, based on Catholic Social Teaching’s principle of the universal destination of goods. This perspective would allow globalization to “open up the unprecedented possibility of redistribution of wealth...” for all, rather than leading to our too common “redistribution of poverty.”³⁴

When I taught economics years ago, we talked about developing a “toolkit,” a set of techniques that allow economic actors to move in a variety of directions. That understanding seems compatible with Benedict’s sense that the

³¹ Ibid., no. 35.

³² Ibid., no. 70.

³³ Helen Alford, et al., *Rediscovering Abundance* (Notre Dame: Notre Dame Press, 2006), 7.

³⁴ Benedict XVI, *Caritas in Veritate*, no. 42.

market needs to be guided, needs a direction outside of itself, if it is to function as it should. “The market does not exist in the pure state. It is shaped by the cultural configurations which define it and give it direction.”³⁵ I wonder, or fear, that the “toolkit” has become a “black box,” whose inner workings are only partially intelligible and whose output is unpredictable and uncontrollable.

If the market economy is not autonomous, and the market at its most basic internal and external reality needs support or direction from outside of itself for it to be itself, what can it depend on? To return to Nirenberg, what we should “be much interested in” is this: “The fundamental claim that runs through Benedict’s encyclical is that economic exchange requires love.”³⁶

As we saw earlier, for Benedict, love is the fundamental human dynamic; it is another name for our humanity and our interrelations with others, God and even ourselves. Thus, seeing love as the basic anthropological presupposition, instead of, say, competition, does not at all ignore, or demean, economic striving, wealth creation – “utility maximization” if you will – but it transforms it into the human vocation to “development” by showing its roots in the deeper human reality common to all our interdependent relationships, both breaking the isolation of economic activity, and answering the question Why? – or at least a path to the answer – without which it is sterile and unsatisfying.

As we saw above, Benedict sees the heart of love as gift, and he integrates that concept to his understanding of economic activity. It is the experience of reciprocal gift giving that creates the society and social relations by which we live. Simona Beretta of the Catholic University in Milan calls it the “elementary economic experience.”³⁷ To ignore that aspect of exchange among human beings is once again to segment off and shrink that part of our lives we call “economic.” Benedict sees this as a source of great creativity and life, but one which does not fit well into contemporary economic structures. Hence his hope that “...new forms of enterprise will succeed in finding a suitable juridical and fiscal structure...”³⁸

SPECIFIC IMPLICATIONS FOR BUSINESS ETHICS

Obviously enough, this entire discussion so far has been about ethical issues in business and economics, broadly understood. However, in his encyclical, Benedict also addresses the discipline of business ethics directly. He is concerned

³⁵ Ibid., no. 36.

³⁶ Nirenberg, 39.

³⁷ Simona Beretta, “Wealth Creation in the Global Economy: Human Labor and Development” in Helen Alford, et al., eds., *Rediscovering Abundance*, 142.

³⁸ Benedict XVI, *Caritas in Veritate*, no. 46.

that business ethics address both the internal and external challenges noted above for economics, understanding both morality within the rules of the game, so to speak, but also and more importantly, the morality of the economic system as a whole.

The Nature of Business Ethics

Benedict's most explicit statement about business ethics addresses what I called the "external" challenge above. He applauds the significant amount of discussion of ethics in the economic context, the centers and seminars and research that deserve much support. He also calls for a "social criterion of discernment" regarding what he sees as too wide a variety of interpretations in the area of business ethics, including some that he fears may "include decisions and choices contrary to justice and human welfare." Business ethics must maintain its distinctive nature, which he suggests rests on two of the pillars of Catholic Social Teaching: "the inviolable dignity of the human person and the transcendent value of natural moral norms."³⁹

For Benedict business ethics "must be more than traditional ethical principles of transparency, honesty and responsibility."⁴⁰ It requires a "deeper reflection on the meaning of the economy and its goals."⁴¹ "Efforts are needed – and it is essential to say this – not only to create "ethical" sectors or segments of the economy...but to ensure that the whole economy – is ethical." Otherwise, "business ethics risks becoming subservient to existing economic and financial systems rather than correcting their dysfunctional aspects."⁴²

Implications for Business

In his encyclical, Benedict immediately turns from this discussion of ethical principles to practical implications for business activity. Those implications are quite broad: "Today's international economic scene...requires a profoundly new way of doing business."⁴³ The principles he has laid out open the way for greater – not less – freedom for a "broad new composite reality...which considers profit a means for achieving human and social ends...a more diversified world of the so-called "civil economy."⁴⁴ There seem to be two interlocking senses to this term for Benedict. The first is a picture of an economy that is

³⁹ Ibid., no. 45.

⁴⁰ Ibid., no. 36.

⁴¹ Ibid., no. 32.

⁴² Ibid., no. 45.

⁴³ Ibid., no. 40.

⁴⁴ Ibid., no. 45.

“civil,” that “is capable of including all people and not just the better off,”⁴⁵ and so he calls for a “civilizing of the economy.”⁴⁶ Such an economy would have space for the kind of gratuitousness and fraternity that he suggests is really at the heart of human interaction, love.

I suggest that this is not so far from the picture that many in business have of how they would wish their world would work – less ‘dog eat dog’ and more being able to run one’s business in peace. What Benedict is calling for is a change of structures and culture that makes that such peace possible.

That culture is found in “civil society,” in that part, or character, of society that includes the wide variety of social relations – friendships, family, neighborhood initiatives, NGO’s, etc. – that are neither part of the formal economy nor part of the state. Benedict finds in that “way of being” in our society the bases, the possibility, of living out the kinds of humane relations that are missing in both the competitive market and in the political scramble. That kind of social space, with a set of rules of the game that allow the better angels of our nature to flourish, can be a very creative, productive space. Again, I suggest that that kind of atmosphere is one that many in business would find attractive, for it allows, “incentivizes” if you will, our best selves to come forth, in this case in business activities, instead of forcing us to a lowest common denominator in our relations with one another. The desire of businesses to be loyal to their workers in a time of high unemployment is often made impossible by the competitive structures that threaten their very existence.

This picture, Benedict assures us, is not simply a dream. He points to several examples in which he sees this kind of civilized economy being lived out. These are “commercial enterprises based on mutualist principles and pursuing social ends...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...,”⁴⁷ but instead “view profit as a means of achieving the goal of a more humane market and society.”⁴⁸ One example he is drawing on is that of the Focolare community, an actual functioning network of “for profit” companies who utilize the profit primarily for solidarity with those in need, as well as reinvestment and values education. This network now includes some 750 businesses in sixty-five countries and is growing. Study of this kind of concrete alternative might be a useful follow-up to Benedict’s encyclical.

⁴⁵ Ibid., no. 39.

⁴⁶ Ibid., no. 38.

⁴⁷ Ibid.

⁴⁸ Ibid., no. 46.

Business Ethics and the Academy

Finally, a word about the implications of the encyclical for those addressing these issues as academics. Joseph Ratzinger, Pope Benedict XVI, is himself an academic and he challenges those involved in business and its ethics as only an “insider” can do. He first reminds academicians of the importance and the failure of intellectual work to address the issues we noted at the beginning of these remarks: Underdevelopment is the result, among other things, of “a lack of clear thinking capable of forming a guiding synthesis for which a clear visit of economic, social, cultural and spiritual aspects is required.” The key is synthesis, because Benedict sees academic structures reflecting the same isolation of the autonomous, technical economy from moral activity we saw earlier.

The excessive segmentation of knowledge, the rejection of metaphysics by the human sciences, the difficulties encountered by the dialogue between science and technology, are damaging not only to the development of knowledge, but also to the development of peoples because these things make it hard to see the integral good of man in its various dimensions.⁴⁹

Benedict calls for more holistic thinking, and Benedict suggests that “...the church’s social doctrine has an important interdisciplinary dimension...” that might be most helpful.⁵⁰

This brings me back to where I began, seeking improved dialogue between Catholic Social Teaching and business ethics. As Alford and her collaborators put it:

...this topic is too important to be left solely to economists and business professionals [on the one hand but] similarly, ethical evaluations of wealth are not the domain of theologians and philosophers alone...we require interdisciplinary investigation.⁵¹

Thus, improved dialogue and mutual learning would include economists, business professors, ethicists, other social scientists, theologians and philosophers in that very challenging work of interdisciplinary discussion and study. I hope this article contributes to such a dialogue and with others in the future, thus contributing to the integral human development of all people.

⁴⁹ Ibid., no. 31.

⁵⁰ Ibid.

⁵¹ Helen Alford et al., eds., *Rediscovering Abundance*, 1.