

# **Redefining the Corporation as a Community of Persons: A Theological Reflection on John Paul II's *Centesimus annus***

**Derrick Ting Barria**

## **Abstract**

Pope John Paul II affirms that 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. While many of the manuals, essays, and manuscripts on the social doctrine of the Church do speak of business as a community of persons, this is done merely in passing or as a subsection, and not as a starting point or the conclusion of a developed treatise. Given the centrality of the person in the business enterprise, a new theory that satisfies both the technical and human requirements of the business firm is needed. This article offers a framework for discussion and a deeper reflection of what the business enterprise ought to be, as seen from the perspective of Pope John Paul II in his encyclical letter "On the Hundredth Anniversary of *Rerum Novarum*" (*Centesimus annus*).

The encyclical *Centesimus annus* was written by Pope John Paul II at a time of great social change a hundred years after Leo XIII first published *Rerum novarum*. By then, the failure of communism as a socio-economic system was manifesting itself globally. Democratic capitalism seemed poised to claim victory as the correct socio-political-economic system for all of humankind. John Paul II, however, in *Centesimus annus*, offered the world an

analysis not only of why communism failed, but also why the seeds of destruction exist in democratic-capitalist systems even if they have been more successful in controlling negative forces. Although the centennial encyclical focused largely on providing a global, social, and structural analysis, the Roman Pontiff appreciated the role of intermediary structures that link persons in meaningful and practical collaboration. It is ultimately through certain institutions that the great ideological battles find their practical expression, and where answers and solutions are formulated and tested. This article, will focus on the business enterprise as society's principal organ for addressing man's basic economic necessities.

In *Centesimus annus*, after recognizing the legitimate role of profit, John Paul II goes on to make a discreet but profound declaration about the nature of the business enterprise: "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" (n. 35).

Many of the manuals, essays, and manuscripts on the social doctrine of the Church mention business as a community of persons, but largely in passing, or merely as a subsection and not as the starting point or conclusion of a developed treatise. Authors find it difficult to make the two ideas compatible: business as a *productive unit*, and business as a *community of persons*. There is a general consensus that enterprises possess both a technical and a socio-ethical dimension. However, these two dimensions are seldom reconciled into a higher synthesis. Given the centrality of the person in the business enterprise, a new theory that satisfies both the technical and human requirements is needed.

In his encyclical, the Pope does not intend such a synthesis, but merely underscores what he believes is the essential core of the

business enterprise. Such a comprehensive theory is still far from being realized, and our aim is only to contribute to accelerating the process by looking for a deeper understanding of the business enterprise as John Paul II taught in *Centesimus annus*.

Our goal is a systematic analysis of the Pope's definition of the enterprise as a community of persons. We begin by taking a step back in order to know what John Paul II understands by community of persons (section A). Here we will provide an introductory analysis applying the community perspective to the business enterprise. We then study the different references where the business enterprise is referred to as a community, in order to come up with a framework for discussion (section B). This community framework will provide us with different levels of analysis of the business enterprise. The third step will be to apply the framework to the business enterprise at each level of analysis (section C). We will also be taking into account the views of the encyclical's commentators. The community of persons paradigm applied to the business enterprise as *Centesimus annus* proposes will provide us with a provisional configuration of the business enterprise as a community (section D).

#### A. Community of Persons in Karol Wojtyla

Prior to his election as Pope, Karol Wojtyla the philosopher wrote about community of persons, but mainly in the context of the family and society at large. His description of the business enterprise as a *community of persons* was not the first time that the term had been applied to business enterprise in a social encyclical (John XXIII n. 91),<sup>1</sup>

---

<sup>1</sup> The encyclical refers to the call of the Pope for big enterprises to form authentic human communities by allowing the workers to actively participate in the affairs of the corporation: "Every effort must be made to ensure that the enterprise is indeed a true *human community*, concerned about the needs, the

nor was it the first time that the Roman Pontiff had applied the term *community* to business enterprise.<sup>2</sup>

The novelty and importance of the application of the term *community* to business enterprise in *Centesimus annus* seem to arise from three factors: (1) the theological and philosophical background of its author, which gives the term a special and deep meaning; (2) the vastly changed sociological circumstances after the fall of the communist system; and (3) the tremendous response and subsequent echo produced by the encyclical within the business world. Thus, a more focused and systematic study of that philosophical background is opportune.

### *Subjectivity of the Person as the Root of Social Action*

In *The Acting Person*,<sup>3</sup> Wojtyła presented an anthropology that sought to overcome the limitations of modern subjectivism. He is Thomistic in his conception of the human person, but his phenomenological method allows him to go beyond the limitations of traditional ethical systems (“Thomistic Personalism” in *The*

---

activities and the standing of each of its members”. Such a call, however, was perhaps premature for the times. How such a call could be converted into a workable and practical operating principle was still unknown. Also the Vatican Council II, Pastoral Constitution *Gaudium et spes*, 7 n. 68: “In economic enterprises it is *persons who are joined together*, that is, free and independent human beings created to the image of God. Therefore, with attention to the functions of each—owners or employers, management or labor, and without doing harm to the necessary unity of management, the active sharing of all in the administration and profits of these enterprises in ways to be properly determined is to be promoted.”

<sup>2</sup> Domènec Melé, (1992). *Empresa y economía al servicio del hombre*.

<sup>3</sup> Karol Wojtyła, *The Acting Person*, Anna-Teresa Tymieniecka (Ed.). A word of caution must be mentioned regarding the citation of the English edition of



*Acting Person*, pp. 165-175). Wojtyla follows a realist (against the Husserlian idealist) phenomenological approach which begins with human experience.

The first three parts of the book explains Wojtyla's philosophical starting point. The first part deals with what is irreducible in man: his *subjectivity*. It is in experience through human action (which comprehends both internal and external actions) that man comes to know himself not merely as the locus where sensations and perceptions coincide, but as a concrete and consistent *subject* of his actions. The second part of the book analyzes the moral transcendent dimension of the Thomistic *actus humanus* wherein man's incompleteness implies a need to be perfected through his actions by directing them towards his perception of the truth and, consequently, to that which is good. His interiority is revealed in the exterior self-determined acts, which in turn shape who he is and what he is to become. The third part of *The Acting Person*

---

the book by Tymieniecka. Rocco Buttiglione (cf. next below) strongly criticizes the English translation for having injected many phenomenological expressions such that the translation no longer faithfully expresses the thinking of Wojtyla. As an example, Buttiglione cites the reduction of importance of the Thomistic *hypokéimenon* or of the *suppositum* (the metaphysical subject to which all other attributes regarding the person adhere to) with the phenomenological "structural ontological base" and "effective ontological nucleus of man" (cf. footnote 1 of Chapter 5 in Rocco Buttiglione, *Il pensiero di Karol Wojtyla* pp. 437-438 and p. 395).

To complement *The Acting Person* we will be using other sources: an article by Alfred Wilder, O.P., "Community of persons in the thought of Karol Wojtyla"; Kennet L. Schmitz, *At the Center of the Human Drama*; Karol Wojtyla, *Person and Community: Selected Essays*; and Rocco Buttiglione, *Il pensiero di Karol Wojtyla*. Buttiglione is a well-known Italian philosopher for his commentaries of the Pope's works.

deals with the integration of the person in action or the notion of accidental determination of man. Man's lordship of himself is not through oppression of his natural potencies, capacities, and dynamism, but by directing, orienting, and commanding them to conform to the perceived truth and the desired good. It is through conforming his freedom to the true and the good that he bridges the gap between who he is and what he ought to be. Freedom, then, is the capacity to conform oneself and all of one's natural tendencies to the way that he *ought to be* which coincides with the way reality *is*.

In the fourth part of *The Acting Person*, the most important for our study, Wojtyla explores the concept of *participation*. Participation is the "dynamic correlation of the action with the person which issues from the fact that actions can be performed by human individuals *together with others*" [italics added] (p. 261).<sup>4</sup> Wojtyla uses the personal pronouns (I, thou, we) as building blocks for developing the foundations of his notions of participation, community, and the sense of doing things together with others (Wilder, pp. 224-231).<sup>5</sup> From the consciousness of self in the *I*, the person comes to realize the *thou* as another person like *me*. From this is formed an *I-thou* relation that can be considered the *preconstitution* of human community (Wilder, p. 227). The *thou* likewise allows the *I* to gain a fuller appreciation and ascertainment of itself (or of the *I's* being *I*). Indeed, the "intelligibility of the *other* itself is, on the contrary, only understood in terms of the *I*. It is revealed in its personal reality precisely as another *I*" (Wilder, p. 228). Even if the lived experiences of the other *I* is non-transferable, still it is possible to

---

<sup>4</sup> The italics are mine but reflect Wojtyla's own emphasis.

<sup>5</sup> Wilder gives a good summary of Wojtyla's discussion on the phenomenological roots and debates regarding this point.

grasp that the other is “constituted similarly [to oneself], that he is also a certain *I*. [In this way, we have] the ability of participating in the very humanity of other people” (Wojtyla, “Participation or Alienation?” p. 64).<sup>6</sup>

### *Community, Society, and the Common Good*

Wojtyla distinguishes between the terms *society* and *community* (*The Acting Person*, p. 278).<sup>7</sup> The *thou* and *we* are a multiplication of the *I*. Wilder explains that “[W]hen a person is revealed as *you*, I stand facing him. When persons are revealed as *we*, I stand with them” (Wilder, p. 231).<sup>8</sup> These two relations (*I-thou* and *I-we*) express the “irreducible types of human personal grouping. In the second instance, we have that relation which makes a human society” (Wilder, p. 231). Wojtyla sees the distinction between community and society in that the former regards its members as persons directly, whereas the latter only does so indirectly. In Wojtyla’s own words, “*I* and *you* indirectly

---

<sup>6</sup> The complete article also in John Paul II, *Person and Community. Selected Essays*, pp. 197-207.

<sup>7</sup> The theoretical distinction between “community” and “society” was first made by the German Ferdinando Tönnies. Tönnies distinguished the “essential will” from the “will of choice”. Community is the result of the “essential will” that matures in the intimacy, sentiments and moral conscience of man and gives life to associative organisms of the essential nature (blood relations, spacial relations or spiritual relations). The “will of choice” is oriented towards the attainment of specific ends and thus creates organisms that are borne out of the free choice of men and the product is a society (cfr. Joseph Höffner, *La dottrina sociale cristiana*, pp. 25-27. This distinction between community and society was likewise taken up by Scheler. Wojtyla took up this idea from Scheler but departed from him in his analysis (Buttiglione, p. 205). His use of this terminology is not exactly the same as that in Tönnies, and so the difference between community and society is not clear.

<sup>8</sup> I think that “facing” is used here in the sense of “looking into the eyes of someone.”

refer to the number of people connected with the relation 'one-plus-one', but directly, it points to the very persons, while *we* directly refers to the multiplicity, and indirectly to the persons belonging to that multiplicity" (Wojtyla, *The Acting Person*, p. 246). This is the reason it is not exactly the same to affirm that we are members of a community as to affirm that we are members of a society, because a community considers *thou* as a person directly, while a society considers *thou* as one of a number of the persons who make up that grouping. If the individual is the subject of personal actions, the community is, in a way, the subject of common action, in a very particular way of acting together with others (Buttiglione, p. 205).

The multiplicity of the *we* refers in a more direct manner to the pursuit of the social common good, whereas the *I-thou* refers more directly to intersubjectivity of persons who possess full subjective personalities (Wilder, p. 233). Community, in Wojtyla's thought, is more basic and primary than society in that it is more directly related to the intersubjective dimension of this relational aggregate (underlining the nucleus of man's social being). Society is another step of abstraction where the consciousness of being *we* passes through the common goal or action. Society refers more directly to the entitative totality and only indirectly to the intersubjectivity of persons. This indirect relation to concrete persons may make it more prone to lose sight of the dignity of human persons (that is, to uphold the supremacy of the social good without considering whatever happens to personal individual goods). From the perspective, however, of pursuing and actualizing the common good and the finality of human relations, society may have a primacy of importance (Wilder, p. 235).

Finally, Wojtyla distinguishes between *communities of being* or *natural communities*—coming from natural inclinations (i.e. families, nations or countries, religious communities); from *communities of acting* (diversity of institutions created for particular ends)—that come from the experience of men. Community of being always conditions community of acting, and so the latter cannot

be considered apart from the former. Community of acting is, in a certain sense, a consequence of human nature. Different communities of acting are contingent creations of human freedom and experience, and they should not supercede natural communities.

The distinction and relationship between society and community is better seen from the perspective of their common finality, the common good. Wojtyla asserts that “society must always seek to develop as a social community, a complex of social interactions with which the common good pursued by the *we* grows out of a common acknowledgment of the subjective dignity of those engaged in this pursuit, an acknowledgment expressed in the *I-thou* relationship of the community” (in Wilder, p. 236). The principle that makes communities possible is participation.

#### *Participation as a Condition to Be a Community*

The interpersonal relations among humans almost automatically result in the emergence of communities (family, work, school, political communities), but these communities may fall short of the demands of the dignity of human subjectivity (principally at work and in political life). There is, then, both an actual meaning as well as an axiological or normative (ideal) meaning of community. “Within the sphere of acting, just as within the sphere of existing, a community may remain at the objective level and never pass to the subjective level” (Wojtyla, *The Acting Person*, p. 280).

This introduces the need for a dynamic element of perfectibility in the relationship of acting together of persons in communities and societies: the principle of *participation*. Participation is the principle that makes the community truly what it is and captures its core dynamics. In common usage, participation means taking part or sharing in something. Philosophically, for Wojtyla, it refers to the transcendence of the action being performed, with the others *partaking* in the attainment of the truth and good of the common action. In that concrete human act, the person acts without being absorbed by

the social interplay, “but stands out as having retained his very own freedom of choice and direction—which is the basis as well as the condition of participation” (p. 269). We can affirm that participation is the very essence of community life (p. 268).<sup>9</sup>

Participation “is the factor that determines the personalistic value of all cooperation” (p. 268). “[P]articipation corresponds to the person’s transcendence and integration in the action because . . . it allows man, when he acts together with other men, to realize thereby and at once, the *authentically personalistic value*—the performance of the action and the fulfillment of himself in the action” (p. 270). We can, therefore, say that “the notion of participation includes here both that ability and its realization” (p. 271): in other words, acting together with others (resulting in the communal act) as well as the realization of the personalistic value of one’s action.

In the opinion of Buttiglione, two important conditions must exist for there to be true perfection in the development of authentic communities or societies. First, the common action is directed at what is truly the good of persons. Second, the actions themselves must be *of persons* (p. 205). The negation of even one of these two elements in participation (common action and personal realization) in social life produces two social systems that negate participation: *individualism*, and *objective totalism* or *anti-individualism* (*The Acting Person*, pp. 272-275). There is no common good without participation, for it is the only personalist way by which a collective action can be done.

It is easy to fall into the utilitarian trap: coddling the person for a specific and extrinsic end—production; or coddling the person as

---

<sup>9</sup> In the very acting with others, man “retains the personalistic value of his own action and at the same time shares in the realization and the results of communal acting. . . . [W]hen he acts together with others, he retains everything that results from the communal acting, and simultaneously brings about—in *this very manner*—the personalistic value of his own action” (Wojtyła, *The Acting Person*, p. 268).



an egocentric being incapable of giving himself to a collaborative productive effort in the service of a society of men. To elaborate:

[The business enterprise] has to be seen as the meeting point of many people, who, in a synergetic way, struggle to work for the production of goods and services destined for the well-being of all. . . . Only in a business enterprise *conceived as a community* can the true dignity of work and worker be safeguarded. The capacity of a person to work is not a merchandise that is sold or bought; on the contrary, it is something which is of value in itself, *sacred* even, that God concedes to everyone in order for him to, above all, perfect himself. No such gift could nor can ever be an object of trade. It can, on the other hand, be associated to the work effort of others in order to produce, with due compensation, that which society needs. And this restores the moral dignity to the work activity, making the enterprise not a place of confrontation, but of meeting of minds; not a theatre of constant conflicts but an ambit of actual collaboration; not a means to overcome unemployment, even if only momentarily, but a concrete horizon for personal and mutual realization. (John Paul II, "Discourse on 19 March 1991." (p. 588)

*Box 1. The Building Blocks that Make Up a Community of Persons*

- A philosophically sound anthropology that recognizes and protects the subjectivity of man, for all social actions ultimately reside in the actions of persons;
- Participation as the concept that bridges the individual with other persons in an *I-thou* relation and opens to communal action of the *we*;
- While *society* and *community* can often be used indistinctly in common usage, philosophically, these two terms emphasize different dimensions. The *we* that is emphasized in the term

“society” underscores the multiplicity of the union with others;

- That *I* stands with others as another one among them in the pursuit of a collective goal that is extrinsic to the group. The *I-thou* relation in the term “community” underscores the inter-subjectivity of the persons as standing before an other like *me*. The society-community’s goal is both extrinsic and immanent—the attainment of that objective social good and the perfection of those who make up the group;
- Both dimensions are inherent in all social groupings. Societies exist to answer objective communal goals. All societies must strive to be authentic communities, to achieve the communal goals by preserving and perfecting their constitutive elements, the persons in a community. The common good as the final end of society is precisely found in this delicate equilibrium;
- Participation allows persons to freely contribute to the common goals while themselves being perfected in their personality as they partake of the truth and the good of common action. Participation allows individuals to retain their personalistic value even as they give themselves working for the extrinsic and objective goal.

### B. A Framework for Discussion

For lack of an adequate theory of the business enterprise, we present instead a framework for the discussion of *Centesimus annus* when it speaks of the business enterprise. We propose here a schema of relations to facilitate analysis. The framework is made by a matrix of four elements.

We can find five references in *Centesimus annus* to business enterprise as a human organization. The first passage makes reference to the specific political-economic environment where the business

enterprise operates and exists, capitalism, “though it would perhaps be more appropriate to speak of a *business economy, market economy* or simply *free economy* [italics mine] (n. 42).

The second passage proposed a solution against the treatment of labor as a mere commodity through the building of “*a society of free work, of enterprise and of participation* [italics in the original]” (n. 35).

A third passage speaks of the business enterprise as fundamentally a relationship of men as persons and “cannot be considered only as a ‘society of capital goods’; it is also a “society of persons” (n. 43).

The fourth passage refers to the new form of ownership and source of wealth—know-how, technology, and skill—that reside in the worker in a *community of work* which embraces ever widening circles where the “principal resource is *man himself* [italics in the original]” (n. 32).

Lastly, the most explicit reference to the essence of the business enterprise can be found in number 35. In this paragraph John Paul II talks of the aim of the business enterprise as “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” [italics in the original].

While there is no systematic and developed notion of the business enterprise in the encyclical, we can grasp a wealth of perspectives in these five passages. The Pope makes mention of the business enterprise both as a social institution (as a unity whose life and finality is closely integrated with the rest of society and its institutions) as well as a properly constituted whole (as a relationship of men that has its own internal ends). The former refers to *ad extra* relations or a macroeconomic perspective of the business enterprise with society, while the latter refers to *ad intra* relations or a microeconomic

perspective of the enterprise.<sup>10</sup> The macroeconomic and the microeconomic perspectives are the first two elements of the matrix.

We also know that the Church's social teachings provide two general operating principles in the formation of social relations: the principles of solidarity and subsidiarity.<sup>11</sup> If the common good is the overarching principle of finality which is necessarily abstract and needs to be further contextually determined, these two counterpart principles serve as practical principles providing an operating criteria for social action. Solidarity is the principle that perfects men insofar as they pursue the good of all and of each individual in view of the common good, and in the first place, of the particular social group to which they belong.<sup>12</sup> Subsidiarity balances solidarity's

---

<sup>10</sup> We are using the words "macroeconomic" and "microeconomic" in an analogical sense.

<sup>11</sup> Angel Galindo García, in *Naturaleza de la Doctrina Social de la Iglesia*, in *Manual de Doctrina Social de la Iglesia*, pp. 93-126 lists seven principles upon which the Social Doctrine of the Catholic Church is based: the dignity of the human person, the social nature of man or the person-society relationship, the common good as basis of the socio-political order, solidarity and subsidiarity as regulators of social life, the concept of society, social participation, and the universal destination of goods. For our purposes, we have singled out solidarity and subsidiarity, for they can be understood as general operating principles (not merely a principle of finality such as the principle of the common good nor restricted to a particular dimension of the economy such as property) dealing with man's social actions from a structural perspective (not merely individual as the principle of participation nor ontological as are the concepts of society and man).

<sup>12</sup> Solidarity has different meanings: (1) solidarity can refer to the *fact* that men are united in a common lot and form a community of equals in destiny; (2) solidarity is also *a principle for communal action* by which everyone contributes to the common goals and shares his or her talents. Finally, (3) solidarity can also be considered a Christian *virtue* that resides in the man, which "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." (John Paul II, *Sollicitudo rei socialis* n. 38).

tendency towards the collective end by upholding and defending the specificity, function, and autonomous goals of the lower element or body insofar as the perfection of the lower body serves the common good.<sup>13</sup>

These principles of solidarity and subsidiarity apply particularly to social structures; but to speak of perfection of persons, in Wojtyła's theory, an additional dimension is needed: participation. The application of solidarity and subsidiarity in social structures contributes to a more humane society. There may, indeed, be ways to establish the participative principle in the macro and microeconomic dimensions of society.

The principles of solidarity and subsidiarity, and the macroeconomic and microeconomic dimensions of business enterprise form the elements of our discussion framework. We are developing here one of the many possible ways of organizing the richness and depth of the social doctrine. A matrix match of these perspectives (business enterprise as a macroeconomic-microeconomic institution and the co-principle of solidarity-subsidiarity) provides us with our general schema from which we can locate our different comments on *Centesimus annus*.<sup>14</sup> From this springboard, we can connect the social doctrine's personalist perspective more effectively, since we can bridge the gap between the individual personal (analysis of virtues) and the social (frameworks and systems) levels of analysis.

---

<sup>13</sup> The first formulation of the principle of subsidiarity was made by Pope Pius XI: "Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them." (Pius XI, n. 79)

<sup>14</sup> The closest reference to this framework is found in Carlos Llano p. 212.

While not intending to be an exhaustive framework, it can be observed that in these four windows, many of the notions of the business enterprise that the Church Magisterium and its commentators have dealt with are represented:

- (1) Macroeconomic-solidarity of the enterprise as an autonomous, free and creative agent in a capitalist system. Its principal end is to serve the economic aspect of the common good of society (we will develop this below in “The capitalist business enterprise at the service of the human community”);<sup>15</sup>
- (2) Macroeconomic-subsidiarity notion of the enterprise as an intermediary institution between the State and the individual person. In this context it has a specialised function of providing goods and services for society. It is not autosufficient, but must coexist and cooperate with all the other social institutions (in “Living in a community of persons”);
- (3) Microeconomic-solidarity notion of the enterprise as fundamentally a community for wealth creation and distribution. Its principal source of wealth is its very composition as a collaborative relationship of persons (in “Producing as a community of persons”); and
- (4) Microeconomic-subsidiarity notion of the enterprise as a work community composed of and existing for its own persons (in “Existing as a community of persons”).

---

<sup>15</sup>The social doctrine of the Church is not a technical or political science. Therefore it is natural that most commentators focus on the more global “common good of society” aspect of this doctrine. As a result, the other more technical perspectives are less developed.



*Box 2. Framework for Discussion of Business Enterprise as a Community of Persons*

	Macroeconomic perspective	Microeconomic perspective
Principle of solidarity	1. Enterprise at the service of the Human Community	3. Producing as a Community of Persons
Principle of subsidiarity	2. Living among Communities of Persons	4. Existing as a Community of Persons

C. An Analysis of the Business Enterprise in *Centesimus Annus*

*The Capitalist Business Enterprise at the Service of the Human Community*

In the macroeconomic-solidarity perspective, we must show in what sense the business enterprise is at the service of the human community to which it belongs. Since the business enterprise is only one institution operating within a broader socio-economic system, it is imperative that we do an ethical critique of that system. The fall of communism as a politico-ideological model (centralized and collectivist planned economic and political model), does not automatically give moral legitimacy to communism's rival socio-political system—the capitalist market system (decentralized, market-based, open and free, private property). Capitalism's resiliency and capacity for adaptation must be applauded, but the roots of its success and the possible ills they may spawn require further analysis.

*Levels of Ethical Evaluation of the Economic System*

Any critique of the corporation as a social institution must first distinguish three levels of analysis: (1) what is inherently right or wrong with capitalism as a system under which the corporation prospers or errs; (2) the corporation as an institution that must conform to or

challenge the social ethos; and (3) the ethics of individuals (behaviors and attitudes) operating in corporations (Novak, *Towards a Theology of the Corporation*, p. 7). We will focus on the second level (the first level is the province of political economy, and the third level is a concern of business ethics.)<sup>16</sup>

Fundamentally, the ethical analysis of the capitalist system concentrates on two problems: (1) the false concept of liberty; and (2) its incapacity to positively and actively integrate more fully all sectors and dimensions of social life. The second level of analysis looks at corporations as an element within a larger social system which it must conform to or help to shape. The business enterprise is an element of an economic system which, in turn, cannot be dissociated from the goals, ethos, and norms of a broader moral-cultural and political system. It is a variable within the larger equation of the social system's logic. We need to make a moral judgment about the capitalist system as system, because the business enterprise lives and grows in that type of system.<sup>17</sup>

---

<sup>16</sup> For the first, see: Albino Barrera. For business ethics, see R. De George, Th. Donaldson - P. Werhane, J.M. Elegido, and J. Fontrodona.

<sup>17</sup>A systematic analysis of economics (as the science that studies the allocative process) is an extremely complex subject that is outside the scope of our paper. We have an urgent need to rethink the economy. As the Pope affirms "we also need to examine the growing concern felt by many economists and financial professionals when, in considering new issues involving poverty, peace, ecology and the future of the younger generation, they reflect on the role of the market, on the pervasive influence of monetary and financial interests, on the widening gap between the economy and society, and on other similar issues related to economic activity. Perhaps the time has come for *a new and deeper reflection on the nature of the economy and its purposes*. What seems to be urgently needed is a reconsideration of the concept of *prosperity* itself, to prevent it from being enclosed in a narrow utilitarian perspective which leaves very little space for values such as solidarity and altruism. Here I would like to invite economists and financial professionals, as well as political leaders, to recognize the urgency of the need to ensure that economic practices and related political policies have as their aim the good of

A social system is basically a set of relations among elements whose interaction tends towards a specific end.<sup>18</sup> An analysis of a social system has two basic aspects. The first aspect concerns whether or not the system functions, that is, if the elements of which it is composed enable it to achieve the proposed end. The second aspect is whether or not the proposed end is truly worthy of man and contributes to his perfection. The first is a more technical issue while the second is principally a moral question. *Centesimus annus* is mainly concerned with the second.

Society's economic dimension deals with providing goods and services, so that the ideals and values of the individuals and of the society can find maximum practical expression. We assume that the society's principal goal is the attainment of the common good, understood as the promotion of the perfection of each person.<sup>19</sup>

---

every person and of the whole person. This is not only a demand of ethics but also of a sound economy. Experience seems to confirm that economic success is increasingly dependent on a more genuine appreciation of individuals and their abilities, on their fuller participation, on their increased and improved knowledge and information, on a stronger solidarity. These are values which, far from being foreign to economics and business, help to make them a fully *human* science and activity. An economy which takes no account of the ethical dimension and does not seek to serve the good of the person - of every person and the whole person - cannot really call itself an *economy*, understood in the sense of a rational and constructive use of material wealth." (John Paul II, Message for the Celebration of the World Day of Peace, 1-I-2000, n. 15-16. Italics are in the original text).

<sup>18</sup> The basic elements that make up a social system are: (1) a framework of the physical (geography, etc.) and social (culture, language, etc.) environment that coexists and interact with other social systems (political, religious, cultural, etc.); (2) a set of ideas and values (on man, society, the good, happiness, etc.); (3) institutions that understand and subject themselves to a set of norms and rules on how the particular society operates; (4) specialization of functions; (5) a range of incentives that encourage the subjects to operate within the set rules; (6) a theory regarding the functioning of the entire system that incorporates the above elements. See Peter Berger, *Invitation to Sociology: a Humanistic Perspective*.

Given this assumption, the economic system's principal goal would be to promote this common good economically. It would do this by creating an economic order that optimizes wealth creation and distribution in society by maximizing each person's economic capacity. With this, society's ideals and values can be truly expressed in practical and external forms.

*The Capitalist Economic System and Its Positive Aspects*

*Centesimus annus* views capitalism positively "if by 'capitalism' is meant an economic system which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector" (n. 42). Here, what is emphasized is an anthropological dimension of a free and creative human element as the center of such a system. Michael Novak incorporates the Pope's anthropological insertion in his own definition of capitalism as

[a]n economic system, dependent on an appropriate political system and a supportive moral-cultural system, that unites a large variety of social institutions (some new, some old) in the support of human economic creativity. It is the system oriented to the human mind: *caput* (Latin for "head"), wit, invention, discovery, enterprise. It brings institutional support to the inalienable right to personal economic initiative.<sup>20</sup> (*Business as a Calling*, p. 81)

---

<sup>19</sup> For the more classical explanation of the common good from a Catholic perspective, see Jaques Maritain, *The Person and the Common Good*. A summary of the history of common good is in Brian Stiltner, *Religion and the Common Good*.

<sup>20</sup> This definition comes from some of his most important books, where Novak writes about his definition and understanding of capitalism: *The Spirit of*

The modern business economy is based on “human freedom exercised in the economic field” and “includes the right to freedom, as well as the duty of making responsible use of freedom” (*Centesimus annus* n. 30). The business enterprise is one of the principal places where human beings can truly and responsibly organize the economic sphere. It is here that the system is humanized so to speak. The Church’s social doctrine in *Centesimus annus* recognizes the positive aspects of a capitalist system’s fundamental pillars: the free market exchange system (n. 30),<sup>21</sup> private property

---

*Democratic Capitalism* and *The Catholic Ethic and the Spirit of Capitalism*. Novak together with Richard Neuhaus (*Doing Well and Doing Good. The Challenge to the Christian Capitalist*) and George Weigel (*The Final Revolution: The Resistance Church and the Collapse of Communism*) form one pole of a theological discussion about capitalism in the United States. For a different perspective on contemporary American culture and capitalism, see David Schindler, *The Church’s ‘worldly’ mission: Heart of the World, Center of the Church*.

The fact that the controversy between the Church and the liberal movement has a long and sometimes bitter history underscores why Novak must, perhaps, develop more fully his anthropological-philosophical presuppositions in order to avoid the danger of syncretising terms which may cause further confusion. We can accept certain interesting elements of Novak’s views insofar as they help to highlight the position of the Pope in *Centesimus annus* (n. 42). It is a definition that gives the business enterprise an explicit and central role in the economic system. Both Novak’s and John Paul II’s definitions inject the human element into the definition of capitalism as system as an essential component.

<sup>21</sup> The free market mechanism foresees the needs of others, combines and adapts the most appropriate productive factors to satisfy society’s needs, furnishes an equitable and just, yet generative, system of creating and distributing wealth, gives the individual subjectivity a socially effective and productive role, encourages and pushes economic players to constantly improve and innovate through competition, and provides society with an objective criteria to gauge actual social contribution. See Domènec Melé, pp. 485-509 for a useful and succinct summary of what, how and for whom the market produces, as well as its limitations.

(n. 31 and 43),<sup>22</sup> and private accumulation or profit (n. 35).<sup>23</sup>

These three elements of the economic system do not exist in a social vacuum but need to be integrated into a political and moral-cultural system. “Authentic democracy is possible only in a State ruled by law, and on the basis of a correct conception of the human person” (n. 46). At the heart of the economic system (or any social system for that matter) must be a deep respect for human freedom, a freedom whose core is profoundly religious and ethical (n. 15 and 30). Human freedom is not the absolute arbiter of truth, but the faculty that allows the individual to reach the truth. The negation of freedom negates the very possibility of personal perfection.

---

<sup>22</sup> Private property promotes responsibility and accountability by giving sufficient control and autonomy over the productive resources to the economic actors, provides a measure of guarantee that virtue will be compensated and provides a simple and expedient way of satisfying man’s bi-polar (material and spiritual) nature and his right to self-preservation. In the measure that the social function is fulfilled, the right to private property is reinforced. See Vatican Council II, *Gaudium et Spes*, nn. 69, 71; Paul VI, *Populorum progressio*, 26-III-1967, nn. 23 and 24; and John Paul II, *Laborem exercens*, 14-IX-1981, n.12 which upholds the natural right to private property as not being an absolute right but one which is intrinsically related and oriented to a social function. It is balanced by the principle of the universal destination of goods (see *Laborem exercens*, n. 14, and *Sollicitudo rei socialis*, n. 42). Also John Paul II, “Discourse on 28 January to Latin American Bishops” at Puebla 188-230. Also Federico Rodríguez, “Propiedad privada y función social de la propiedad”, in *Estudios sobre la Encíclica Centesimus annus*, Fernando Fernández (coord.).

<sup>23</sup> The profit mechanism establishes a recognized measurable standard objective of how successfully the productive units place people in productive relations in order to produce good or services in an efficient and effective way. It is, for the moment, the most practical and generally accepted benchmark of performance that society has at its disposal. Profit is a necessary condition for the life of the enterprise, but it is not its finality. It is subordinated to the other objectives and is a mere indicator of success. It is not the exclusive indicator of the enterprise’s overall success, but only of its economic and perhaps social success.



Men come together in society precisely to assist each other in the arduous task of discovering and educating men in freedom and responsibility. For this, a moral-cultural and political system must complement the economic system.<sup>24</sup> To blindly leave the market in the a priori belief that it will resolve the problems by itself is naïve and dangerous.<sup>25</sup>

Perhaps with this generic reflection about capitalism we are moving slightly away from the central point in our paper. However, one has to bear in mind that a general macroeconomic perspective is necessary for our analysis, as the business enterprise as a community of persons does not exist because separate from a social context and milieu.

*The Critique of Capitalism in Centesimus annus*

The description of the free market system presented above is an ideal one and does not represent the current market system and environment. Among the many shortcomings of the market system, one can point out the following:<sup>26</sup>

- (1) the market is an efficient mechanism for the exchange of information and goods but not of values, especially in an imperfect democracy as all current democracies are (n. 33);
- (2) there are basic needs, goods, and values that are not (as yet) properly reflected as a quantifiable market value which virtually excludes them from the market and from being sufficiently provided for (n. 34);

---

<sup>24</sup> See Arthur Utz.

<sup>25</sup> See José Luís Illanes.

<sup>26</sup> See Gianni Manzone, and Antonio Argandoña.

- (3) there are other collective and qualitative values that, by their very nature, can never be bought nor sold and can never be satisfied by the market mechanism (n. 40);
- (4) not all members of society are well represented in a market which often leaves out the most impoverished and incapacitated (n. 33);
- (5) the market mechanisms are often more controlled by the powerful and the privileged than by the free interplay of all economic agents, contrary to the utopia of perfect competition by classical economic theories.

Despite these defects, however, the free market is, for now, the economic system that opens up the most opportunities for sustaining a progressive upward cycle that expands the economic pie and increases the fruits that can be distributed.<sup>27</sup> By recognizing the market's limitations, we can better provide it with complementary structures that make its positive features more effective and its negative features less destructive (Manzone 8).<sup>28</sup> In the work of recognizing and neutralizing the market's limitations, the business enterprise at the service of the human community has a central function.

The capitalist system's wealth-creating capacity and its position as an effective means to raise the quality of life is not only legitimate (*Centesimus annus* n. 36) but also praiseworthy. The problem arises when the values that the economic system particularly espouses

---

<sup>27</sup> See John Paul II, "Discourse on 15 May 1991, Daniel R. Finn, "John Paul II and the Moral Ecology of Markets," pp. 662-679.

<sup>28</sup> In addition: "In definitiva è in questione l'immagine di uomo come agente economico: si tratta di passare dal punto di vista del singolo produttore e del singolo consumatore (*homo oeconomicus*) al punto di vista della persona nella comunità. Di conseguenza cambia il modo di concepire la razionalità il bisogno e le motivazioni delle relazioni di scambio" (Manzone, p. 11).

(efficiency, material opulence, entrepreneurship, creativity) are absolutized and are detached from a broader social dimension grounded on the common good and the right hierarchy of values. The dignity of the human person is then subjected to quantitative calculations and appreciated for what he has than for who he is and what he can become. A materialistic and individualistic mentality suffocates the interior and spiritual dimensions of man and promotes an egocentric lifestyle, the social sickness of consumerism referred to in n. 36. The loss of society's moral compass is also reflected in its inability to determine the content of the common good according to a just and true hierarchy of values. Instead it is dominated by the criteria of electoral or financial power (*Gaudium et spes* n. 26; *Centesimus annus* n. 47), as well as by the absolutization of human freedom and the failure to see that economic values like efficiency and efficacy are “only one element of human freedom” (n. 39).

This task of determining which goods are to be subjected to the determination of the market system is the specific task of a civic society and the specific competence of politics (Manzone, p. 12). But the enterprise system must collaborate. The Pope realizes that the problem does not lie in the economic system per se, but in its integration with the moral-cultural system. This is why “[these] criticisms are directed not so much against an economic system as against an ethical and cultural system” (*Centesimum annus* n. 39). An economic system, by itself, is not able to distinguish new and higher forms of satisfying human and social needs, which form a mature personality as distinguished from artificial ones that do not assist such a formation or may work against it (n. 36). In the end, the ideology of consumerism ought to be blamed, not on the market system, but on the moral-cultural system's failure to discipline the market” (Weigel, p. 221).<sup>29</sup>

---

<sup>29</sup> As we have seen before, this does not mean that *a new and deeper reflection on the nature of the economy and its purposes* is not needed. (See John Paul II, Message for the Celebration of the World Day of Peace, 1-I-2000, nn. 15-16).

*Solidarity as the Way to Authentic Development*

Now we can move to the specific point of the capitalist business enterprise at the service of the human community as the macroeconomic dimension of the principle of solidarity.

The Magisterium's proposal is "a concrete commitment to solidarity and charity" (*Centesimus annus* n. 49). An important part of the challenge is to integrate every individual into the life and culture of society so that he may have the chance to fully develop himself as a person in all dimensions and not just in the material or affective sense, and in doing so, be able to contribute to and form part of society (n. 48). A person's dignity lies in his being treated as a person, and his being a subject with whom one interacts and with whom one enters into communion. When the person senses that he is respected and considered worthy, not for what he has but for who he is, the positive virtuous spiral occurs. Only then does he participate in the common order and task of building the community and confronting society's problems, beginning with his own. He becomes integrated into the life of society, and society in turn incorporates him into its structures and systems.

The true greatness of a society is founded on its capacity to reach out and to attend to the needs of its people, particularly its weakest members (John Paul II, "Discourse on 6 June 1992," 1740-1742).<sup>30</sup> True peace can only be achieved when there is authentic development (Paul VI n. 76-77). The ability of the poor to improve their condition and to raise their standard of living is very much tied to the moral, cultural and even economic advancement of humanity (*Centesimus annus* n. 28). This is achieved by tapping the poor's human potential and their ability to improve their own condition through their work, and not by mere handouts. The greatest challenge is to know how to create encouraging conditions and opportunities for the poor, and to

---

<sup>30</sup> See also United States Conference of Catholic Bishops.

help them become capable of taking full responsibility for their own development (n. 51). Authentic development is, after all, personal development. “It is on this level that *the Church’s specific and decisive contribution to true culture* is to be found [italics in the original]” a culture of peace, “as opposed to models in which the individual is lost in the crowd, in which the role of his initiative and freedom is neglected, and in which his greatness is posited in the arts of conflict and war” (n. 51).<sup>31</sup>

A true culture of work implies not the manipulation of the consumer’s value system, but the promotion of real needs and goods that lead to full and harmonious development of men (John Paul II, “Discourse on 8 September 1991,” p. 511). In the same way God, too, created man to be a co-creator to perfect the world and to “*safeguard the moral conditions for an authentic ‘human ecology’* [italics in the original]” (*Centesimus annus* n. 38). The Church’s emphasis on the normative dimension (recognition of objective truth that includes revealed Truth) adds an important pedagogical aspect to the true culture of work.<sup>32</sup> The ultimate test of an authentic cultural and value system resides in its adhesion to the truth. This, in turn, is linked closely to the mission of the Church to proclaim the ultimate Truth of Revelation so that it impregnates the life and

---

<sup>31</sup> See also John Paul II, *Redemptor hominis*, n. 13.

<sup>32</sup> The call to authentic development based on an authentic hierarchy of values is not a simple additional characteristic, but a crucial point in the social doctrine of the Church. To put aside the normative dimension from the discussion of systems and structures that search for a practical ideal (and not merely the pragmatic ideal) often reduces the ethical criteria to mere efficiency. Moreover, it opens up the path to liberalism’s trap: the relegation of the ethical to the purely personal level while denying that morals not only can but must find expression in the public and social sphere. Systems and structures must be provided with positive ethical principles that aim at a plenitudinal vision of man and society and not merely with a best-that-we-can-do attitude. See Miguel A. Martínez-Echevarría y Ortega, for a historical discussion of the anthropological roots of capitalism as understood negatively.

structure of society (n. 51). This task becomes even more urgent with the globalization of the economy (n. 58) where technological and social instruments of development are integrated into the global system. This makes development more accessible to those who participate, while worsening the fate and desperation of those left out of the system. It makes more acute, and expands, the envy and social evils that beforehand were limited by geographical and cultural boundaries. The Pope's answer has been the same call for globalizing solidarity (John Paul II, "Discourse on 9 May 1998," p. 874).<sup>33</sup>

The Pope speaks of a business economy made up of free agents who are called to act in a responsible and creative way in order to use the means of production for the good of society. The business enterprise is one of the key economic institutions that effectively puts the capitalist economic principles into practical action.

Mediating structures like the corporation express the existence in society of a sphere where the delicate balance between freedom and control through free and autonomous association of individuals has a socially constructive role.<sup>34</sup> The business enterprise, with its accompanying socio-economic system, can incorporate the virtues of solidarity and responsibility for the common good if it is at the service of the human person (macroeconomic-solidarity perspective). We ask whether this is possible with the anthropological paradigm that currently governs economics (the paradigm of optimization-behavior principle).

---

<sup>33</sup> We can also cite another passage: "A global sensitivity and solidarity towards the poorer peoples of the world is urgently needed. Either the human family as a whole learns to tread the path of cooperation and solidarity, and seeks to enable everyone to share in the benefits of progress, or a new age of fragmentation and endemic conflict will open up before us. The challenge is "to situate particular interests within the framework of a coherent vision of the common good" (John Paul II, "Message delivered on 8 October 1991," p. 776).

<sup>34</sup> See Peter Drucker, *The Frontiers of Management; The New Realities; Post-Capitalist Society*.



*Living in a Community of Persons*

In the macroeconomic-subsidiarity perspective, we must show in what way the business enterprise as intermediary between individuals and society shares in the promotion of the common good and the building of a human participative community.

A corporation is the product of the free initiative of men who come together in collaborative work with the view of contributing to a particular social, as well as individual, need. The Church has always supported the freedom and autonomy of lower social bodies in order to give practical and effective meaning to the principle of subsidiarity. Citing Pius XI, Jean Paul II in *Centesimus annus* writes that “a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good” (n. 48). Indeed, “it would appear that needs are best understood and satisfied by people who are closest to them and who act as neighbors to those in need” (n. 48).

*Subsidiarity, Cooperation, and Shared Responsibility in the Building of a Civic Community.*

The business enterprise serves as one of the crucial social bridges through which individuals are able to participate in social life. We read:

“[T]he social nature of man is not completely fulfilled in the State, but is realized in various intermediary groups, beginning with the family and including economic, social, political and cultural groups which stem from human nature itself and have their own autonomy, always with a view to the common good. This is what I have called the ‘subjectivity’ of society. . . The subjectivity of society refers to the capacity of persons-in-community to see themselves not as mere passive receptors but active agents in the life of society.” (n. 13)

The Church's defense of its place in society extends to the defense of the many other social institutions "all of which enjoy their own spheres of autonomy and sovereignty" (n. 45).

The common good is not a task of a nuclear group of players, but of each and every citizen. The task of building a social community, however, is vast and complex, often requiring that men bind themselves together in smaller communities in order to handle specific areas of the common good. Intermediary institutions exist in order to provide more efficiently and effectively for society's multiple needs by organizing men and resources.<sup>35</sup> Today, many other non-business institutions flourish, and the social task is mutually shared. Without the multitude of "intermediate communities [that] exercise primary functions and give life to specific networks of solidarity," society becomes "an anonymous and impersonal mass" (n. 49). They are the extensions, socializations, and specializations of human action.

The intermediate institution's relations with society are dynamic and symbiotic. As social agents capable of influencing and even directing certain aspects of social life, they become essential players in the collaborative work of the common good (John Paul II, "Discourse on 15 May 1991," p. 1264). The many social problems mentioned by *Centesimus annus* underscore the fact that civil society must be developed by civil society itself, engaging all members to play an active part.

### *Business and Culture*

The business enterprise is not just a passive but an active agent in society-building. It is not just a voluntary economic institution but a

---

<sup>35</sup> The business enterprise is a social institution and such institutions are the basic nucleus upon which societies in the post-capitalist countries order themselves. An ethics of organizations is therefore indispensable to "construct the social fiber" and "re-moralize" society. Of society's organizations, the business enterprise, particularly the figure of the management class, is most in need of a "moral of excellence" (Cortina, p. 82).

moral and political one (Novak, *Towards a Theology of the Corporation*, p. 56). Historically, it has been the main engine in destroying class distinctions between aristocrats and serfs, by making possible personal and social mobility on a massive scale (p. 42). However, it cannot merely pursue its own organizational ends and ignore the rest of society. The very economic functions (wealth creation and wealth distribution) are themselves the means by which society provides for its other non-economic needs. Their “primary task is economic. One cannot ask them to assume crushing and self-destructive burdens. Yet they are more than economic organisms and must be held to political and moral judgment” (p. 56).

The corporation also distributes social power and recognition. Indeed, most criticism against the corporation are that they do not fully use their powers for promoting the social good. They fail to realize that in their everyday decisions, they are shaping the culture and value-system of society.<sup>36</sup> In its productive function, the corporation must also be sensitive to the general culture where it operates so as to bring out the positive values of that community.

Consequently, many important virtues are involved in the activity of business upon which the moral fiber and culture of society are constructed. The business enterprise is not only an instrument of production, but an expression of a way of life and of civic organization. The enterprise is the legitimate expression of freedom and a way to channel personal individual virtues to socially productive endeavors. The organization, planning, coordination, adjustment, and risk-taking involved in the productive effort are sources of wealth. Discipline, creativity, initiative and entrepreneurial ability form part of this human work (*Centesimus annus* n. 30). Individual effort and creativity are organized, fomented and made effective in the corporation. It is a protagonist in the development of industrial society as well as in the increase in the quality of life which society enjoys.

---

<sup>36</sup> See Peter Koslowski.

John Paul II challenges businessmen to shape a new business culture which includes the need for a “work culture . . . that would involve other men in an effort of co-responsibility, participation and solidarity” (“Discourse delivered on 9 May 1993,” p. 1150). It is precisely in these ordinary daily decisions that the personal virtues can be given their prudential and tempered consideration. When the real needs of society are considered in their full light and not merely for the perceived profit that an endeavor would reap, then truly revolutionary solutions can be created and discovered.

*The Specific Social Role as Society's Organ of Wealth Creation and Distribution*

The business enterprise is so vital as an economic agent that the very livelihood and survival of many people depend on their having access to it. Thus, the business enterprise is not only an economic institution but a social one. It not only creates wealth through its organizational capacity and process; it likewise distributes wealth by providing a system where men have access to a share of the wealth created, in proportion to their share or contribution to the production of that wealth. This collaboration in work expands “in a progressively expanding chain of solidarity” (*Centesimus annus*, n. 43). The business enterprise's control of the means of production is justified by its capacity to create and equitably distribute wealth. If this social instrument is used to impede the work of others in the process of gaining a profit which is not the result of the overall expansion of work and the wealth of society, then it becomes illegitimate and abusive (n. 43).

*Producing as a Community of Persons*

We will now consider the business enterprise in itself (*ad intra*) as an autonomous and self-governing institution. We will present the corporation as an institution that exists to serve the economic needs of men but doing so as a community. We will study the intrinsic activity that characterizes its objective and its reason for existence—that is its productive end—from the perspective of the principle of solidarity.

This is the microeconomic perspective of business enterprise from the vision of the principle of solidarity.

*A Community of Work*

The business enterprise is fundamentally a collective effort and a human collaboration. To elaborate:

A business cannot be considered only as a “society of capital goods”; it is also “society of persons” in which people participate in different ways and with specific responsibilities, whether they supply the necessary capital for the company’s activities or take part in such activities through their labor.” (*Centesimus annus* n. 43)

The ethical value of the business enterprise lies not only in its capacity to produce goods and services. It also lies in its capacity to organize individuals into a collective effort the sum of which is far greater than that which the individuals working alone can accomplish. “Besides, many goods cannot be adequately produced through the work of an isolated individual; they require the cooperation of many people in working towards a common goal” (n. 30). This organizational capacity is itself a source of wealth. The fontal source of this productive capacity is rooted in the human person. It is not the human person as an individual that is productive and that is the principal source of wealth, but persons that are banded together in a logical and systematic relationship in view of how each one in his specialized task contributes to the productive end. This ordered relationship of persons is what we call organization. This vision of the organization excludes a purely materialistic anthropology. A materialistic view of man will see him merely for his productive utility, as inferior to the productive organization which is what really produces. This view seems mistaken.<sup>37</sup>

---

<sup>37</sup> We do not consider here the sociological and technical studies about productive organization: those are specific and complex problems that should be studied by the experts in this field. We are only presenting the basic anthropological orientation.

The incorporation of men into one work body is for the productive end. This is oriented towards something outside of the enterprise (market orientation) regardless of individual and personal motives. What is implicit in this agreement is that there is a free consent to form part of a work community and to participate in the production of a particular good or service deemed to be socially useful, independent of the individual private motives. This common work may create very strong bonds of relations and even friendships among the members. This freedom to associate in the market is recognized as a basic human right. It is also one of the clearest manifestations of the principle of solidarity, working not just in the general sense of serving the whole of society, but in serving through particular institutions.

*The Primacy of the Person: Man's Place in the Productive Process.*<sup>38</sup>

In the pursuit of this productive end, the enterprise realizes that man is its most valuable resource. The free and creative person, with his wealth of human capital and knowledge, occupies a primary and central place. We now know that the pivotal source of wealth is no longer land, labor, nor capital, but knowledge. These factors may continue to be important and even difficult to obtain, but the main source of wealth which eventually attracts the collaboration of these other factors of production lies in organizational capacity. By organizational capacity, we mean the capacity of men to put together all other resources in order to produce far more than what they could ever produce individually.

Since specialized knowledge resides in human beings, the successful harnessing, interaction, and collaboration among persons and the specialized fields that reside in them become the true source of wealth

---

<sup>38</sup> The theology of the business enterprise presupposes the catholic concept of human work. See John Paul II, Encyclical *Laborem exercens*, Karol Wojtyła, "The Problem of the Constitution of Culture Through Human Praxis," and Rocco Buttiglione. *L'uomo e il lavoro*.



of the business enterprise. All other factors of production, however scarce, can be multiplied or replaced by substitute goods, thanks to human knowledge that is capable of systematically discovering, altering, replacing, or inventing new sources and materials to fit the necessary conditions. It is human knowledge that can turn such difficulties and limitations into opportunities for growth and development. It can be said that wherever the human person was treated with dignity, trained and educated to take full advantage of his faculties, provided with the basic environment of order, freedom and responsibility, the fruits of such dynamic developments followed soon after.

The technological advances of the last decades were brought about by the realization that knowledge itself is a key resource. Knowledge resides in persons, that of the knowledge worker. The increase in value or economic worth of the individual provoked changes in the structure of the work environment. "It is his disciplined work in close collaboration with others that makes possible the creation of ever more extensive *working communities* which can be relied upon to transform man's natural and human environments [italics in the original]" (*Centesimus annus* n.32). The worker who possesses specialized knowledge or managerial capacity has heightened his own economic necessity. This has raised the knowledge worker and the manager's social rank and status.

The principle of solidarity becomes fundamental in this new situation. The business enterprise is a community of persons for wealth creation and distribution, whose principal source of wealth is its composition as a participative and collaborative relationship of persons. For this to be possible the corporation should exist *as a community*.

### *Existing as a Community of Persons*

The microeconomic-subsidiarity perspective goes to the heart of the community of persons perspective because it sees the person as the end himself. The institution exists for the highest good of its members, not because the workers are its productive assets, but because they

decide to work and participate in a community trying to keep and develop their dignity as human persons.

If we take seriously the words of the Roman Pontiff that “the purpose of a business firm . . . 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”, (n. 35) we must take one further step and say that a business institution exists for the specific persons that compose it. The person’s involvement in such institutions must enrich and perfect him by subsidiarity (freedom to act). The institution is not just an organ or instrument for specific societal goals; they are instruments at the service of the persons that form that community. If the enterprise’s principal technical function is to provide goods and services to mankind, being oriented *ad extra*, in what way must we understand the business conscience as principally *ad intra*?

The Magisterium’s call for business to be a community of persons does not deny the importance of efficient production. This call can only be fully and profoundly understood when we realize that the community referred to is no other than the work community itself and not human community in general (n. 35). Returning to the quasi-subjective nature of communities, the Pope says that if the unity of man’s body and soul is a good more precious than any material wealth, in the same way, it makes no sense for the corporate body to amass wealth if the corporation—being a community of persons—risks losing its own soul which is its true identity (John Paul II, “Discourse on 23 June 1991” 1770).<sup>39</sup> As consequence, the value of the person and his integral development must be a principal consideration of work organization and management decisions (*Centesimus annus*, n. 43).<sup>40</sup>

---

<sup>39</sup> A similar point on active participation and responsibility as the foundation of an authentic community of work in John Paul II, “Discourse on 24 June 1991.”

<sup>40</sup> We recall the basic notions of how Wojtyla understands “community of persons” in *The Acting Person* that we mentioned earlier, and here we apply the discussion specifically to business enterprise.

*Personalist Principle in the Enterprise*

In essence, an *I-thou* relationship should be the horizon between the persons that make up the business enterprise. Apart from the equal dignity of men regardless of rank, function, class, or social status in a work environment, what characterizes this relationship is the common commitment to a particular productive endeavor for the service of society. The common work binds the persons involved into an interpersonal relationship that is open to further growth and friendship. These are not mere technical and external features that a corporation can establish as a program or project. The business enterprise is a complex organization that is a matrix of diverse relationships and functions. Apart from the system of functional relationships, we must also add the complex nature of the persons. Ontologically, the individual human being is above any social structure.<sup>41</sup> Certainly, the totality of a person's life should not be the direct concern of the enterprise, but it has to focus on the person in the context of the enterprise community.

The central theme of the community of persons from the subsidiarity perspective is that this interpersonal professional relationship must be the starting point of the development of the institution. The increase in productivity as well as other external developments are not ends in themselves but are the natural result of this well-defined and well-ordered personal relationship. Perhaps this perspective is so novel and so uncommon that one can understand the resistance by many to take it seriously, and much less to develop its many implications. There is still a fixation on the external and quantifiable objective of the enterprise in the symbol of profit making that this more internal and human end is often ignored or, at best, assumed without further consideration. We do not yet fully know the principles that govern such a perspective. There is little academic research in this field. Indeed, a significant amount of investigation and experimentation will

---

<sup>41</sup> This is a constant idea in the Social Doctrine of the Church. See *Gaudium et spes*; also John Paul II, "Discourse on 25 November 1994.

be needed to develop the parameters and principles of such a moral claim and challenge.

#### D. Business Enterprise as a Community of Persons: Implications

As a summary, we can affirm that Pope John Paul II's challenge to business enterprises is that of building

- (1) a society of institutions that cooperate with each other from their specialized competence to create a truly human community in its diverse dimensions (macroeconomic solidarity and responsibility);
- (2) a system open to free, creative and responsible persons and institutions that are truly at the service of the common good by providing the authentic needs and services of man and society (macroeconomic subsidiarity);
- (3) a business community of workers whose actions and being are guided by the full realization that its most important and primary objective is immanent to itself—the perfection of the persons who have come together to serve other men in and through that productive end (microeconomic solidarity);
- (4) a truly autonomous and responsible business enterprise that assumes the principal responsibility to take care of the first community entrusted to it by society—the business enterprise itself as a community of workers (microeconomic subsidiarity).

#### Works Cited

- Argandona, A. (1992). Capitalismo y economía de mercado en la Centissimus annus in *Estudios sobre la Enciclica Centisimus annus* (coord. F. Fernandez), pp. 462-463
- Barrera, A. (2001). *Modern Catholic social documents and political economy*. Washington: Georgetown UP.

- Burger, P. (1979). *An invitation to sociology: a humanistic perspective*. New York: Penguin.
- Butiglione, R. (1984). *L'uomo e il lavoro*. Bologna: Cseo.
- Butiglione, R. (1998). *Il pensiero di Karol Wojtyla*. Milan: Arnoldo Mondadori.
- Cortina, A. (1998). *Etica de la empresa*. Madrid: Editorial Trotta.
- De George, R. (1995). *Business ethics*. 4<sup>th</sup> Ed. New York: Macmillan.
- Donaldson, Th.-Werhane, P. (1996). *Ethical issues in business*. 5<sup>th</sup> Ed. New Jersey: Prentice Hall.
- Drucker, P. (1987). *The frontiers of management*. London: Heinemann.
- Drucker, P. (1989). *The new realities*. New York: Harper & Row.
- Drucker, P. (1993). *Post-Capitalist Society*. New York: Harper & Row.
- Echevarria M.A.M. Capitalismo y secularidad in *Estudios sobre la Enciclica Centisimus annus*. (coord. F. Fernandez), pp. 351-365.
- Elegido, J.M. (1996). *Fundamentals of business ethics*. Lagos: Spectrum Books.
- Fernandez, F., coord. (1992). *Estudios sobre la enciclica Centisimus annus*. Madrid: Union Editorial.
- Finn, D. R. (1998). John Paul II and the moral ecology of markets, *Theological Studies*, p. 59, pp. 662-679.
- Fonrodona, J. et. al. (1998). *La etica que necesita la empresa*. Madrid: Union Editorial.
- Garcia, A. G.. (1993). Naturaleza de la doctrina social de la Iglesia. In Alfonso Cuadron (Coord.), *Manual de doctrina social de la Iglesia*. Madrid: Bac.
- Hoffner, J. (1987). *La dottrina sociale christiana*. Milan: Edizioni Paoline.
- Insegnamenti di Giovanni Paolo*. Vatican: Libreria Editrice Vaticana.
- John XXIII. (1961). *Mater et magistra*.
- John Paul II. (1987). *Sollicitudo rei socialis*.
- John Paul II. (1991) *Centisimus annus*.
- John Paul II. Discourse on 19 March 1991 to the workers of Industrie Merloni in *Insegnamenti*, 14 (1).
- John Paul II. Discourse on 15 May 1991 at the closing celebration of the centenary of *Rerum novarum* in *Insegnamenti* 14 (1).
- John Paul II. Discourse on 23 June 1991 to workers and businessmen in Mantova, Italy in *Insegnamenti*, 14 (1).
- John Paul II. Discourse on 24 June 1991 to poligraphic workers at the Vatican in *Insegnamenti*, 14(1).
- John Paul II. Discourse on 8 September, 1991 at the Olimpico Theater, Vicenza in *Insegnamenti* 14(2).
- John Paul II. Message on 8 October 1991 at the United Nations.in *Insegnamenti* 14(2).
- John Paul II. Discourse on 6 June 1992 at Sao Tome, Angola in *Insegnamenti* 15(1).
- John Paul II. Discourse on 9 May 1993 in Agrigento, Sicily in *Insegnamenti* 16 (1).
- John Paul II. Discourse on 9 May 1993 at a convention on Globalization and Solidarity at Vatican City in *Insegnamenti* 21(1).



- Kowalski, P. (1986). *Ethik des Kapitalismus*. Tübingen: J.B.Mohr.
- Kowalski, P. (1991). *La cultura postmodernas*. Milan: Vita e Pensiero.
- Kowalski, P. (2001). *Principles of ethical economy*. Boston: Kluwer Academic
- Llanes, Jose Luis. (1996). *Capitalismo, economiz di mercato e ideologia*. La Societa., 6, pp. 483-500.
- Llano, Carlos. (1997). *Dilemas eticos de la empresa contemporanea*. Mexico: Fondo de Cultura Economica.
- Manzone, G. (2001). *Il mercato*. Brescia: Editrice Queriniana.
- Maritain, J. (1947). *The person and the common good*. New York: Scribner.
- Mele, D. (1992). *Empresa y economia al servicio del hombre*. Pamplona: EUNSA.
- Novak, M. (1981). *Towards a theology of the corporation*. Washington DC: American Enterprise Institute.
- Novak, M. (1982). *The spirit of democratic capitalism*. New York: Simon & Schuster.
- Novak, M., and Neuhaus, R. (1992). *Doing well and doing good: The challenge to the Christian capitalism*. New York: Doubleday
- Novak, M. (1993). *The Catholic ethic and the spirit of capitalism*. New York: Free Press.
- Novak, M. (1996). *Business as a calling: Work and the examined life*. New York: Free Press.
- Paul VI. (1967). *Populorum progressio*.
- Pius XI. (1931). *Quadragesimo anno*.
- Rodriguez, F. (1992). *Propriedad privada in Estudios sobre la Enciclica Contisimus Annus*, (coord. F. Fernandez). pp. 609-633.
- Schindler, D. (1996). *Heart of the world, center of the Church*. Edinburgh: W.B.Erdmans.
- Schmitz, K. L.( 1993). *At the center of the human drama: The philosophical anthropology of K. Wojtila/John Paul II*. Washington DC: Catholic UP.
- Stiltner, B. (1999). *Religion and the common good: Catholic contributions to building community in a liberal society*. Maryland: Rowman & Little.
- Weigel, G. (1992). *The final revolution: resistance church and the collapse of communism*. New York: Oxford UP.
- Weigel, G. (1993). *Centisimus annus*. In R. Royal & G. Weigel (Eds.), *Building the New Society*. Washington DC: Ethics and Public Policy Center.
- United States Conference of Catholic Bishops. (1996). *Catholic Framework for Economic Life*, in <http://www.nccbuscc.org>.
- Utz, Arthur. (1994). *Sozialethik-IV. Teil-Wirtschaftsethik*. Bonn: Scientia Humana Institute.
- Vatican Council II. (1965). *Gaudium et spes*.
- Wojtila, Karol. (1977). Participation or alienation? *Analecta husserliana*, 6, 61-73.
- Wojtila, Karol. (1979). *The acting person*. (Anna-Teresa Tymieniecka, Trans.) Dordrech: Kluwer Academic.
- Wojtila, Karol. (1994). *Person and community: selected essays*. (Theresa Sandok, Trans.). New York: Peter Lang.

