

The Virtue of Solidarity and the Theory of the Firm

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The secret to success in life is honesty and fair-dealing. . . . If you can fake that, you've got it made!

Attributed to Groucho Marx

[In America] the effects of the [Second World War] exfoliated into the fissures of a divided, insecure nation and bound it together as nothing else could. The war experience was a social cement that created an America that haunts our dreams. . . . As the war drew everyone into a historic shared experience it alleviated *the* American condition—loneliness. This heritage—from beginnings in vast spaces; reborn in the towering, impersonal cities of concrete and steel; sharpened by the misery of the Depression—was a psychological burden that drove millions to psychoanalysis or drink, knowing neither one was the true answer. The healing effects of the war on the nation's psyche, making a nation of individuals feel for a time as one, was a profound and priceless experience, easily as important as the material results.

Geoffrey Perret, *A Country Made by War*, (New York, Random House, 1989) pp 438, 440.

The great problems affecting culture today originate in the desire to separate public and private life from a true scale of values. No economic or political model will fully serve the common good if it is not based on the fundamental values which correspond to the truth about the human person. . . . Systems which raise economic concerns to the level of being the sole determining factor in society are destined, through their own internal dynamism, to turn against the human person.

Pope John Paul II

Lima, Peru (15 May 1988)

It has been noted before, and it will be noted again, that there is a serious tension between the economic paradigm of business dominant in business schools and in explanations of

most business practice and the vision of the economic dimension of society offered by the Catholic social tradition. Some thinkers see this social tradition, and ethical considerations in general, as an unnecessary constraint on sound business practice, perverting it from its proper efficiency. Others see business as a fundamentally immoral activity that can only be redeemed by a radical restructuring. Needless to say, this conflict creates a problem for business schools in Catholic universities because, on the one hand, we are determined to create competence in the business disciplines, but on the other hand, we are concerned that this competence not be separated from (or opposed to) concerns about justice and true human goods. Can this tension be resolved? Can the Catholic social tradition somehow be harmonized with sound business practice in such a way that it improves rather than retards that practice?

Participants in this conference are likely to say that it can, but even if we *are* right a great deal of work remains to be done to make that possibility a reality. Proponents of the Catholic social tradition have devoted relatively little attention to issues in business practice, preferring to direct their attention to larger questions of political economy. As a result, the implications of this tradition for management remain unclear. The purpose of this paper is to explore briefly how one key concept from the tradition, Solidarity, might be brought to bear productively on business practice and business education.

The tension between the economic paradigm and the Catholic social paradigm is quite real. Its roots, however, lie not so much in different descriptions of the way in which business is conducted as in philosophical differences; that is, in different conceptions of the human person and what it means for a person to be practically rational. These differences can be reduced to three basic convictions, two of which we will consider now and a third to which we will return later.

The first conviction in the economic paradigm is that human beings are, by nature, solitary individuals. That is to say, human communities are instruments for the satisfaction of the needs and desires of the individuals who constitute them. If there were a successful way of providing for individual satisfactions without communities, so much the better, because social life inevitably imposes constraints on the pursuit of individual happiness. Implicit in this conviction is a view of the common good for a society that maintains that the best society would be one in which such a balance of liberties and protections exists as to provide the greatest practical opportunities for seeking individual satisfactions. Proponents of this view are philosophical descendants, consciously or otherwise, of early modern philosophers like Thomas Hobbes and John Locke.

The second conviction is that human happiness consists principally in possessing and experiencing. In other words, the happiest person would be one who had the largest quantity of desirable possessions coupled with an indefinite series of the most pleasurable experiences. Of course, this description seems quite familiar, especially for Americans, for whom the pursuit of things and pleasures has come to be the stuff of the "American Dream." But then, considering the number of people who wish to emigrate to America (or at least the America they imagine), the Dream clearly knows no national boundaries.

At minimum, two things follow from this conviction about the nature of happiness. First, since property is so crucial to individual fulfillment, a good society is one in which individual rights to property are strenuously protected. Not only are property rights extensive (most "things" may be individually owned) but they may be almost unqualified. What qualifications exist are defended on the basis of expediency. (For example, someone might say that, although taxes to support welfare benefits are a seizure of an individual's property, it may be necessary to do this to prevent destructive class conflict, thereby protecting what remains of that person's property.)

A second implication is that the important aspects of work, especially in the context of employment, are almost entirely objective. That is, we address work adequately as a human phenomenon if we focus our attention on the external (to the worker) effects of the work and on the external rewards it brings. Work is good to the extent that it is useful to others and to the extent that it brings valuable possessions or experiences to the worker. We might even say that from the perspective of the worker, the only bad work is work that is poorly compensated. If we pay someone enough, the most isolated, tedious, dangerous, unpleasant job becomes a good job.

The Catholic social tradition also has something to say about the nature of the human person and human happiness, but its convictions are quite different.

This tradition denies that human persons are radically solitary and insists instead that we are naturally social. Communities are not expedient artifacts that serve as more or less imperfect instruments for creating human happiness; they are integral elements of that happiness. Not only is human satisfaction impossible outside of a community, but we might even say that a human person permanently detached from a community can never be fully human. Indeed, in the normal course of events, individuals come to be in the context of the community created by a husband and wife, are educated within the community that is the city, and live their lives within a web of relationships. When someone is involuntarily detached from his community (refugees, for example), we are urgently concerned to find a community into which to reinsert him. If this fails, he is in danger of becoming, practically speaking, a non-person.

The Catholic social tradition insists, then, that it is a serious mistake to assume that communities are merely instrumental in human life; they are in fact integral to and inseparable from human fulfillment. Some associations or communities may certainly be no more than instruments at times, and some people may tend to instrumentalize every community to which they belong with the intention of achieving their own fulfillment, but the importance of community in human life is much greater than this alone. One consequence of this position is that the proper definition of the common good for a society is not simply a matter of liberties and protections, but is instead the complete set of conditions necessary for every member of the community to flourish.

The character of human flourishing is the substance of the second conviction. While things and experiences may be instrumental for or sometimes even elements of human fulfillment, human happiness most properly involves acting and being. In other words,

genuine human fulfillment consists in being a certain sort of person and in being capable of acting in certain ways. The economic paradigm sees happiness as something that someone has (that is, as something external, like a possession, or something passive, like an experience), while the Catholic tradition insists that happiness is active and dynamic (that is, as something internal, like one's character, or active, like one's performance or the personal relationships in which one participates). While the American Dream may sometimes be represented in terms of possessions and experiences, it is nevertheless the case that a common and pitiable character in American popular culture is the man who is rich in possessions and poor in relationships. (Henry Potter in Frank Capra's *It's a Wonderful Life* is a classic example.)

This second conviction affects the character of property rights. There is no particular reason why the right of individuals to own certain kinds of property cannot be as extensive as under the economic paradigm. The conditions attached to property rights, however, are much more significant. The tradition acknowledges that all of creation is the work of a benevolent God, and therefore must insist that anything that might be the object of a property right—from land to tools to knowledge—is potentially intended for the good of the entire human community. As Pope John Paul II has put it: "All private property carries with it a social mortgage." Furthermore, since property is instrumental for, but not constitutive of, genuine human flourishing, it is possible for an individual to have more than he needs. Even if he has earned his possessions through honest work, others in real need may have a legitimate claim on his surplus. Here, though, the explanation for the claim is not expediency, but rather a moral obligation, in justice, to address the real needs of others.

Finally, the Catholic social tradition, views human work in a richer way. While acknowledging the importance of the objective or external dimension of work, the tradition calls special attention to the subjective dimension of work. This dimension concerns the effect that the work done has upon the worker. There is a rich literature on this topic and I can only scratch the surface here. The key concept, however, may be, again in John Paul's words, that all work is ultimately *for* man; man is not *for* work. No work, in other words, however richly compensated, is sufficiently important to justify the dehumanization of the worker. Furthermore, while employment must surely be fairly compensated, the best work is not necessarily the work with the best pay. It is the work that most completely draws out the potential of the worker and develops him as a human person.

Clearly these two paradigms—the economic paradigm and the Catholic paradigm—are in sharp contrast to one another. This contrast is also evident in what is defined as rational behavior within each paradigm.

Under the economic paradigm, rational behavior is essentially utility-maximizing or wealth-maximizing behavior. One participates in relationships and in communities in order to acquire the possessions and experiences that are understood to constitute satisfaction and happiness. The thoroughly rational person here is careful to calculate how this relationship will be useful or that one pleasant. Strictly speaking, promises and

other commitments are rationally and ethically binding only to the extent that they can be expected to be useful or pleasant. It would be irrational to be faithful or honest in any given situation if the result, in however long a term, would be neither useful nor pleasant. What saves most of us from being thoroughly rapacious and untrustworthy, according to this paradigm, are both formal constraints (laws, for example) and the recognition that (as the game theorists tell us) fidelity and honesty are more likely over the long run to increase utility and pleasure. Hence we have a sketch of what passes for sound business practice: don't lie, cheat, or steal, except perhaps in those circumstances in which you may clearly get away with it.

Rationality in the Catholic social tradition takes on a different character. Since human fulfillment consists in being and acting, practical rationality requires that a person seek to develop a certain character (that is, to become virtuous), which in turn both depends upon and results in acting well. It is rational to be faithful and honest, not only because this is likely to maximize utility or pleasure (and the tradition would not deny this), but principally because these are components of acting well and developing more fully as a person. To put it another way, the person who lies habitually, or who is honest only because he is constrained by the prospect of punishment, is an underdeveloped person, and fails to achieve happiness to the extent that he *is* underdeveloped.

Furthermore, since human persons are understood to be essentially social, practical rationality requires behavior that supports the common good of the various communities of which one is a member. Acting so as to diminish the set of conditions that support human flourishing in a community, or so as to decrease the likelihood of an association's reaching its common goal, would be irrational. A more mature, more fully developed person would be committed to acting in such a way as to achieve or sustain the common good of any community of which he was a member. Such a person, in the language of the Catholic social tradition, would possess the virtue of Solidarity.

Solidarity has entered the common language of the Catholic social tradition over the past 15 years partly because of the emphasis placed upon it by Pope John Paul II. In particular, he has frequently insisted that business needs to be characterized by Solidarity, by a firm commitment to the common good and by a determination to consider the impacts of its decisions on others, especially employees and the poor.

But is the principle of Solidarity, which calls businesspeople to be mindful of the impacts of their decisions on others and to make courses of action that benefit others a priority in their decision-making, consistent with sound business practice? John Paul emphatically believes that it is, and it will repay us to consider briefly why he thinks this is so.

The object of the virtue of Solidarity is the just society, characterized first by right relationships among all of its members, and second by fairness in the distribution of resources, knowledge, opportunities, cultural participation and anything else that may be needed for human flourishing. (Note that fairness here *does not* necessarily mean equality, nor does it mean that differences in distribution cannot result from laziness, or bad choices in general. It *does* mean that differences in distribution will not be the result

of selfishness, dishonesty, and abuses of power.) Given the reality of personal sin, a just society is not the ordinary human condition. It is rather something that must be laboriously built and continuously sustained; hence the need for Solidarity.

The just society to which we all aspire is constructed day by day through the collaboration of all its members, fulfilling in this way the loving vocation with which God entrusted human beings when creating them. To construct a city, we might say, is to construct humanity; that is, taking the complete and integral human being as the measure and goal of all social activity, we create the necessary conditions so that each and every member of the human community can realize his full potential.

Santa Cruz, Bolivia (12 May 1988)

Business cannot be insensitive to this project because, among other things, one of the characteristics of modern life is extensive interdependence. Few communities of any kind can exist successfully in isolation now; few, no matter how large or small, can truly be self-sufficient. This is not a regrettable situation, and I have no doubt that in John Paul's mind it is part of the unfolding of the divine plan. Nevertheless, it does require that each of us, especially those with decision-making responsibilities, recognize this interdependence and act accordingly. Business, too, is caught up in this interdependence, both internally and with respect to the larger community.

The first characteristic of a modern firm and of its social function, in [the] context of great complexity, is without doubt that of interdependence. Each of its components is equally necessary, and it is useless to speculate about the primacy of one or another of them. However, there is a similar interdependence between society and the world of industry and services; society has need of what is provided by the activities of production, and these latter, in turn, have need both of the outlet offered by society in terms of its purchasing capacity and of the resources it provides in the form of potential workers, investments, and technology. We are all aware that that interdependence is no longer contained within the boundaries of a society or nation, but extends to continental and intercontinental dimensions.

Verona, Italy (17 April 1988)

The result is that the problems of the community as a whole (including the global community) are also, in some instances, the problems of businesses as well. More precisely, there are kinds of problems—unemployment, unfulfilled needs for goods and services, needs for investment opportunities and resources, and so on—that business may naturally address, if it chooses to do so. To be sure, businesses legitimately aim to make a profit, but that is not their only purpose. They have an appropriate contribution to make to the society and they must not shut themselves off from that society.

This is not to say, however, that businesses have a generalized duty to use their resources to address whatever problems happen to be significant in the communities in which they operate (a standard conception of Corporate Social Responsibility, but one that I do not find emphasized in John Paul). Rather, they have a duty to conduct their operations by choosing courses of action that deliberately support not only the common good of the business itself, but the common good of the society as well.

Even if a business is an economic entity, even if it is one of the things that are essential for an area's prosperity, it cannot be reduced to that alone. Inasmuch as it is a community of persons, it is basically a human structure whose activity and economic and technological involvement must be inspired by and oriented to the ethical and moral values of justice and social solidarity.

Rome (12 April 1991)

One cannot but lament the fact that there are a number of employers—in different areas of business—who do not respond to the gifts they have received and who appear to ignore their responsibility towards those who work in the company and towards the whole of society. Some seem to forget that they should indeed be the organizers of wealth, but always people who have the common good as their goal; they should not be carried away by the sole desire for what is useful to themselves alone.

Lima, Peru (15 May 1988)

The businessperson that John Paul has in mind—whether entrepreneur or manager—has a set of functions, both internal and external to the business, and a set of duties that accompany those functions. Among these functions are the organization of work, the creation and production of goods and services that truly contribute to human fulfillment, the creation of wealth, and, in general, the humanization of economic activity. The related duties require that the activities of the business are properly oriented toward the good of others, and the businessperson's firm commitment to fulfill these duties is the virtue of solidarity.

Now what about this application of the concept of Solidarity is inconsistent with sound business practice? Solidarity does not require the businessperson to sacrifice his own welfare for the sake of others, though it may sometimes require him to choose a course of action that will not produce the greatest possible economic reward (at least in the short term). It may also require him to make a moral evaluation of the goods and services the business produces, and to choose not to produce those that tend to undermine the good of the persons they are intended to serve. And it may require him to ensure that the workplace he manages is truly characterized by fairness and a concern for the development of the worker in addition to efficiency in production. But is this not consistent with many of the best examples of management practice? Why do we think that a tension exists between sound business practice and Catholic social thought?

The reason, I think, brings us back to the beginning of this paper and the conflict I explored between the economic paradigm and the Catholic paradigm. On a philosophical level this conflict is quite genuine; the basic assumptions of the two paradigms are indeed contrary propositions. However, if we press the economic paradigm a bit further, we may often find that its defenders are somewhat reluctant to say that human persons *are* naturally solitary, or that their genuine fulfillment *does* lie in possessions and experiences. Instead, they may say that observations of human behavior suggest very strongly that people *behave* as if these propositions were true, and that the paradigm simply aims to describe and predict behaviors.

Perhaps this is so. In a sinful world, we often do act selfishly, and we often do pursue goals that appear good for us, but probably are not. This is nothing new. If the economic paradigm said nothing more than this, we could easily reconcile it with the Catholic paradigm by noting that people often make choices that are inconsistent with authentic human flourishing, and that these choices often constitute a pattern (e.g., John Paul's comments about "structures of sin"). Nevertheless, better choices are possible, and the best choices—as well as the best business practices—are based on a sound understanding of the reality about human beings, not merely their frequent behavior patterns.

In this regard, the Catholic paradigm is richer and stronger in its explanatory power. It can account for the behaviors observed by the economists, but the economists have limited ability to account for behaviors that fall outside the paradigm. The reality is that while people do often seek individual satisfaction, they also flee from loneliness; and while they often do seek to accumulate possessions, at times of crisis they often abandon their possessions before they abandon their friends.

The economic paradigm is powerful in the context of business partly because it systematically ignores many of its harmful consequences (e.g., unstable employment, unequitable distributions of wealth, wasteful and harmful products and processes, dehumanized workplaces, and so on). The criteria of business success that it proposes take no account of these consequences unless they provoke a response that affects one of the criteria. It is not an accident that one of the most popular authors in the United States is Scott Adams, the cartoonist who created *Dilbert*. Adams holds a mirror up to corporate America and ruthlessly exposes the pain, waste and frustration generated by a soulless application of the economic paradigm. Tens of millions of American employees understand all too clearly what Adams is depicting.

There is more to life than profit, market share and other narrowly defined measures of economic success. Even so, the third basic conviction of the economic paradigm, to which I alluded at the beginning of the paper, discourages us from embracing this larger vision and attempting to reconcile the paradigm with Catholic social thought. This is the conviction that most of the regularities identified by economics and related disciplines are immutable laws (e.g., Ricardo's Iron Law of Wages) to which business practice is subject. The Catholic tradition disagrees. Pope John Paul has often lamented the fact that the "laws" of economics are not sufficiently placed at the service of mankind, but instead are too frequently used to dominate people.

The conviction of the Catholic tradition is that we can choose differently. The "laws" of economics *can* be amended to place them at the service of human flourishing and the common good, more human considerations *can* be introduced as part of the definition of genuine success in business. What is required is a more comprehensive vision of the proper function of business in society, clearer practical guidelines about how management professionals can give life and breath to that function, and a firm commitment to move forward. In short, what is needed is informed Solidarity.

Catholic business schools need not abandon their commitment to teach the disciplines proper to business in order to foster the development of this Solidarity. They can, and should, realize that their tradition places these disciplines in context and can empower business students not only to be technically competent managers but successful human beings as well.