

“Is Catholic Thought Compatible with Contemporary Economics and Finance?”

Response to Charles Clark Paper

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1. A fine piece of work.

- The paper clearly identifies the principles of Catholic social thought and weaves them together as a cohesive whole
- The relationship among individual/person/community is particularly well done (page 16)
 - This is a critical relational sequence seldom seen in current literature
 - These are critical distinctions in psychology as well
- One point you do not emphasize--the long-term nature of CST set against the too often short term nature of economics

2. I will address my comments to the managerial implications of your work

- Economists worry about the system and how it functions.
- We in finance--a subset of economics--worry about the implications for business management
 - Concerns such as -- “What do I do on Monday morning?”

3. Focus on two issues:

- #1: The fundamental changes in our global system
 - Changes leading to a regulatory void
 - Necessity of principles-based - as distinct from a rules-based corporate behavior
- #2: In order to operationalize principles-based behavior, we need:
 - Enterprise wide standards
 - Guidance on local business unit exceptions to these standards

4. FIRST ISSUE: Global change and regulatory void

4.1. Global System is changing in terms of integration and power balance.

- Global Integration = f (information technology): It will continue like a train on the tracks.
 - Clark talks about the system in terms of social, political, cultural, and

religious factors.
-All of these are changing, some dramatically.

- Integration has led to changes in the balance of power
 - The multinational corporation is gaining power.
 - Nation State is losing policy freedom
 - Governance is poised to move to global governmental networks--but these are slow to develop.

4.2 We're in a transition – a Regulatory Void

- If we want Clark's world
 - Business decision-making must move to a principles-based as distinct from one that is based on regulation
 - NGOs need to work with business to leverage business resources in achieving their mission.

5. SECOND Point: How Principles-Based Behavior is Operationalized

5.1 A principles-based approach is based on uniform corporate standards that apply across the whole enterprise network.

- The major managements issue is the tension between:
 - (1) how to select these system-wide standards
 - (2) when to make exceptions at the local level.
- Brings us to what I see as a CST tension between
 - Overall common good and subsidiarity
 - Between some overarching common good and grassroots interaction
 - A top-down versus bottom-up issue--whose common good?

5.2 Clark fits the Common Good and Subsidiarity together by making them both a function of participation and process, but:

- There has to be some broad common good, some ideal to which humankind aspires.
 - ”You must pay a living wage”. “You will not employ children”.
- Moving only from a bottoms-up process as suggested by interpersonal solidarity and participation as supported by subsidiarity, you are not going to all get to the same point – politically, culturally, socially, or religiously

5.3 Corporations all have system wide standards (in production, for example, as well as ethics). They also have local exceptions

6. Clark concludes

- "The goal of Catholic social thought is to inform individuals and society so they can make better choices, so their freedom will be meaningful, and so their individual choices will better promote their own and society's well being" (page 47).
- We now need to extend this to management in order to help them determine the well being of society and how to managerially implement it on Monday morning.