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***Got Wealth—So What:
A Conversation between a CEO and a Theologian
on a Christian Ethic of Distribution***

Today more than ever, the Church is aware that her social message will gain credibility more immediately from the witness of actions than as a result of its internal logic and consistency.¹

John Paul II, *Centesimus annus*

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It is difficult to go through the scriptures and the Christian social tradition and not come away with a sense that distributing wealth is an important thing, so important that our salvation is at risk if we fail to do it (see Old Testament prophets, Jeremiah, Amos, Isaiah, and the New Testament, in particular Mt 25: 31ff and Lk 12: 16-21 and 16: 1-13 and 19-31). Most people interpret these gospel passages in terms of personal stewardship, that is, how should I spend the money I earn? While this question is of critical importance to each person, it should not prevent us from the reality that the major distributor of wealth in society is not individual giving nor even the state, but business. Yet, we find that philosophers, theologians and business theorists and practitioners rarely engage the gospel claim of a just distribution of creation with the mechanisms of how a business distributes wealth, namely through wages and ownership.

It is also difficult in this Jubilee year to ignore the increasing concern over wealth inequity. The atmospheric heights of executive pay, the slow growth of wages, especially those on the lower end of the economic ladder, the lopsided effects of globalization, the “superdevelopment” in the U.S. contrasted to the underdevelopment of many other countries, particularly Africa, all indicate that something is radically wrong in our current global and national distribution of wealth and income.

As Christians, especially in this Jubilee year, we are concerned about the importance of an ethic of distribution within the Christian social tradition. We are particularly concerned that Christian business schools have under-emphasized the role of wealth distribution, neglecting a critical responsibility of their mission. This lack of concern for wealth distribution is evident in Christian businesspeople as well. We are also concerned that the Church, and particularly her educators and teachers, has not effectively incorporated the importance of wealth creation in her ethic of distribution. If entrepreneurs and businesspeople are to have any wealth to distribute they have to create it first, and this is not an easy nor simple job. Generating customers, creating new products and adapting old ones, managing cash flow, financing capital, controlling costs, predicting market changes, and so forth, takes much of a manager's day and if these wealth generating activities are not done well, the survival of the firm is in jeopardy. (It should also be pointed out that the very act of wealth creation implies the theological reality of continuation of creation began with the creator.)

The challenge and opportunity this Jubilee year presents for business practitioners and educators is how to translate the scripture and tradition's call for a just distribution of resources to the dynamic and complex reality of a knowledge-based economy. This calls for significant resources in which no one person can give. In order to more effectively integrate a Christian ethic of distribution we need to be sure that we bring *all* the resources of the Christian social tradition. This tradition consists not only of "thought," the theoretical reflections of popes, bishops, theologians, economists and others, but also of the actions of women and men who live out the deepest aspirations of their vocation in various institutions, and who promote the dignity of others, especially those who are most vulnerable. This social tradition is carried through the ages, not only in its words, but also in the actions, intentions and institutions of its members. For this reason, we have written this paper in a conversational style engaging the thought of the tradition's teachings and the actions of its members (so-called nonmembers contribute to this as well).

While both of us adhere to the thought of the Christian social teachings and try to live the teachings in our day-to-day lives, we each, by the nature of our work, bring particular strengths (and particular weaknesses), to the conversation. Bob Wahlstedt is the founding member, chairman of the board, and former president of Reell Precision Manufacturing; a producer of hi-tech clutches and hinges for the office machine and computer industries. Bob is a member of the Evangelical Covenant Church. Mike Naughton is the director of the John A. Ryan Institute for Catholic Social Thought at the University of St. Thomas, where he teaches in the theology department and the Graduate School of Business. Mike is a member of the Roman Catholic Church. We share the same goal—a greater integration of faith and work resulting in the growth of people, but we have come to approach this goal in different ways. As an entrepreneur, Bob's approach is based on problem-solving and therefore is more inductive. His base of experience is practically oriented resulting in the pressing question "How can it work?" Mike's approach is more principle-based and consequently more deductive. His base of experience is academically oriented resulting in the pressing question "Is it true?"

What the reader will find in this conversation are two people sympathetic to a just distribution of wealth grounded in the Christian tradition, but who find themselves in tension (not an irresolvable one) over their approach to this cause. The reasons for this tension in part stems from an inductive/practical approach adopted by Bob and a deductive/principled approach adopted by Mike, as well as some political differences (Bob, like many businesspeople tends to be more Republican and Mike, like many academics tends to be more Democratic). This is not to say that Bob does not take principles seriously or that he does not care about truth because he is a businessperson, or that Mike does not take practice seriously and does not care about whether something works because he is an academic; rather, it is simply from our different places, literally, one in business and one in the academy, that we are grounded in one approach more than the other.

But as Christians who believe in the Pauline concept of the Body of Christ, where we are one body with different gifts, we know we need each other (1 Cor 12: 4).

There are different kinds of gifts, but the same Spirit. There are different kinds of service, but the same Lord. There are different kinds of working, but the same God works all of them in all men. Now to each one the manifestation of the Spirit is given for the common good. . . . Now you are the body of Christ, and each one of you is a part of it. And in the church God has appointed first of all apostles, second prophets, third teachers, then workers of miracles, also those having gifts of healing, those able to help others, those with gifts of administration, and those speaking in different kinds of tongues. Are all apostles? Are all prophets? Are all teachers? Do all work miracles? Do all have gifts of healing? Do all speak in tongues? Do all interpret? (1 Cor 12)¹

What we have both come to see more clearly is that we need each other to be more effective in what we do, since our gifts are always limited and in need of the gifts of others. Bob has come to discover that the articulation of principles within Christian social thought helps him to be more creative and more complete in what he is doing. Mike has come to discover that the practical applicability of and tensions with the principles, actually deepens the articulation of these principles. While too often the academic and business approach are seen as contradictory, as though one needs to be chosen over the other, we are convinced that they are complementary, although at times tension filled. Each has its limitations as well as its strengths.

Our conversation will focus on two concrete distribution issues: wages and ownership. In order for people to participate most effectively in the market system's distribution of wealth, they need access to two main sources of income: labor (pay) and capital (ownership). These so-called factors of production are critical to the survival and quality of a firm's life and concretely manifest whether the company is concerned about wealth distribution.

The Conversation on Pay:

Naughton: The issue of pay is conventionally handled by an organization's human resource (HR) department. Increasingly, HR departments describe pay primarily in strategic terms: *the purpose of pay is to attract, reward, retain, and motivate employees who best achieve the strategic goals of the organization.* These strategic goals tend to be exclusively economic in nature: beating the competition, growing market share, enhancing quality, raising customer satisfaction and retention, increasing efficiency, motivating performance, and maximizing shareholder wealth.

Yet, this view of pay as it relates to human labor fails to take into account the fundamental premise of a Christian view of just wages, namely, that work can never be reduced to the pay given, that is, the wage given can never fully account for the labor done, precisely because work is always *more* than its economic output or instrumental value. This something more can be described in terms of its subjective dimension—work not only changes objects, but it also changes the subject who does the work—and its transcendent dimension—work participates in the ongoing work of the Creator. Because of this spiritual reality of our work, a reality that is becoming increasingly recognized, pay can never be equivalent to the instrumental value of work.

Wahlstedt: I agree, idealistically, with Mike that “pay can never be equivalent to the value of work” and that the strategic terms in which the market views pay tends to “instrumentalize” human work. However, customers (and all of us are customers) will only pay for the “instrumental value” of work—that is we will not pay more than the value we receive for the products we buy. As a businessperson I am faced, therefore, with the reality that pay which exceeds that value can lead to dire consequences. First, it may not be sustainable in a competitive situation and, second it may not be replaceable to the worker in the event that he or she must find a new employer. This tends to limit the worker's freedom of employment choice or worse to encourage the development of an unsustainable standard of living.

This places us squarely on the horns of a dilemma. Should we, as Christian employers, pay market wages even though they may not support “those conditions necessary for human development” as stated by Pope John Paul II and other popes through this century?² Or, on the other hand, should we pay higher wages even in the face of the possibilities identified above? I think that neither is an acceptable response.

At Reell Precision Manufacturing Corporation, we have found another alternative. We hire new individuals at a competitive market wage but commit ourselves to raising their pay to a “target wage” within a relatively short period of time, usually two or three years but never more than five. The target wage is determined as the minimum wage that can support those conditions which foster human development. The challenge we accept is to structure the work and teach the individual the skills required to bring the “instrumental value” of their work in line with the target wage. This practice has several desirable results.

- It maintains and even enhances competitiveness in the marketplace.
- It accomplishes the principle of “subsidiarity,” in that the primary means for upgrading the value of the work is to push responsibility and authority to the lowest possible level.
- It fosters creativity and improves morale.
- It builds positive relationships between co-workers and management.
- It improves mental health and sometimes even physical health.

Naughton: Bob puts his finger on a critical tension within this principle-based approach in the Christian social tradition. But it is a healthy tension that both prevents the capitulation of the employer to merely an instrumental value of work, and the academic to merely abstract moralisms. Let me explain.

Because a wage can never exhaust the meaning of one’s work, the Christian social tradition sees wages always in the context of justice, that is, right relationships. It articulates at least three main principles to help solidify what this right relationship between an employer and employee would look like concerning a wage:

- meeting employees’ needs (*a living wage*),
- recognizing their contributions (*an equitable wage*),
- sustaining a viable economic order (*a sustainable wage*).

The tension Bob is experiencing is between the principle of “need” (a living wage) and the principle of “order” (sustainable wage). The tradition’s insistence on *the principle of need* is at the root of the very notion of a living wage. A living wage rests on the fundamental Christian insight I described above, namely that because work can never be exhausted by the wage given; employees deserve at minimum a living wage. Yet, a living wage cannot be sustained unless there is a degree of economic order. The *ought* of a living wage always implies the *can* of a sustainable wage.

What these three principles in the Christian social tradition provide are the *end* or purpose of the wage relationship. But these principles that define the wages are only the beginning to discerning the implication of a just wage. We also need to better understand the two other dimensions of the moral act, namely, the *means* and *circumstances*.

The *circumstances* which Reell finds itself in is a labor market whose price is unregulated by the state except in terms of a minimum wage which does not meet a living wage, its labor market is non-union and the current skill level for the work is minimal. When the company first started to wrestle with a target wage in 1996, the nonunion/low skill produced a labor rate of \$6.80 an hour. These circumstances, like all circumstances, provide opportunities and limitations of a manager’s sphere of action and influence.

Given the *circumstances* of this competitive price system, and the *end* they wish to achieve, namely, provide for employee needs (the growth of employees), Reell chose the

following *means*: 1) developing employees' skills by making employees more efficient, productive and cost-effective and 2) redesigning work processes (quality control techniques, Just-in-Time manufacturing, etc.) to take advantage of employees' enhanced skills. These means allow Reell to create organizational conditions which require less supervision, allow faster set-up times, and reduce the need for quality inspection.³ Together, these improvements reduce overall costs, which increase labor rates but decrease labor costs.⁴

In justice, that is the end of wages. If Reell wants to practically apply Judeo-Christian values it must pay a living wage. Yet, who wills the end must will the means: apart from the prudent, concrete means of sustaining them, just wages will be short lived, and it is managers, not popes or theologians, who need to develop these means. In other words, "justice" without prudence (organizing the appropriate means and understanding one's circumstances) is an exercise in moralism (or "justicism") which cannot deliver on its promise.

As Bob mentioned, because we as customers will only pay for the "instrumental value" of work, he is faced with the reality that pay which exceeds its economic value results in organizational decline. It is certainly critical not to underestimate this instrumental value of labor. Yet, I believe the more likely problem for the manager is the overvaluation of this instrumental dimension. Proponents of the strategic view of pay, for example, often acknowledge the importance of a living wage: they know, for example, that low base pay, as Edward Lawler puts it:

can cause significant problems in recruiting and retaining the best and the brightest individuals. It can also lead to an internal culture of low esteem and to feelings that the organization in general is second best and lacks the resources to do a first-rate job.⁵

Yet, the strategic logic, namely an instrumental logic, here still subjects a living wage and the human person to a closed economic system.

What happens, for example, when wages are strategically advantageous at a rate that fails to meet the "needs" of employees, such as in developing countries where labor protection is nonexistent, labor unions are suppressed, and labor markets are flooded? Or what happens when "human performance is not a major determinant of organizational performance?"⁶ The answer, if we take the logic of strategic pay seriously, is to forfeit the needs of employees. As one human resource strategist put it, if jobs require "a low level of skills and enjoy a large labor supply, then a strategy of high pay may not be appropriate; in this case, increasing labor costs may produce a minimum number of benefits."⁷ But benefits for whom? The strategic approach narrowly defines "benefits" in terms of their strategic worth to the organization, tacitly classifying the individual employee among the means to greater profits and increased shareholder value. It is precisely when managers view labor as fully exhausted by the pay given that they fall into this instrumental logic. When the transcendent end of labor is no longer part of the equation of pay, employees become merely one more factor of production.

How does this apply to Bob and Reell? It is difficult to believe that Reell could have developed a target wage on strategic grounds alone, or that the firm's leadership did not first desire the right *end*, namely, just and right relationships with its employees. These principles that guided their decision making, however, are not a recipe for the solution of the problem of just pay. They will not create a blinding flash of "pay nirvana." They did not relieve Bob and Reell of their burdens as it relates to pay; in fact the problem became more complicated precisely because they took seriously a Christian ethic of distribution. What they seem to have found is some comfort in the reflection that the burdens involved in the quest for just wages are borne for the sake of the common good, and that success in bearing them is itself growth in virtue. And this is the great contribution the Christian social tradition has to offer: a compensation system understood in light of justice and the common good will set organizations on the long, arduous, and incremental path of developing organizational conditions which foster human development not only materially, but also morally and spiritually.

My criticisms of strategic pay are offered without prejudice to strategic theory's technical successes, recognizing Bob's point that customers pay only for this instrumental value. My point has not been that justice counsels abandoning the strategic and instrumental value of labor, but that by prudent use strategic thinking, built on the subjective and transcendent dimensions of labor, should itself become a "human resource" for the growth of employees. It is here where managers and employers can be developers of persons who create organizational conditions that foster human development (common good).

Some Issues for a Just Wage

1. A Living Wage: The Principle of Need. A living wage is *the minimum amount due to every independent wage earner by the mere fact that he or she is a human being with a life to maintain and a personality to develop.*

Issues: What criteria are used to determine a just wage that serves as a minimum floor? How does one overcome the obstacles of a market wage that falls below this minimum floor? What creative policies are available to implement a living wage? What role does the state have in determining living wages?

2. An Equitable Wage: The Principle of Contribution. An equitable wage is *the contribution of an employee's productivity and effort within the context of the existing amount of profits and resources of the organization.*

Issues: How does one know if they have become too narrow or quantitative nor too broad or vague in determining contribution? How does one attract the necessary human talent and maintain internal equity? How does one avoid short-termism, poor morale, and Machiavellian politics when instituting incentives?

3. A Sustainable Wage: The Principle of Economic Order. A sustainable wage *is the organization's ability to pay wages that are sustainable for the economic health of the organization as a whole.*

Issues: Sustainable = Livable + Equitable. In light of the unique situation a company finds itself in, what are its constraints and opportunities as it relates to a living and equitable wage? What level of a livable wage is sustainable for the organization? How many people can an organization pay living wages to? What is the role of part-time work? When is it ethical to lay people off because the labor costs are no longer sustainable? When can a company move offshore? What is the role of automation?

Wahlstedt: Mike, I am impressed by the depth of your theological analysis and really like the three “principles”—Need, Contribution and Economic Order. I have come to realize that the tension between the principle of need and the principle of sustainability could be resolved by the principle of contribution. If employers seek to maximize the contribution of employees, they tend to close the gap between need and sustainability.

I further agree that Reell would not have developed its pay system based on economic principles alone. We clearly began “theologically”—if you call trying to follow the “will of God” theological—but I fear that we are being naïve if we think that theological argument is going to persuade very many business leaders; many of whom are just trying to survive “permanent white water”—as Peter Vaill puts it. How can we expect people to ponder all this theology when they are having all they can do just to come up with a *workable* system—let alone a just one? We are often overwhelmed just trying to balance the bottom line and keep people sufficiently satisfied so we don’t lose them!

You also imply that just pay would be more universal if the state got into the act and set higher minimums or if we had stronger unions to wrest a bigger chunk of the pie from management. In my opinion, the last things we need are more government interference and more hostility between management and labor.

Although it is true that Reell would not have developed its pay system out of a purely economic model... neither would the Wright brothers have invented the airplane out of purely economic motivation. We always need pioneers—and yes, theologians as well—to blaze new trails, but the fact remains that these new trails will never be followed by the many unless they are economically sustainable.

I will grant you however, that Christian business schools should lay out the “higher road” and include all three of your points in a curriculum on wages and wealth distribution. Furthermore, I am excited by the involvement of more people in business

who are pondering and implementing theological principles in their operations. This could be the “new frontier” in the 21st century.

Finally, however, I must return to the conclusion that theological pioneering in business must, first and foremost, be *sustainable* and economically successful or it will not survive to be noticed and can never become the “norm” that we would all like to see.

It is a matter of *faith* to believe that that which is *right* will be successful and it is an act of faith to put these theological principles into practice before they are proven. It is essential that those who have such faith also have the wisdom and prudence necessary to build economically successful models. “...*the door is narrow and few will find it...*” It is my hope that many will pass through that door when it has been shown that these principles can enhance the material quality of our lives as well as the spiritual quality of our lives.

More can be said here on the relationship between success and faith. Faith provides the basis for stronger relationships. These relationships strengthen businesses to be real work communities that have a greater probability of economic success. As is the case with many of the Proverbs, this statement is generally true but faith does not always create better relationships. Faith will at times strain relationships.

Naughton: Two quick points: 1) Your last paragraph is very important since all too often businesspeople can be a bit like Pollyanna about the moral order and economic economic. Often they converge, yet, other times they do not and as a result sacrifice is demanded. St. Thomas More’s virtue and spirituality helped him to become the second most powerful man in England; and it was also his virtue and spirituality which caused him to get his head cut off.

As to your first paragraph, you are absolutely correct that business folk have little time in the business itself in light of competitive pressures to think theologically about wages. This is precisely why we need distinctively Christian institutions (parishes/congregations, schools, in particular business schools, and so forth) to raise radical questions that help us understand what we are actually doing. It is here that Christian business schools have a unique vocation, a vocation that I must say has not been realized or fulfilled.

Conversation on Capital Ownership:

Naughton: The issue of capital and its ownership, namely private property, has been significantly influenced by the field of finance. While proponents of the financial model of the firm recognize various goods of an organization, the first and controlling end of the firm lies in maximizing returns for shareholders. Underlying this understanding of corporate property is a philosophical individualism that implies at least two things: a) exclusivity of ownership: “this property is mine and not yours” and b) control: “since it’s mine, I alone determine what it is to be used for.”⁸

While a Christian notion of property would affirm the importance of exclusivity and control of property, namely, it affirms the importance of private property. The Christian tradition insists that property, including corporate property, cannot be understood fully, unless it is understood *theologically* and *socially*. This calls for a *rethinking* of property and capital in business.

To understand property within the Christian theological tradition, one must first understand it as a *gift*. Before we own, we are first “receivers” or inheritors of property. As David Schindler explains, “this receiving disposition remains anterior to and informs every act of human activity.”⁹ God who created the world “and saw that it was very good,” gave humanity the gift of dominion over the earth.

Two stories illustrate the giftedness of created reality. First, it’s useful to recall that when Native Americans first encountered Europeans, they were baffled by their possessiveness. They expected the newcomers to return their gifts because that’s how goods continued to circulate in what was then an indigenous gift economy. The idea of maintaining gifts in a perpetual state of exchange equally baffled the westerners who negatively portrayed the natives as “Indian givers.”¹⁰ Yet, what Native Americans understood, and what we should take heed of, is that when a gift is not shared, it corrupts the holder. The one who makes the gift an occasion for selfish hoarding, who fails to put the gift in motion, becomes corrupted by the gift itself.

Second, consider the amusing yet poignant tale of a rich man’s wake when, amidst the moaning and gnashing of teeth, someone inadvertently blurted out, “How much did he leave?” From the embarrassed hush that ensued, a simple, conversation-stopping answer shot back: “Everything!”¹¹ If we are to understand property, we must face the universal experience of property, namely, in the end, everything is given back. To our knowledge, there’s no known instance of a hearse pulling a U-Haul. Property—all wealth—is a gift of which ownership makes us no more than temporary stewards. We neither arrive in this life with property nor leave with it, and as owners we will be called to a steward’s account for our use of property.

In Western culture, we tend to see property and capital as a so-called private matter and have tended to downplay its *social* character. As the financial model puts it, “The corporation is to earn investors as much money as possible, and then investors get to decide on what they want to spend it on in their own private lives.” Yet, this “private” interpretation of property, however, should give us pause for thought. St. Augustine pointed out that the word *private* comes from “privation,” a certain loss of meaning or substance.¹² To understand property *only* in private terms is to refuse to recognize its inherent “giftedness” and in particular property’s social nature, that it is to be shared with others, especially those in need. As Aquinas put it, all property should be seen “as common so that, in fact, a person should readily share it when he sees others in need.”¹³ It is in this disposition to property that the use of property and capital can be opportunities for virtue. This is why one cannot see wealth distribution as only a mechanistic force determined by market factors in which managers and entrepreneurs can absent themselves from any responsibility. Such a view is contrary to the Christian social

tradition. Wealth distribution is a human responsibility by the fact that we are created as God's stewards of creation—a responsibility that is framed by our sphere of influence. The manager must wrestle with making a fairer distribution of the resources he has, since as Aquinas puts it, “a man's will is not right in willing a particular good [such as property], unless he refer it to the common as an end.”¹⁴

The social and theological reality of property is not an easy teaching. This is the case for a good number of Christian teachings. Yet, for the businessperson in a corporation, these teachings will stretch her thinking, always pressing on her experience in corporate life how the social nature of property can come alive. At times, it will become so stretched that it may look impractical and unattainable, but these are moments for hope, in the words of Charles Handy “to live so that others can live better after I have gone.”¹⁵

Wahlstedt: At Reell, this issue of ownership was first brought to our attention by an insurance agent. He told us that we should buy life insurance to fund a buy-sell agreement so that, in the event that one of us would die, there would be funds available to “buy-out” the deceased partner. He pointed out that the failure to do this could result in a forced sale of the company because the estate taxes could easily exceed the liquid funds available. It also would assure that we would be able to pass on to our heirs the value of our interest in the company.

We foresaw several problems with this approach. First, it would require the purchase of ever increasing amounts of life insurance as the value of the company increased and there was no way to be sure that we would remain insurable. Second, it would deal with the death of the first and second of us but the last survivor—and ultimately his heirs—would end up with the entire company. This seemed like too much of a “crap shoot” and also would likely force the sale of the company. Finally, it treated the company as nothing more than a financial asset. In the end the company would be sold to the highest bidder and they would do with it as they pleased. We had established our fundamental purpose to be the security and growth of co-workers. In no way did this approach give us any reason to believe that the purpose and mission of the company would carry on beyond the founders.

We quickly realized that there was no way that we could guarantee that the purpose and mission would survive, but we were determined to do whatever was possible to increase this likelihood. We judged that those that had the most intimate personal relationship with the founders—our children—and those that had the most intimate relationship with the business—our co-workers—would probably have the most appreciation for the purpose and mission and would be the most likely to see that it would continue to be developed into the next generation. In 1985, therefore, we established two plans:

1. An annual gifting program to transfer stock to our children—this has resulted in keeping our projected personal estate taxes within the available liquid funds.

2. An Employees Stock Option Plan–ESOP–which is able to accumulate stock for the purpose of providing retirement income to the participants, our co-workers.

These two plans together will result in the control of the company–the ownership of the stock–to pass to our children and our co-workers after the death of the founders. In fact, two-thirds of the ownership has already been passed, about one-third to the children and one-third to the ESOP.

Furthermore, the top leadership has passed to a new generation including no members of the founding families and they are continuing to pursue and develop the mission with even greater vigor. This is in sharp contrast with the experience of several personal acquaintances who sold their businesses when nearing retirement. In every case those companies were merged into other larger entities with very different agendas or have *become* almost exclusively financially oriented, often to the great disappointment of their founders and employees.

The truth is, whether we like it or not, that the stockholders, by virtue of their right to vote their stock, have the right to choose the purpose and mission of a corporation. When the ownership changes, the purpose and mission will very likely change as well. We may wish that this was not so but it is–so we must believe that enlightened leaders will choose to follow the higher road described by Mike and that they will be economically successful so that others will be inspired to follow their lead.

Naughton: Bob and the two other founders of Reell could have easily undertaken an initial public offering and walked away very rich men as many entrepreneurs have done. But cashing out somehow did not fit with what Bob and his co-workers established, namely, “operating a business based on the practical application of Judeo-Christian values for the mutual benefit of: *co-workers and their families, customers, shareholders, suppliers, and community.*”¹⁶ The company, as Bob put it, was more than a “financial asset.”

As Bob mentions above, the impetus for the ESOP was not primarily to share the wealth with employees, but rather to keep the company in friendly hands so that the mission would continue to exist. Part of the mission includes sharing the wealth, but it is important to examine a couple of questions in more general terms here: Why wouldn’t the question of greater wealth distribution motivate Bob to share capital ownership with his employees? Why did it take an insurance agent to get to the ESOP?

Before getting to these questions as they specifically relate to Reell and Bob, I want to make some general observations which I believe provide a helpful context. *First*, businesspeople in general, and their education encourages this, are somewhat apprehensive of the word “distribution.” Influenced by classical economics as well as by their own experience, businesspeople will often see wealth distribution best handled as a market decision determined by mechanistic forces of supply and demand. Often, they see

no relationship between their virtue and fostering a more just distribution of resources. The question of distribution is often relegated to the private sphere of individual giving.

Secondly, businesspeople are often suspicious of the language of justice, and for good reason. Justice has become somewhat politicized both within the culture and in the church making it almost unusable in business. Justice is reduced to a bully club by which the state coerces business to do so-called “good things” or a prophetic denunciation by which the church condemns business behavior. This has generated a certain reservation among businesspeople both to the church and to the state. Note Bob’s response to me above. Any hint of state regulation has almost an allergic reaction to be bad *a priori* (I would like to add that I was not advocating state regulation above, I was merely trying to describe the company’s situation). In this sense, businesspeople have good cause to be suspicious to such a stunted notion of justice and its relationship to distribution. The result is that more often than not, businesspeople do not have a language that can help them personalize their responsibility as agents of the corporation to distributing wealth within their own sphere of influence.

Despite these reasons, businesspeople, in light of the Christian social tradition, must respond to the current distribution of wealth both globally and in the U.S., and utilize the important role of property and capital in making a more humane distribution. On a global basis, for example, the United Nations Development Program (UNDP) found that the world’s 200 richest people more than doubled their net worth in the four years to 1999, to more than \$1 trillion—an average \$5 billion each.¹⁷ Their wealth (the top seven are Americans) now equals the combined annual income of the world’s poorest 2.5 billion people.¹⁸ The three richest Americans—Microsoft co-founders Bill Gates and Paul Allen and Berkshire Hathaway’s Warren Buffet—have a net worth larger than the combined GDP of the 41 poorest nations and their 550 million people.¹⁹ Humanity inhabits one world but two realities resulting in UNDP’s sobering assessment: “Development that perpetuates today’s inequalities is neither sustainable *nor worth sustaining*.”²⁰

A variety of evidence indicates, although some of it is conflicting, that even in the U.S., where there has been significant economic growth over the past decade, the wealth creation of this latest economic boom has largely been distributed to those at the top, namely capital owners. This has resulted in the widest gap between the most affluent Americans and everyone else in the nation since the end of World War II. There are many reasons for this gap, in particular, the changing make-up of the American family, but a focus on the role of capital can help in better understanding a just distribution of wealth.²¹

For example, while the *average* income for households increased 10% between 1979 and 1994, 97% of that growth was claimed by the top 20% of households. This has resulted into widened economic disparity where the net worth of the top 1% is now greater than that of the bottom 90%. And while mutual funds and 401(k) plans have fueled much-celebrated gains in capital participation, one study nevertheless showed that 71% of U.S. households hold no stock or hold stock valued at less than \$2,000. In a survey reported in *Business Week*, “most Americans feel as if the New Economy’s good-

‘n’-plenty train is passing them by” believing that the “benefits of the New Economy have been distributed unevenly.”

With only 25% of the assets of the S&P 500 companies in the form of physical capital, employees sense that what makes up the rest of the value of the company resides increasingly in their knowledge and labor, which they believe is currently undervalued.²³ The interplay among *productivity gains*, *wages*, and *capital* helps to illustrate this. Since 1974, productivity in manufacturing increased by 68% and the service sector increased by 50%. During this same time period, employee wages stagnated. Between 1989 and 1997, 86% of stock market gains flowed to the top 10% of households while 42% went to the most well-to-do 1%.²⁴ With many of the wage earners being non-owners, the rewards of productivity went to capital owners. With the richest 25% owning 82% of corporate stock in the U.S., the clear winners were capital owners, and the consequence was increased income disparity.²⁵

How does a businessperson respond to such numbers? Within the Christian social tradition, the problem is not the magnitude of capital owners’ gains, but the system’s tendency to restrict rather than to promote participation in capital ownership. Another problem is refusal of those entrepreneurs, managers, and boards of directors to take a serious look at their responsibility for wealth distribution. When the power of the ownership of productive capital is highly concentrated in the hands of the few, the non-owning majority’s incomes grow uncertain; when capital is *disconnected* from labor and the communities in which it resides, its uses are determined without regard for the impact on labor or on society at large. This disconnection is creating a casino-like atmosphere where investors are increasingly shrinking their time horizons for maximum return on their investments resulting in “stock churning.” For example, one study found that “76% of the shares of the average U.S. company listed on the New York Stock Exchange turned over last year. That’s up from 46% in 1990 and only 12% in 1960. . . . On the Nasdaq . . . shareholder turnover is nearly three times as high.”²⁶ The markets’ relentless pressure for maximum investor returns leads corporations to “unleash what the *Wall Street Journal* characterizes as the ‘four horsemen of the workplace’: (1) downsizing; (2) moving operations to low-wage countries, (3) increased automation, and (4) the use of temporary workers.”²⁷ These so-called “horsemen” can be legitimately used to meet economic and productive challenges of any firm, but to use them as ordinary business practice undermines any attempt to build a community at work where people can grow. Nevertheless, they have become staples of “disconnected” capital’s search for ever-increasing returns, regardless of the social effects.

Don’t worry Bob, I am not advocating that the state expropriate existing wealth of shareholders, although I am not in principle against a more progressive taxation policy. Like you, I too believe that shareholders have the right to control the destiny of the firm, but the critical question is not simply stockholders right to control, but *how* they control it. Thomas Aquinas, and most of the Christian social tradition, advocate private property, not because it allows one the freedom do whatever they want to—choice is not the highest value here. Rather, private property provides an opportunity for virtue to express the social nature of property itself, that it contributes to the common good. Virtue,

however, will not come about from maximizing mentalities of shareholder wealth, but rather from *reconnecting* capital to labor, communities and others who have a stake in the capital. This is why John Paul II, for example, has stated “that recognition of the proper position of labor and the worker in the production process demands various adaptations in the sphere of the right to ownership of the means of production.” When capital is connected to labor, it is simply easier, although not guaranteed, to promote “the universal destination of goods and the right to common use of them.”²⁸

Finally, this long-winded response brings me to the following answers to the questions I posed above. “Why wouldn’t the question of greater wealth distribution motivate Bob to share capital ownership with his employees?” “Why did it take an insurance agent to get to the ESOP?” While Bob and his partners did not directly institute the ESOP out of concern for greater wealth distribution, they do not fall within the criticism I place on businesspeople above. This I believe is important to understand.

Because Reell’s mission concerns the growth of people, a just distribution is embedded in the mission. The mission is bigger than wealth distribution, but it includes it, and because the mission is “big enough” to include this concern, Bob and his co-workers are open to more creative ways to share the wealth when opportunities arise. The ESOP comes up in terms of a problem concerning estate taxes. It did not come up through some grand design on part of the founders to distribute wealth.²⁹ Yet, this practical problem of transferring ownership provided an opportunity for Reell to express its mission more deeply. Precisely because its vision is grounded in human development, or as Bob puts it, “the growth of people,” Reell has created a generative seedbed of purpose in which practical problems can turn into opportunities for virtue. This is why it is so dangerous to have narrow and quantitative mission statements such as maximizing shareholder price, since a just distribution of wealth only appears on the organizational radar when it is instrumental to greater wealth maximization to shareholders.³⁰

Wahlstedt: Mike, I think that the answer to your questions, “Why wouldn’t the question of greater wealth distribution motivate Bob to share capital ownership with his employees?” and “Why did it take an insurance agent to get to the ESOP?” is simply that we are Republicans and do not see anything inherently wrong with unequal distribution of wealth. Furthermore, we were focussed on our own situation in which the available resources did not allow the degree of inequality that exists in the broader business context. Finally, these deliberations took place in the late 70’s and early 80’s culminating in the ESOP being established in 1985. The most gross examples of inequity that you mention have taken place since then.

In short, we did not see the difference in wealth within our own company as out of line and we had no sensitivity or concern in the broader context. In fact, as a small company, we were well aware that we were not providing our co-workers with even a market level of retirement income. We saw the ESOP as a means to provide a reasonable retirement nestegg for everyone while still retaining most of the funds to finance the growth of the business. So, you see, we were still at a point where we were driven by the need to compete at market levels and maintain a sustainable business.

It may have been unusual that we were thinking about the transition of ownership even before we had established a sustainable business with market competitive remuneration. This is where the insurance agent came in. He showed us that the tax laws would not allow us to put off the concern about estate planning. We had to establish a plan early or run the risk of being uninsurable or not having the time to establish an effective plan later.

You are correct, however, that we might not have established the ESOP if our value system was to maximize personal (shareholder) wealth. I believe many business owners find the ESOP an unacceptable plan for this very reason. They are unwilling or psychologically unable to “give away” any of the financial benefits of ownership.

Others, wanting to “have their cake and eat it too” establish an ESOP for the tax benefits while doing everything possible to limit or minimize the amount of ownership that they give up. They run the risk of operating at the edge of the law and tend to chaff under the system because it forces them to do what they don’t want to do. This is why I think that it is not a good idea to establish an ESOP solely for the tax benefits. Although, RPM was not consciously intending to alter wealth distribution patterns, our theological perspective put the sharing of ownership in a positive rather than a negative light.

Now, 15 years later, with the benefit of exposure to more thoughtful, theological thinking on this subject and with the explosive increase in the remuneration of top executives, we certainly have a much greater appreciation of the moral implications of employee ownership. Furthermore, we have a greater appreciation of the effect of our ESOP on the relationships within our company. These are indeed more important than the issue of control, although sharing the control is one of the reasons that better relationships develop.

I think that we have again encountered the concept of “foundational” goods and “excellent” goods. Our conscious thinking focused on the foundational good of establishing future ownership that would be sensitive to the excellent good—the development of people. Our conscious understanding of excellent goods was incomplete in that we were not aware of the full effect on wealth distribution. On the other hand, there was an awareness of excellent goods in general and the priority of excellent goods.

This brings us again to the BIG QUESTION. How can people understand how their spiritual values and perspectives apply in the business world and be persuaded to act on that insight? You point out that the ownership of stock gives one the *right* to determine purpose but that right *should* be an opportunity for virtue rather than the freedom to do whatever one wants. It seems to me, however, that the “freedom to do whatever I want—or choose—and the opportunity for virtue are one and the same thing. No act can be considered virtuous if it is coerced. That is precisely why this dialogue is important—business owners must be *persuaded* to act virtuously. I believe that some—perhaps only a few—will begin based on theological understanding. The rest may be persuaded by the economic success of those few. The critical factor is that these few not only have the courage to act on their convictions, but the wisdom and prudence to build morally and

economically successful models.

Conclusion: Curriculum Implications for Christian Business Schools

We conclude this conversation in one voice focusing on the question Bob just raised: “How can people understand how their spiritual values and perspectives apply in the business world and be persuaded to act on that insight?” More specifically, “How can universities structure an experience for students that enable them to encounter these spiritual values in a business context?” And with particular attention to our conversation, “How does a Christian business school address questions of distribution that enables students to better fulfill their vocation as managers?” We would like to conclude with some practical suggestions as to how an ethic of distribution informed by the Christian social tradition, both in terms of its thought and practice, can be integrated within the business curriculum of Christian business schools. We need to start with the most critical issue: the faculty.

Faculty Formation: An Awakening Experience. If students are to have a positive encounter with the Christian social tradition, they must be taught by faculty who are familiar with and positively disposed to it. Faculty are much more diverse today than a generation ago. Many—Christians and those of other faith and philosophical traditions—are not aware of the rich heritage of the Christian intellectual tradition. Without a faculty who can incorporate these ideas into the curriculum, students will lose out to the potential of Christian education. In a talk to deans of Catholic business schools, Msgr. Murphy pointed out that “No institution will long remain Catholic if Catholic values are not understood and cherished by a substantial number of faculty members, no matter what their competency may be in their chosen academic fields.” This raises a difficult question: “Do we have a faculty prepared to integrate justice, particularly an understanding of justice from the Christian social tradition, within their courses?” In light of the fact that many faculty who come to Christian universities have been educated in specialized programs that have bracketed discussions of justice and spirituality from their study and research, Christian colleges and universities will not incorporate a faith perspective throughout the curriculum unless they address faculty development.

One of the greatest obstacles to overcome in addressing both justice education and the Christian social tradition is to introduce faculty to the intellectual depth and appeal of what this means. In a university departmental structure that rewards specialization, the Christian intellectual tradition runs the risk of being relegated to the theology and philosophy departments, who are then burdened with carrying the identity and mission of the Christian university. Important as they are to the mission of the Christian university, theology and philosophy departments cannot bear this mission alone. All departments and programs play a role, in particular, business schools where a significant number of students major.

In response to this, we believe that universities must provide opportunities for faculty to seriously encounter this tradition in an open and dialogical manner. At the University

of St. Thomas we have developed a seminar on the Catholic Intellectual Tradition within the format of the Aspen style. The seminar is a four-day intellectual retreat among faculty from St. Thomas to discuss the “great books” in the Catholic Intellectual Tradition. Participants discuss, debate, and most importantly *explore* what this tradition means and its implications for business education within a Catholic, liberal arts university. This encounter with the tradition creates favorable conditions to have it permeate throughout the whole curriculum and not just one or two courses in theology or business ethics. For a description of the Seminar at the University of St. Thomas see www.stthomas.edu/cathstudies/cst/mgmt/cit.htm

Infusion in the Curriculum

While seminars and specific courses are critical to developing a stronger Christian identity, they will not succeed unless there is some infusion into the main elements of the curriculum. In light of our conversation above, “Where do the issues of wealth distribution get dealt with in a business student’s education, either explicitly or implicitly?”

In any business program, the curriculum must focus on providing the knowledge and skills necessary for students to function in their field. A business student must learn the skills of reading a balance sheet, calculating cost of capital, providing statistical analysis, targeting and segmenting markets, managing group dynamics, generating creative thinking, initiating problem solving techniques, and mediating conflicts. Without such knowledge and skills that match the necessities of their professional worlds, students would not only be unprepared for their respective job markets, but they would be unprepared as moral agents “to live so that others can live better after I have gone,”³² as Charles Handy put it. A curriculum cannot promote a more just world without introducing students to the actual skills and knowledge necessary to function in the discipline.³³

Yet, when they learn these skills they are always embedded with a larger social framework. Below are four points of encounter between specific courses in a typical business curriculum and wealth distribution.

- Human Resource Courses examining Compensation: Faculty and students should engage the implications of what a just distribution of wealth is as it relates to compensation. Faculty should be sensitive to the instrumental logic pervasive in human resource literature, especially in light of the move to call their field “human capital.” For further explanation on these topics see <http://www.stthomas.edu/cathstudies/cst/mgmt/curriculum/hr.htm>
- Finance Course: In many respects, finance courses can be the most powerful courses to examine issues of wealth distribution. Simply taking time to deal with the complexity of the theory of the firm and not simply explain it in terms maximization of shareholder wealth would be a helpful first step. For one

examination of this, see

<http://www.stthomas.edu/cathstudies/cst/mgmt/curriculum/finance.htm>

- Strategy Course: Often placed as a capstone to the business program, strategy courses examine issues of mission, governance, mergers, and acquisitions, all of which have implications for wealth distribution. For examples of sample syllabi, see <http://www.stthomas.edu/cathstudies/cst/mgmt/curriculum/strategy.htm>
- Operations Course: How jobs are designed, in terms of skill and knowledge of employees, is a critical issue for a just distribution of wealth. See <http://www.stthomas.edu/cathstudies/cst/mgmt/curriculum/operations.htm>

All of these courses have implications for wealth distribution, yet, too often students are not engaged in terms of their importance.

Required Signature Course/Team Teaching: It is important to offer courses that explicitly deal with the integration of Faith and Work in a business curriculum. Especially on the undergraduate level where the theological mission of the university plays a critical role in the formation of students. Such a course should serve as an “integrating experience” for students by focusing on an interdisciplinary curriculum which engages in what Jonathan Boswell calls “middle level thinking” where explicit linkages between theory and practice are forged by synthesizing philosophical/theological and business knowledge. While these integrating elements ought to pervade the whole curriculum, a certain number of courses ought to have these integrating experiences as their prime concern. From our experience, integrating courses are prone to fall through the cracks of the university curriculum from the pressures of maintaining a liberal arts core and the increasing pressures of adding more courses to professional fields. Integrated courses, however, can serve as *signature* courses for the university. What makes the curriculum of any university distinctive should in part derive from the identity of the institution.

Often a particular major offers students a capstone course which attempts to integrate the variety of knowledge they have learned throughout their major degree. While most majors offer capstone courses, most colleges and universities do not offer a capstone or integrative experience of the student’s whole education. The question for a Catholic university is what kind of course offers the capacity to integrate their whole university experience. While ethics and service learning are critically necessary to help students experience integration, they cannot, by themselves, carry the weight of an integrating experience. For example, courses in professional ethics, whether business, legal, or medical, tend to relegate religious and spiritual traditions to the periphery in human decisions. Yet, for many practitioners it is often from a faith perspective that human action makes sense, since what we think is ultimately good derives from what we think is ultimately true. If an ethics course fails to connect the human activity under examination to larger belief systems, it runs the danger of becoming either overly legalistic or highly utilitarian. It also loses the capacity to provide a full experience of integration.

This is precisely why Catholic social thought is critical to the integration of ethics in courses on the professions. For such a course see http://www.stthomas.edu/www/theo_http/mjnaughton/cath340.htm. One of the most important marks of these courses is that they are team taught when possible. It is a powerful experience for a student to walk into a classroom and see a theology and management professor in front of the room discussing with them the integrating components of Catholic social thought and the respective discipline.

On the graduate level, we recommend a different strategy. Because of the more pluralistic environment of the graduate level as well as different expectations of the student, it is important that when requiring a course in values, that a plurality of courses be offered. We suggest the following to be offered:

- Business Ethics
 - Spirituality and Management
 - Christian Social Thought and Management
 - Great Books Seminar
 -
- (see <http://www.gsb.stthomas.edu/ethics/aspen.htm>)

A Final Note from Bob: Christian business schools have a unique opportunity to engage people in this dialogue. I have had the opportunity to be involved in several efforts to raise the ethical standards in business. These range from the Caux Round Table, an international forum of top corporate executives, to a class called “Spirituality at Work” at the St. Thomas Graduate School of Business. My observation is that those of us who have spent the better part of a career in business find it very difficult to shed the *mentality of instrumentality*. That is, the discussions—however well meaning—seem to never get very far away for the concern about what will this do for the “bottom line.”

Graduate students, however, most of whom are at the beginning of their careers, tend to be much more open and drawn to the idea that work can be a soul-satisfying experience and that one can find a meaningful expression of their most important values through their work. There is a real paradox here that can be understood through a basketball analogy. You cannot win the game without putting points on the scoreboard but you cannot put score points by keeping your eye on the scoreboard.

The students who have taken the St. Thomas class “Spirituality at Work” have given it extremely high marks in their course evaluations—some even calling it a “life-changing” experience. In my own case, it was a 10-day hospitalization with a bleeding ulcer that provided occasion for such a life-changing experience. Although I am grateful for that experience and that it happened before I was 30 years old, I would not prescribe illness in general. I think that our great hope for the future is the impact that a new generation of

business leaders can make if they can catch the vision of business leadership as a *vocation* through which the common good can be served and that individual lives can be enriched. Business schools, especially faith based business schools have the best opportunity to lead the way.

Endnotes

¹Centesimus Annus, 57.

²See Pope John Paul II *The Dignity of Work* Lanham, University Press of America, 1995, editors Gary Atkinson, Robert Kennedy, and Michael Naughton. ??? Get pg # and the talk he gives. See Mater et Magistra, ?? Gaudium et Spes (See website on common good—CST)

³Although Reell did not initially conceive the change as an element in its program for promoting the “target wage,” the manufacturing line was redesigned from a Command-Direct-Control system to a Teach-Equip-Trust system. The resulting savings in set-up and supervisory times, and improvements in quality, contributed materially to the economic feasibility of Reell’s just-wage policies.

⁴See Jeffery Pfeffer, “Six Dangerous Myths about Pay” *Harvard Business Review* (May-June 1998): 109-119. Pfeffer distinguishes between labor rates, determined as total salary divided by time worked, and labor cost, which is a function of labor rates and productivity. As Pfeffer points out, in many cases among competing organizations a firm with a higher labor rate may nevertheless experience lower labor costs than its competitor, because its employees are significantly more productive than its competitors’ employees. For example, General Motors requires 46 employee-hours to assemble a car, Ford 37.92 hours, Toyota 29.44 hours and Nissan only 27.36 hours (ibid., 114). GM’s problem is not its labor rate but its labor cost, which is influenced by its culture, quality controls and production processes. Pfeffer concludes that “only labor costs--and not labor rates--are the basis for competition . . . [and] that the issue is not just what you pay people, but also what they produce” (117).

⁵Lawler, *Strategic Pay*, 185.

⁶Ibid.

⁷Lawler, “The New Pay: A Strategic Approach”: 18.

⁸Charles Avila, *Ownership: Early Christian Teaching*, (Maryknoll: Orbis Books), 3. He continues, “ownership is a relation, but not so much a relation between a person and the thing owned as between the owning person and other people, whom the owner excludes from, or to whom the owner concedes, possession.”

⁹See David Schindler’s paper at The Catholic Common Ground Project

¹⁰See Lewis Hyde, *The Gift* (New York: Vintage Books, 1983), 3-4.

¹¹We are indebted to our colleague Jeanne Buckeye for this story.

¹²As Augustine explains, “all privation is a diminution” (Avila, *Ownership: Early Christian Teaching*, 117 see Augustine *De Genesi*, 11, 15, PL 34:436). Private property has a legal meaning, but theologically, there is no such thing as private property, private sector, private lives, private choices, private spirituality, or private affairs. Privacy is an illusion, since everything we have and are is formed in the context of our social relationships and has meaning in that context. The word “private” brings us to the theological and

philosophical fault line between an individualistic (Kohlberg) and a Christian (Kelso) view of property/ownership.

¹³Aquinas, *Summa Theologica*, II II, q. 66, a. 2; see also Leo XIII *Rerum Novarum*, 36, and Avila, *Ownership: Early Christian Teaching*, 45.

¹⁴Aquinas, *Summa Theologica*, I II q. 19, a. 10.

¹⁵Quoted in Verstraeten, "Beyond Business Ethics."

¹⁶From Reell's direction statement. For a full version of this statement and an analysis of its significance, see Helen Alford and Michael Naughton *Managing as if Faith Matters: Christian Social Principles in the Modern Corporation* (Notre Dame: University of Notre Dame, 2000) Chapter 1).

¹⁷United Nations Human Development Report 1999 (New York: Oxford University Press, 1999). See also Kerry A. Dolan, "200 Global Billionaires," *Forbes*, July 5, 1999, p. 153. The following material is taken from Jeff Gates and Michael Naughton, "Peoplizing Capital for the Jubilee"

¹⁸United Nations Human Development Report 1998 (New York: Oxford University Press, 1998), 30.

¹⁹See "Rich Comparison," *The Wall Street Journal*, July 30, 1999, p. 1. See also United Nations Human Development Report, 1999, 30.

²⁰United Nations Human Development Report 1996 (New York: Oxford University Press, 1996), p. 4 (emphasis added). Frances Moore Lappe, author of *Diet for a Small Planet*, documents the correlation between concentrated ownership in agrarian economies and the high incidence of hunger, malnutrition, and infant mortality. In Latin America, for instance, large landowners often allow vast tracts of arable acreage to lie fallow while landless peasants eke out a hardscrabble existence. She cites a Central American study where only 14 percent of the land held by the largest landowners was under cultivation. A UN study of eighty-three nations found that 5 percent of rural landholders controlled three-quarters of the land. Reflecting a common pattern, a mid-1980s study disclosed that six families in El Salvador controlled as much land as three hundred thousand peasants See Jeff Gates, "Reengineering Ownership for the Common Good" in UST 98.

²¹See Gary Burtless, "The Growing American Inequality," *Brookings Review* (Winter 1999): 34. Concerning the family structure, the increase in single parent households in society which in the aggregate drives household income down, and the increase of women entering the workforce especially among high-income husbands driving household income up, increasing inequality results.

²²Michelle Conlin, "Hey, What About Us?" *Business Week* 27 December 1999, 52-53.

²³Corey Rosen, op ed, unpublished.

²⁴Reported in David Wessel, "U.S. Stock Holdings Rose 20% in 1998," *The Wall Street Journal*, March 15, 1999, p. A6.

²⁵See Michael Hout, "Inequality by Design: Myths, Data, and Politics," (these numbers come from the *Economic Report of the President*, 1996). "The gains in productivity fueled executive compensation, the stock market, and corporate profits. But not wages." See Corey Rosen, "Legislative Proposals of the Capital Ownership Group" (unpublished: National Center for Employee Ownership, www.nceo.org), who reports that real wages have dropped 8% since 1973: "In the 1990s, productivity is up 7%, but wages and benefits are only up 1%." Richard B. Freeman argues, "That the United States has distributed the gains

from economic growth more unevenly than any other advanced country should make every American uneasy about the nation's economic performance" ("The Facts About Rising Economic Disparity" in *The Inequality Paradox: Growth of Income Disparity* eds. Auerbach and Belous, 20).

²⁶John A. Byrne, "When Capital Gets Antsy," *Business Week* September 13, 1999, 72-76. In the article there is never any mention of employee or community ownership to overcome this problem of churning.

²⁷See Gates, *The Ownership Solution*, ???

²⁸LE, nos. 14.1 and 19.1; See Pius XI, QA 65; Pius XII, "Pentecost Address, 1941," in Yzermans, vol I, 30-32; MM, no. 119; GS, nos. 69-71 and 105-07. John Paul II claims that the means of production "should serve labour and thus by serving labour that they should make possible the achievement of the first principle of this order, namely the universal destination of goods and the right to common use of them." By connecting the principle of common use to some form of worker or joint ownership, John Paul II re-visions ownership. He perceives ownership not as a form of worker self-interest (as opposed to managerial self-interest), but as a quest to fulfill the principle of common use. He never absolutizes worker ownership, since it is only one form of property among many. It is a means to the larger goal of common use. However, John Paul II perceives worker ownership as one of best means to achieve one of the ultimate ends of common use, namely, a just distribution of goods. Worker ownership serves other ends as well. It also has a tendency to fulfill the personal component of the principle of common use. John Paul II refers to this personal component as the "personalist argument." He points out the "Church's teaching has always expressed the strong and deep conviction that man's work concerns not only the economy but also, and especially, personal values." The rule of ownership ought to be at the service of "personalistic values." Workers are not only concerned with what they receive from their labor (extrinsic benefits). They also want to know that they are working for themselves (intrinsic benefits). For John Paul II, it is difficult for workers to have a personal connection to what is not their own. He maintains that worker ownership contributes to the personal development of the individual worker, that is, to the formative dimension of work. Another aspect of this personalistic component of worker ownership is that it creates stronger social relationships between employees and employers. Worker ownership is advocated by John Paul II not only because it distributes the wealth, but because it serves well as a means to personalization by affecting positively the formative dimension of the person and creating stronger social relationships between worker and employer.

²⁹Reell's mission is developed not only by sitting around contemplating great thoughts, but through encountering the practical issues and problems which reveal opportunities for greater expression. The problem with the academic like myself is not so much that we convey false ideas, but rather we approach business so deductively that businesspeople struggle to see how these principles can operate. The businessperson like Bob comes to these insights inductively; whereas academics often come to them deductively. There is more to this, but it begins to explain sometimes the tension between business and academics and it provides the great opportunity to promote the complementary nature of such a discussion. What is critical for the businessperson who approaches her work inductively, with daily problems and issues, is that she is cultivated in a moral vision that both prevents a crass utilitarianism and provides opportunities for humanizing the organization that has not yet been thought of. Deborah Savage at the John A. Ryan Institute organized Friday Forums where we and others talked about this point of deepening mission through practical issues in the organization. The issue of wealth transferal and the ESOP is similar to another issue of the production line problem of set-up times. At Reell, they were encountering technical problems with faster set-up times on new product runs. This technical problem turned into an opportunity for assemblers to become better skilled and to provide a target wage. It resulted in a radically new philosophy of job design on the manufacturing line which went from a Command-Direct-Control system to a Teach-Equip-Trust system. The resulting savings in set-up and supervisory times, and improvements in quality, contributed materially to the economic feasibility of Reell's just-wage policies. Again, a problem turns into an opportunity to better express your mission.

³⁰John Paul II, in his Apostolic Letter on this new millennium (*Tertio millennio adveniente*), recalls that the "purpose of the Jubilee Year was precisely to reestablish equality among all the children of Israel, opening

new possibilities to families that had lost their goods and even personal liberty.” This reestablishment of equality and justice will never be fully accomplished. It will take the God’s return to do this. But as stewards and inheritors of God’s gifts of creation, we are called, with God’s grace, to rethink our notions of property, since our culture, with all its individualism and consumerism, has polluted our vision, making it difficult to see a social and spiritual vision of property and capital. We are also called to reevaluate current ownership patterns. We are tempted to rationalize current patterns to mere market forces, which are better left untouched, and avoid the critical issue of wealth concentration and wealth distribution. But a Christian manager and entrepreneur cannot capitulate to such an answer, nor can they close their eyes to those who have become marginalized from the economy. Finally, we are called to reconnect capital in ways that fosters the common good. This will entail practically wise managers, like you and your coworkers, Bob (take a complement when you can get it), as well as other entrepreneurs, employees, politicians, and others who can evaluate the situation as it is, and avoid plunging ahead with a “cookie cutter” approach with business as usual and who can turn practical daily organizational problems into opportunities of virtue. This, of course, is no easy task, but the Christian vocation in business, as you know far better than I, was never said to be easy.

³¹Given to the International Association of Jesuit Business Schools in Barcelona, Spain, July 1994.

³²Quoted from Verstraeten, “Beyond Business Ethics.” Given at the Third International Symposium on Catholic Social Thought and Management Education” Goa, India, January 10-12, 1999.

³³In many professional degree programs, this body of applied knowledge is growing significantly. In education, state requirements add courses to an already crowded curriculum, many engineering programs take 5 instead of 4 years for completion, and nursing programs crowd out the number of traditional liberal arts courses a student can take.