

# The Catholic Social Tradition

## and the

# Purpose of the Corporate Enterprise

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1. The problem of recognizing a corporate and common good purpose to the corporate enterprise is present from the first days of a social doctrine of the Catholic Church. It does however not take immediately the shape it has received more recently. Those first days are indeed the time when the enterprise develops without the name enterprise and when many people just ignore it. They only know the « anonymous society » as we say in Europe, that is a society which one tries to understand as a society of things (capital, shares) rather than of persons. There are of course the shareholders but with precisely a limited liability. The worker is not considered a member of that society, he relates to it only from outside so to say through the labor contract, through which a service is hired by the anonymous society. In the presence of this Leo XIII, the author of *Rerum novarum* (1891), will not yet react by saying that the enterprise is a community of persons with a common good. He will however react by not accepting whatever labor contract, whatever wage. A wage has to be sufficient for the subsistence of the worker and his family. There is a natural law higher than whatever contract, he says. He does not add that there is also a community purpose of the enterprise which would include that satisfaction of the needs of the worker and his family.

2. It is with Pius XI, at the time of the great modern crisis of the capitalist system (Great Depression), that the question of the nature of the enterprise properly surfaces. The pope was asked in those years: « Should one not replace the labor hiring contract by a societal contract (a contract among persons forming a society among themselves)? ».

He however first answered: no... Probably he was afraid the positive answer would encroach upon the rights of the owners, who would no longer be the only ones to decide on their own property. Pius XI is extremely keen on respecting the right of property. He recognizes that a lot of social obligations can be put to the charge of the owner. He however denies that the property can be lost or emptied of all its right, made null, through misuse. The misuse can be corrected, even punished by the social authorities, the basic property right itself should in any case remain intact. This view has of course its consequences concerning the acceptance of the idea of the enterprise as a society of persons, or of the enterprise established through a societal contract. Propriety comes first.

But Pius XI, after denying the principle that the labor contract should of necessity be replaced by a societal contract, adds almost immediately: « We however think that it is

appropriate to the present conditions of social life to temper somewhat, as much as it is possible, the labor contract by elements coming from the societal contract ».

Some steps have already been made in that direction, says again Pius XI: various kinds of participation in the property of the enterprise, in its administration and in its profits have been set up or experimented here or there. The pope does not want to make of all this a strict obligation, but he favors any free, voluntary, initiative in those directions. What Pius XI thus has in mind, what he basically thinks is that the worker is really *not* a stranger to the enterprise, or that there *is* really an enterprise, made up of persons, not just a society of capital shares. (Some would say today that there are not only shareholders but stakeholders and these are not only the owners of the capital but the workers as well, even, in a sense, the workers and the executives, all the persons involved in the actual operation, more than the people who are only shareholders).

Not much was made however of that hint of Pius XI's in the years preceding World War II. Corporativism was the word after and according to *Quadragesimo anno* (1931). In a sense, this expression meant a project of a corporate nature. But it mainly stressed the corporate purposes of entire professions, and of the whole national economy. Concerning the enterprise it presupposed that a basic harmony should be established between capital and work in the place of the struggle that had existed (still existed). The pope did not use the word enterprise itself. (Let us note that Pius XI was in favor of free trade unions, as opposed to the compulsory ones which Mussolini established).

3. There was much more interest in the enterprise as such and the structure of the enterprise after the Second World War, at a time when people were eager to make deep and radical social reforms. Reforming the enterprise was one of the main issues. In Germany particularly, under British influence (in the British Occupation Zone), there developed a new system of co-management or co-determination (*Mitbestimmung*) of capital and labor, first in the coal and steel industries. It was then eventually extended to all the major industries by the German government itself. Already in 1948, a Congress of the German Catholics -Katholikentag- (in Bochum) raised a big doctrinal question in the form of a statement to the effect that co-determination (*Mitbestimmung*) in the enterprises is required by natural law itself, therefore absolutely required.

In a first moment Pope Pius XII strongly reacted to a statement which he considered extreme and wrong. He stuck to the position taken by his predecessor Pius XI defending the intrinsic legitimacy, as we saw, of the labor contract. Explaining that all those who work in the enterprise should of course be considered as « subjects » or persons, not as mere « factors » (the very neutral economic term), but that it did not seem necessary to abandon the system of the labor contract in order to take into account the subjective quality of the members of the enterprise.

It seems that Pope Pius XII was mainly afraid of two things: first, that the new system proposed could deprive the owners of their innate rights; and second, that, by introducing into the administration of the enterprise representatives of the unions not necessarily

members of the firm, there was a danger of transferring real decision to « collective anonymous forms ».

The possibility for the manager to exercise his function, vital to the enterprise, should be preserved -still more maybe, with Pius XII, than the owners' rights. Let's not forget we are at a time when the influence of Schumpeter's view about the decisive role of the entrepreneur was very strong: Schumpeter's view reflected a pretty general conviction.

In a series of statements of the years 1949 and 1950, Pius XII insisted on those points. He also had occasion to recall his predecessor Pius XI's suggestion about the advisability of tempering the labor contract by elements taken from the societal contract but he did so in order to explain that this suggestion was of a subordinate and secondary nature in Pius XI's views. Pius XI's main concern was, said his successor, corporativism at the level of the professions and among them. The suggestion of a modification of the labor contract by societal elements was a remark of a secondary nature, a side remark.

Very soon however, on a more practical side, Pius XII began, at the end of his pontificate, to stress the need of « a larger share of responsibility of the working classes in the national economy, professional life and *the productive organisms* themselves » (To the Italian Social Week, 1952). He even implicitly went back to Pius XI's suggestion, by saying: « In principle a right as such of co-management (co-determination) does not belong to the worker, but it is not forbidden for employers to make it possible for workers to participate in management in a certain form and to a certain extent, nor is the State prevented from giving the worker power to make his voice heard in the management of certain enterprises where the extraordinarily great accumulation of power in the hands of anonymous capital could, if left to itself, do manifest harm to the community » (ibid.).

The most impressive of all Pius XII's statements is, I think, this one, in an address to business managers in 1956: « The economic and social function to which every man aspires requires that control over the way in which he acts be not completely subjected to the will of another. The head of the undertaking values above all else his power to make his own decisions. He anticipates, arranges, directs, and takes responsibility for the consequences of his decisions. His natural gifts... find employment in his directing function and become the main means by which his personality and creative urge are satisfied. Can he [then] deny to his subordinates that which he values so much for himself?[...] There is no question that, for the common good, in a human conception of the enterprise, the authority of the manager ought to be protected, but no room can exist in such a conception for so damaging a denial of the profound worth of the employees of the enterprise ». This time, real obligations are suggested, not just an optional possibility. The question is how far it really goes.

Pius XII himself speaks, in this context, of partners. Let me quote again: « The business brings together, through contracts, partners who have different responsibilities at different levels, but to whom work ought to furnish the means to fulfill better their personal, family and social moral obligations. They have to give each other a loyal and mutual service. If the employers have at heart the desire to treat their employees as men, they

cannot content themselves with utilitarian considerations. Each man represents a transcendent and absolute value, for the author of human nature has given to him an immortal soul » (1956). (On all this issue, see Jean-Yves Calvez and Jacques Perrin, *The Church and social Justice*, engl. tr., Regnery, Chicago, 1961, p. 285-301).

4. Pius XII final views clearly led to the idea of a partnership or a community of persons in the enterprise, you could thus speak of a corporate purpose of the enterprise involving all the participants in it. Still there had been real tension on this whole issue in the time of Pius XII. Which I think explains that John XXIII who succeeded him in 1958 took the question up again in his encyclical *Mater et Magistra* (1963), this time to speak in a very serene atmosphere of the enterprise as a community and of the obligation to make all its members participate, taking of course into account the particular contribution of each, therefore not in an indiscriminate manner. The Vatican II Council finally will say (in 1965): « In business enterprises it is persons who associate together, that is, men who are free and autonomous, created in the image of God. Therefore, while taking into account the role of every person concerned -owners, employers, management, and employees- and without weakening the necessary executive unity, the active participation of everybody in administration (in Latin *curatio*, that is, management) is to be encouraged » (n. 68).

5. More recently, in John Paul II's teaching, particularly in his encyclical *Centesimus annus*, 1991, I want first to note, that the Pope now gives an equal weight to « modern work », that is, qualified, intelligent, expert work in general, and to that of the manager - and maybe in some firms today certain specialists are a greater and more indispensable asset than the manager who can more easily be replaced. Then, John Paul II stresses the consideration of the enterprise as a community. The good, well-being and satisfaction of that community, I would say, that corporate body, is quite as important as profit as a test of the health of the enterprise, he says, though profit is also seen by him as a necessary indicator. The social, or societal side of the enterprise is thus brought again to the fore, although there is no denying that contracts are necessary for the organization of the whole.

To be more specific, the « modern enterprise economy » is praised for its « positive aspects », concretely speaking the fact that it gives a chance to the person's freedom to express itself in the economic sphere as it does express itself in the political, cultural, religious spheres, and the fact that it puts to use the best qualities of man, his capacity to investigate and to know, his capacity for solidary organization, his capacity to work for the satisfaction of the needs of his fellow men. The infortunate side of things is that the present economic system is very unsuccessful as to the introduction of people to the kind of situation « where work can really occupy a central place ». It leaves many people, the immense majority of them -if you take into account the third world- on the side of the road. They are marginalized. Worse, modern economy often destroys in addition the subsistence economies from which they lived (*Centesimus annus*, n. 33). The pope's vision is certainly not a heartening one in this area.

Profit, on the other hand, is only one of the criteria of the well-being of the enterprise. This is indeed a « community of persons », « a human group within global society at the service of the whole society ». You thus have to make sure that none of those who collaborate in the enterprise is « humiliated or hurt, offended in his dignity » (n. 35). You have to make sure that all the relevant « human and moral factors », which are essential to the life of the enterprise, are really taken into account. Profit does not mean success any if those communitarian indicators are not also positive.

Then, again, the pope speaks of « alienation », the ill-fated word for the crushing of man particularly in the economy, and applies it to the case of man excluded from the chance of « participating in a true solidary community » or remaining « isolated within a society characterized by limitless competition and mutual exclusion » (n. 41). Note that man is of course alienated too and very basically so if he « refuses to transcend himself and to live the experience of giving of self and of participating in the formation of a human community, having as its ultimate goal God himself » (ibid.).

It has thus become perfectly obvious today, within the Church's social doctrine, that the enterprise is a community of persons, even if each of the persons participating in the community has a specific contribution to offer, justifying a specific reward and treatment. Why, on the other hand, does it not speak of the other nets of relationships, of the customers, of the market, in the same way? It is because relationships are closer among those who collaborate in the productive enterprise, they depend very much upon each other, many of those who participate depend also on the enterprise for their very living. The position of the shareholders is somewhere in between according to this view of things.

If the enterprise is in this sense a community, then the ideas of co-responsibility, co-management come strongly to the fore again and are decisive, though there is of course much leeway as to the types of organization, provided they take this co-responsibility into account, and especially the persuasion of Pius XII's that the manager cannot deny to his collaborators what he values most for himself.

Consequently too, the enterprise should enjoy the normal *stability* of a human community at the service of all. But it is not absolute, it is not by nature immortal.

Also, the enterprise, its manager, the other members in the enterprise have social obligations beyond the enterprise itself, this too has been suggested many times by the Church's authorities speaking about the economy. It is one of the greatest problems today. Note here that if you reduce the role of the State, you enhance the responsibility of the enterprise -of the enterprises- for the whole society (they can no longer say: this is the States's, the government's responsibility not our own). John Paul II has recently insisted on this in the question of the unemployment: the State, he says, has responsibilities but, first, the enterprises, individually and collectively, have responsibilities.