

INDIVIDUAL AND CORPORATE RESPONSIBILITIES IN THE SOCIAL TEACHING OF THE CHURCH

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Introduction

In recent decades an enormous body of literature has emerged regarding social responsibilities in business. Nevertheless, discussion continues on one of the most crucial questions within this topic: Does it really make sense to say that corporations are "morally responsible," or is it the individual who bears the responsibility for the way in which a corporation conducts its business? Can we properly speak of "corporate moral agency"? It is not merely a semantic discussion for beneath these words lie serious implications about the nature of the firm.

In this discussion, generally speaking, the teachings of the Church have been ignored. The purpose of our paper, therefore, is to study the teachings of the Roman Catholic Church on this question. We shall also seek to show how those teachings can help to clarify certain controversies on this point and to overcome the false dichotomy between corporate and individual responsibilities.

In order to better understand the discussion, we begin by summarizing the main points of view.

I. Corporate or individual responsibilities ?

Some authors understand the corporation as a moral agent. One of the most daring proposals is the theory elaborated by Peter French. He begins by separating the three entangled threads of the conceptual fabric of "personhood": the metaphysical (which consists in "intelligent agency" according to this author), the moral ("accountability") and the legal (the "appropriation" of actions and their corresponding merits or demerits). He then proceeds to discredit and reject as invalid any further application of legal personhood to corporations; because although they may correctly be considered subjects of rights as a matter of law, nonetheless, they could never effectively administer those rights as an actual agent could – they are not valid legal agents. Instead, by virtue of their "Corporate Internal Decision" (CID) structure, they qualify as agents of a different kind which only retain their metaphysical and moral ascriptions: that is, as "Davidsonian agents." Two features of Davidsonian agents are of special relevance: (a) the existence of an organizational or responsibility flow chart that delineates stations and levels within the

corporate power structure; and (b) the existence of corporate decision recognition rules or "corporation policies." Thanks to both elements of the CID structure, whatever "power" the firm already has or may be able to generate is harnessed towards the accomplishment of its aims; the intentions and acts of various biological persons may be subordinated and synthesized –"incorporated"– into the firm's own. But this is merely the "material" condition that allows us to grant a moral status to the firm; the "formal" principle comes courtesy of "corporate intentionality," as may be gathered from Anscombe.

French's picture of the corporation is a bit oversimplified on at least two important counts. First, he seems to assume that the organizational chart invariably represents the real corporate decision hierarchy. Second, his account of the CID structure is apparently associated with the Rational Actor Model, which is a very narrow tool for understanding corporate decisions.

Kenneth Goodpaster conceives of the moral status of corporations as a mere projection of the responsibility of individuals to organizations. He even seems to favor applying to business firms the biological notion of a "life-cycle" from birth and infancy all the way through to adulthood and maturity. Goodpaster defines individual responsibility within the parameters of causality ("agency"), rule-following and decision-making (plus the capacity to stand by those decisions: "trustworthiness" or "reliability"). The first criterion may be met through incentive systems designed by management for the firm as a whole or for any of its functional units; the second, through the prudent observation of organizational structures and competencies; and the third, through reflection on the human impact of its operations and policies, for example.

Many other authors, such as Michael Keeley and Manuel Velasquez, oppose this view. They argue that corporations are nothing more than groups of individuals who have found certain relations among themselves to be mutually beneficial.

Michael Keeley advocates a "Lockean trust" notion of organizations as "nexes of power and resources that exist to promote the welfare of participating individuals." He says that organizations "have no intentions or goals at all." There is therefore "not much point in pretending (...) that organizations resemble persons in any significant way." Official organizational goals statements may not reflect the true nature of the organization's operations, and we cannot necessarily infer true goals by looking at actual operations because we cannot isolate the organization's intent from its behavior. The goals which determine the functions that the organization's members will perform are not those of some superindividual organism. Rather, they are the particular, possibly overlapping, goals of the members of the organization and other individuals. As Keeley puts it, we should not speak of the goals *of* an organization, but rather of the goals *for* an organization of various individual human beings.

Manuel Velasquez also adopts an individualistic position., Nevertheless, unlike Keeley, he is willing to forgo moral judgments about organizations in favor of an exclusive focus on their human constituents. According to Velasquez, the act for which a moral agent is to be held responsible must originate with that agent, who must be aware of its moral

quality. "To the extent that the corporation act is the result of policies and procedures that were intentionally designed by certain persons to produce precisely that type of act, those persons are morally responsible for that act". Individual degrees of responsibility vary in proportion to the degree of a person's participation in the act at issue. Where no responsible person can be identified, no one is morally responsible. However, it is acceptable to impose "compensatory" responsibility on the organization for the victims of corporate wrongs where punishable human wrongdoers are absent.

Patricia Werhane puts forth a proposal with elements derived from both the methodological collectivism of the proponents of corporate moral agency and the ontological individualism of its critics. She distinguishes between primary and secondary actions. Most individual actions are "primary," but when individuals act through agents, their actions may be termed "secondary." Corporate action, then, occurs when the primary actions of individuals are fairly attributed to the corporation. Although they are invariably secondary, corporate actions are not like the secondary actions of individuals, because there is no autonomous individual on behalf of whom corporate agents are acting. Because corporations are neither individuals nor autonomous, they cannot authorize primary actions in the way a human being can.

This raises the possibility that there could be corporate immoral action that is the result of a series of blameless primary actions. Because such collective secondary actions derive from the actions of human persons, they are still properly subject to moral evaluation, as are corporations, which as "collectives made up of persons can act as moral agents, and therefore are morally responsible." But corporations are only "secondary moral agents," not full persons, because they lack the autonomy necessary to perform primary actions and possess no intentions of their own. This secondary status means that the rights of corporations are derived from, dependent upon, and secondary to, individual rights, but not identical to them. This derivative status in turn means that no secondary right can take precedence over any individual's entitlement to a right.

She grants that the aggregationist position avoids some of the problems associated with treating the corporation as a moral person, but argues that that position's account of the corporation is incomplete because it "erroneously identifies the causal role of the individual in corporate decision-making with the outcome of that process: corporate action." Although corporations act as units and exhibit intentional behavior, and not all actions of corporations are redescribable merely as individual actions, we are not free to conclude that corporations are full moral agents, since they "have no reality over and above their constituents, because they are created by and function only because of them."

John Ladd, for his part, adopts a position more radical than all the previous ones, contending that decisions in organizations are impersonal, because they are attributed to the organization rather than to the decision-makers. Taking the bureaucratic ideal as a model, he concludes that organizations are like machines and, as such, neither they nor their human cogs can be expected to comply with the principles of morality. It makes little sense to say that a machine can have moral responsibilities. Thus, one could conclude that the responsibility is nobody's: attributable neither to persons, whose

responsibility is diluted within the organization, nor to organizations, since machines bear no responsibility.

II. What does the Church teach about individual and collective responsibility?

Now, what is the position of the Church's social teaching? Practically all of the Popes' writings have something to say about personal responsibility in business, but the expression "corporate social responsibility" is very difficult to find, although personal social responsibilities are mentioned.

The Church makes it clear to managers, in various encyclicals and in messages addressed to them, that they have responsibilities of their own. To mention only a few such references, John XXIII indicated that these are distinct from the responsibility entailed by ownership. And John Paul II addressing businessmen - and women - in Durango, Mexico, exhorted them to achieve an attitude of service to the common good in their activity. "Such responsibility" -he added - "revolves around three basic coordinates: the persons who make up business enterprises, society and the environment." In the encyclical letter *Centesimus annus*, speaking of consumerism, the Pope insists on the need for the formation of a profound sense of responsibility in producers.

Responsibility in the strict sense corresponds to the person and only to the person, since man "is master of his own actions, therefore, under the eternal law, and under the power of God most wisely ruling all things, he rules himself by the foresight of his own counsel". Indeed, "only human persons, and not societies, are endowed with reason and morally free will."

Regarding religious liberty, Vatican Council II clearly says: "It is in accordance with their dignity that all men, because they are persons, that is, beings endowed with reason and free will and therefore bearing personal responsibility, are both impelled by their nature and bound by a moral obligation to seek the truth, especially religious truth."

Responsibility is a consequence of freedom and of the capacity of reason to discover the moral good. As Pope John Paul II says in the encyclical letter *Veritatis splendor*, "The truth about moral good, as that truth is declared in the law of reason, is practically and concretely recognized by the judgment of conscience, which leads one to take responsibility for the good or the evil one has done."

In sum, the spiritual faculties of the human being make each person the master of his acts and, hence, the subject of responsibility. Nevertheless, there is no lack of texts of the Magisterium that refer to certain collective or community responsibilities. They speak of the responsibilities of nations, countries and populations, communities, of the state, of families and social groups, and even of the Church. On the other hand, some papal documents allude to social ends of the firm, referring to the firm (community) that is respectful of these ends.

In the encyclical *Laborem exercens*, Pope John Paul II mentions the "indirect employer." The term refers both to persons and to the various institutions which determine the whole socioeconomic *system* or are its results. "The concept of indirect employer is applicable to every society, and in the first place to the State." Regarding the indirect employer's responsibility, the encyclical says: "The responsibility of the indirect employer differs from that of the direct employer - the term itself indicates that the responsibility is less direct - but it remains *true responsibility* (italics ours)." In view of these texts, it would not be surprising to find the expression "corporate social responsibility" in a papal document.

These teachings are coherent with the Gospel. Jesus usually speaks of personal responsibility but once upbraided certain cities (Chorazin, Bethsaida and Capernaum) where most of his mighty works had been done because of their lack of repentance. And similarly, in another occasion, he says: "Jesuralem, Jesusalem, still murdering the prophets, and stoning the messenger that are sent to thee... ". Obviously, these actions - repentance, murder, stone- are personal. Jesus is attributing to the cities (communities) the actions of their inhabitants.

The main question which now arises is whether the expression "community responsibility" is consistent with the affirmation that responsibility is a specific attribute of the person. It is well to distinguish, first of all, between the "responsibility" that common language attributes to certain human groups, such as a firm, and real responsibility. Thus, when we say that a firm produces good cars, or that it pollutes, we are speaking of a collective responsibility; but in the last analysis, what is meant is that decisions have been made the implementation of which has led to certain results. And these decisions were made by persons. Certainly, many individuals have had a hand in the final results and each of them, in some way, has conditioned and been conditioned by others. But each decision was personal, and was made freely and voluntarily, to some extent. For this reason, personal responsibility exists, to a greater or lesser degree.

In the last analysis, merit or blame is always personal, just as virtuous acts or sins are, even if each person is cooperating in a common undertaking. In the mid-eighties, the Roman Pontiff addressed this subject explicitly in response to certain theories on "social sin" which diluted personal responsibility. In the apostolic exhortation *Reconciliatio et paenitentia* (n. 16), after indicating various possible meanings of the term "social sin," the Pope adds:

"... The Church speaks of situations of sin, either when she condemns as *social sins* certain situations or the collective behavior of certain social groups (...) she knows and she proclaims that such cases of social sin are the result of the accumulation and concentration of many *personal sins* (...) *The real responsibility, then, lies with individuals.* A situation - or likewise *an institution*, a structure, society itself - *is not in itself the subject of moral acts.* Hence a situation cannot in itself be good or bad". (Italics ours).

According with this teaching, it seems incorrect to speak of "corporate moral agency." But if the real responsibility lies with the individual, what is the meaning of collective or community responsibility?

III. Both individual and corporate responsibilities, but in different senses

A text from *Gaudium et spes* can help us to understand the meaning of "community responsibility" in the documents of the Church's social teaching. The passage reads: "With an increase in human power comes a broadening of responsibility on the part of the individual and communities (in Latin, *sive singulorum sive communitatum*)." The allusion, therefore, is to something in which several or all are participants. In recognizing what can be accomplished, not just individually but by cooperation with others, a certain sense of responsibility arises: one inherent in membership in a human community, one which goes beyond those meanings usually contemplated in individualistic approaches - those that correspond to the functions of a job (derived from an organization's flow chart) or those gathered from a formal contract. Community responsibility, far from eliminating individual responsibility, expands it by making the individual aware that there is something which affects each and every person by virtue of their being united among themselves and forming society.

When we speak of *corporate social responsibility*, we do not employ the term in the strict sense, for responsibility is personal. In reality, the expression indicates a responsibility to achieve something that must be accomplished among many people united by certain nexes, not to eliminate personal responsibility for the sake of the responsibility of a "moral agency." In order to understand this point, one must recall that, in accordance with the social teaching of the Church, a society is not merely a set of individuals plus a social contract: it is a community bound by stable links, but without loss of individual responsibility. One way to express this reality is to say that society has a sort of "social subjectivity." This "social subjectivity" has been destroyed by both actual socialism and radical individualism.

"Collective responsibility" is in a sense a depersonalized responsibility - one which, being everybody's, is actually nobody's - unless understood as a personal responsibility which includes the concern for the mission of the community to which one belongs. Moreover, this personal responsibility has to be respected and fostered. In its social teaching, the Church insists that authority must be based on freedom and the sense of duty and responsibility of each person. It would be an error to organize social life prescindendo from the responsibility of the person, as collectivist approaches familiar to us all have done.

This concept of society, *mutatis mutandis*, may be extended to business. In fact, it is persons who associate with each other and establish nexes. Hence, businesses ought to tend towards being authentic human communities.

The firm, like every human community, has not only certain goals selected by its senior executives, but also a mission to fulfill in society in the service of the common good. The

accomplishment of this mission is the corporate responsibility that is carried out in each of the individuals who make up the firm, each one according to his position and abilities.

The firm, in other words, acts by means of a task accomplished cooperatively, performing a joint activity which has its effect on society. That which is produced - by all the firm's members - has its effect on persons, as does the manner of production. This is the case with the car, or the pollution, mentioned earlier. In this joint activity, there are social responsibilities that affect each person in question.

In speaking of community (or corporate) responsibility, the Church's social teaching does not do so in the same sense as the authors quoted at the beginning, who consider the firm as a moral agent, or project individual responsibility onto the corporation. But neither does this teaching reduce collective responsibility to the kind borne by individuals, neglecting to consider the firm as a human community with a mission in society. Responsibility is personal, but also includes the acknowledgement of social responsibilities which are carried out jointly with others, working in cooperation with others. In this sense, we can then speak *analogously* of corporate social responsibilities.

Conclusion

These reflections permit the consideration of corporate social responsibilities without underestimating the responsibilities of the individuals involved.

The philosophical roots of the positions currently adopted on the responsibilities of business lie in an anthropological error. The human being is seen as an individual with a set of various interests but without the social aspect that enables him to form ties of friendship; or else, at the other extreme, the individual is deemed a mere part of the collectivity, with little or no autonomy.

The teaching of the Church is far from both positions. The Christian concept of the person as an individual and social being is very close to the common observation of reality. This concept leads us to affirm clearly that the real responsibilities lie with individuals; but that, in a different sense, corporate responsibilities also exist. These latter are the ones borne by managers.

Church teaching indicates a propitious basis for the development of a set of principles to govern corporate social responsibilities. And at the same time, it emphasizes that managers and employees are the only proper subjects of responsibility in business.