How Can the Company Be Good If Its Products Are Bad?

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I. Introduction

Much of the inquiry into the responsibilities of an organization – whether from a religious perspective, for example, Catholic Social Teaching,[1] or from a secular perspective, the Corporate Social Responsibility field – has been focused on the employees of the organization. To a lesser extent that inquiry focuses on the organization's responsibilities for environmental issues, usually emphasizing sustainability. Indeed, the call for papers issued for this conference cited these two general categories.

Yet an argument can be advanced that the central purpose of any organization, for-profit or not-for-profit, is to *exchange* something – goods, services, or ideas – with a group of "customers." And if that is the case, then it stands to reason that any comprehensive inquiry into the responsibilities of organizations – and let us now focus on business organizations – must include a systematic look at those goods, services, and ideas, and also on the processes and policies through which the company markets them. This, then, is the rationale for the title and substance of this paper.

Let us keep in mind a fundamental question as we pursue this exploration: Is marketing at its very core a cooperative or an adversarial function? Pick up any marketing textbook, and one will learn that successful marketers adopt a "marketing concept," by which the textbook author means a dedication to providing what the customer wants and needs, as opposed to the now-outdated concentration of providing what the firm happens to be able to produce. One will learn also that marketers "add value" to their products through the programs, strategies, and tactics of the marketing process. Chapters in recent texts are devoted to customer relationship management, now with its own acronym CRM, and to "lifetime customer value." All this would seem to point toward marketing as a cooperative function. Basic microeconomic theory seems to support this view. Buyer and seller come together in the marketplace, and unless both sides are satisfied, no sale will be made.

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[1] All encyclical excerpts taken from the Vatican's website, www.vatican.va. Documents are abbreviated as follows: RN = *Rerum Novarum*; LE= *Laborem Exercens*; CA = *Centesimus Annus*; Compendium = *Compendium of the Social Doctrine of the Church*. All editions from Libreria Editrice Vaticana. Emphases in original.

And yet who would deny that there is a darker side to marketing? Since for-profit firms, by definition, seek a profit from their marketplace exchanges, there is the natural tendency to push selling prices and margins to whatever the market will bear: to reduce the buyer's surplus. When buyer and seller come together in the marketplace, each is bargaining, negotiating, or strategizing to extract the "best deal" from the other. Consider the process of a real estate transaction or a trip to an automobile showroom as examples. From this perspective, the exchange process takes on an adversarial coloration.

Although this dichotomous perspective can be applied to all marketing activities and to all product categories, in this paper we focus on only three marketing situations: where the products themselves, although legal, are nonetheless "socially unacceptable" (Davidson, 2003), where producers promote "excessive" consumption of their products, and where the advertising of products uses and promotes inappropriate values. We will show how each of these situations might be analyzed through a Corporate Social Responsibility (CSR) lens and also a Catholic Social Teaching (CST) lens. Highlighting the differences and similarities between these two systems and showing how the two complement one another, we believe, adds to the dialogue which is the purpose of this conference.

II. Corporate Social Responsibility: An Overview

Basic Tenets

Corporate Social Responsibility (CSR) is now a widely used phrase, an increasingly important concept in the practice of business, and a dynamic, evolving field of academic inquiry. Thus far, however, it has defied a precise definition. To provide that definition we will leave to others, but it is important to establish two essential tenets.

First, at its very core CSR recognizes the fact that every business[1] operates within a complex environment and that the economic, political, and civil society spheres of this environment impact and interact with one another. This leads to the conclusion that a business has social relationships and responsibilities *in addition to* its long-acknowledged economic responsibilities. At the very outset it is important to recognize that these social responsibilities, however limited or extensive they may be, in no way replace or supplant the firm's economic responsibilities. Critics, notably Milton Friedman, often argue that a firm's economic responsibilities will be neglected or subordinated if it acknowledges or if it is forced to assume social responsibilities. This is a misunderstanding of the CSR concept.[2]

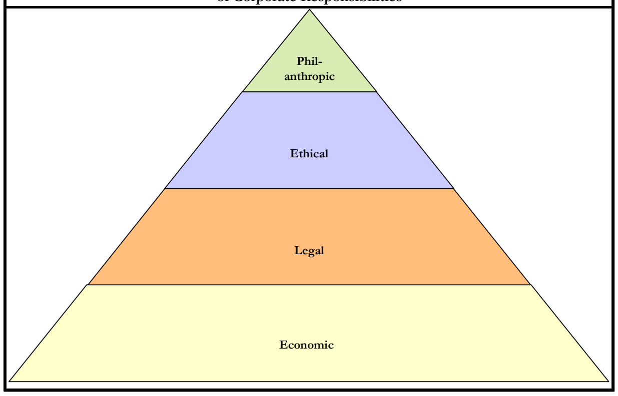
Second, and flowing from this expansion of a firm's responsibilities, is the understanding as part of CSR that a firm has multiple stakeholders *in addition to* its owners/investors/shareholders. A great deal has been written (e.g. Clarkson 1998; Mitchell, Agle, and Wood 1997) about how limited or expansive this term "stakeholder" should be, what it means to have a "stake" in a business, and what relationships and responsibilities flow from being a stakeholder. Here it is sufficient to recognize (1) that CSR assumes the existence and importance of a multiplicity of stakeholders, (2) that the competing and often conflicting claims of these stakeholders must be managed by the firm, and (3) that invariably a firm's customers are counted as primary, i.e., important, stakeholders. As noted in our introductory section, in spite of the important position in the stakeholder constellation accorded to customers by virtually every author on the subject, the relationships and responsibilities between a firm and its customers have received relatively little attention, especially in comparison to employee and environmental issues. (The books and articles of George Brenkert, Gene Laczniak, Patrick Murphy, John Quelch, and Craig Smith, are notable exceptions.)

Carroll's Pyramid of Corporate Social Responsibility

Archie Carroll's Pyramid of Corporate Social Responsibility provides a useful model for understanding the CSR framework (see figure). The pyramid breaks down a firm's responsibility into four components. At the very base of this pyramid, underscoring what we noted above, is a firm's economic responsibility. Making a satisfactory profit is absolutely essential not only for the firm's survival but also if the firm is to fulfill any of its more expansive responsibilities.

Next in Carroll's pyramid are a firm's legal responsibilities. Operating within the legal constraints imposed by the firm's home country or a host country, at the federal, state, or local level, is essential if the firm is to survive and prosper over an extended period of time. While there is no shortage of examples of companies which have operated outside the boundaries of the law for a period of time – and profited handsomely by doing so – this extra-legal behavior cannot be sustained indefinitely.

Carroll's Pyramid
of Corporate Responsibilities



On top of these two tiers of requirements is the third of Carroll's layers which he labels "ethical" responsibilities. Society expects more of a firm than simply to build up profits for itself. And the law represents only the bare minimum for prescribed or socially acceptable behavior, whether for an individual or a corporation. Therefore, a firm is expected to go further in carrying out its social responsibilities; it is expected to do the "right thing" in its relationships and interactions with all of its multiplicity of stakeholders. Exactly what this means – just how far a firm is expected to go in balancing its own wants and needs (i.e., its profits) with the wants and needs of its employees, of its customers, and of the communities in which it operates, to name only a few of the firm's stakeholders – is not at all clear. The purpose of this paper is to explore a quite specific subset of issues as part of the firm's obligations or responsibilities to its customers. For the most part, this exploration involves this third level of the pyramid: society's expectations of a firm's ethical behavior.

Finally, Carroll recognizes a fourth level or dimension of corporate responsibility which he labels philanthropic or discretionary. Here too the definition is vague, but the implication is that a corporation has an obligation, to the extent that it is able to do so, to be a good corporate citizen, to give back, to benefit the communities and other stakeholders it affects. This is at the very top of his pyramid which implies that it must rest on a solid base, first and foremost, of economic performance. While the bottom two levels of responsibilities are required and the third level, the ethical responsibilities, is expected, this final layer of responsibility might be described as desirable.

Carroll's pyramid is a useful conceptual tool because it makes clear that corporate social responsibility has multiple dimensions. While we have emphasized that the two lower tiers, the economic and legal responsibilities, are essential for a firm's long-term viability and that the two upper levels, the firm's ethical and discretionary responsibilities, cannot be realized in the absence of a solid base, that does not mean, however, that the upper levels are less important. Indeed, the question of importance will depend largely on the stakeholders involved in any given issue. While it may be safe to generalize in saying that satisfying economic responsibilities is most important for a firm's owners, the customers of that firm are <u>often</u> far more interested in ethical matters, and the communities in which the firm operates <u>more</u> focused on discretionary matters. And because of this different focus on the part of various stakeholders it is also the case that a firm cannot "substitute" one set of responsibilities for another. For example, even though Philip Morris, now Altria, has been very generous in its philanthropic contributions in support of the arts, that has done nothing to blunt the attacks of critics who stress that making and selling cigarettes, which contribute to the deaths of 1½ million people around the world each year, is fundamentally and inescapably an unethical business practice.

Frameworks for Ethical Analysis

The specific issues we focus on in this paper, involving a firm and its customers, relate to the firm's ethical responsibilities, the third level of Carroll's pyramid. Ethicists have developed a number of frameworks or systems for organizing deliberation over ethical matters. We consider several of these which have been used within CSR here: utilitarianism, rights, justice, Kantian ethics, and virtue ethics.

One of these is utilitarianism, in which the goal is to achieve the greatest net benefit to all individuals, companies, or other parties and interests who are affected by the contemplated action. This requires an assessment of the consequences of any decision. In theory, this is not much different than a cost-benefit analysis, a standard business tool, but in practice it is a far more complex process. It requires, first, that every benefit or hardship, now or in the future, to every person, organization, or even such things as the environment that might be affected by a contemplated action, be recognized. Next, these benefits and hardships must be measured. For some items such as the costs to a firm of adding a safety feature to a chain saw this is a straightforward exercise. But the measurement of the corresponding benefits – the value of preventing accidents or even deaths, for example, or the value of the added confidence among consumers generally in being able to rely on a reasonable level of safety in the products that they buy – is a far more subjective procedure. Finally, costs and benefits must somehow be weighed against each other. Does the value of the accidents prevented, a benefit to customers, outweigh the costs to the shareholders of the firm either in terms of lowered profits or foregone sales? Surely there is a point at which the costs of adding a safety feature outweigh the projected benefits. In customer issues it is not uncommon to be forced to weigh consumer safety against the firm's profitability.

Another framework involves the analysis of rights and the corresponding responsibilities that flow from those rights. Just as there is general agreement that firms have a right to make a profit, so too is there some understanding that individual consumers have a right to safe products. Indeed this was one of President John Kennedy's Consumer Bill of Rights. And an argument can be raised that our society has a right to some reasonable level of confidence in the safety of products generally. Where these rights compete and conflict with one another, managers must make the often difficult decisions as to whose rights will prevail. Must the safety feature be added to the chainsaw even though that action will result in lowered profits?

Principles of justice, equity, and fairness represent another approach to analyzing ethical questions. One might challenge the chainsaw manufacturer's decision by asking if, in not including the safety feature, the manufacturer was treating the ultimate customers and users of the chainsaws fairly, especially those customers who had only limited knowledge as to how to use the equipment. John Rawls, the American philosopher whose work has developed our understanding of justice as an ethical framework, insists that to act fairly and justly the least advantaged among us must be given preferential treatment. In issues involving a firm and its customers this means not only that the firm must not deceive its customers but that it must go further and take the positive step to provide the customer with all necessary knowledge to avoid any harm.

A related ethical formulation capturing all three principles is the "golden rule," which, in a variety of formulations, can be found in virtually all philosophical and theological systems. Within Christianity, this was expressed as "Do unto others as you would have others do unto you." Immanuel Kant incorporated this principle into his Categorical Imperative, using a two-part test of reversibility and universalizability. If the chainsaw manufacturer opts to not include the safety device on its products, would it be willing to accept the same treatment by its equipment suppliers?

Or would the chainsaw manufacturer want to do business in a global system with no minimal consumer safety requirements whatsoever?

Finally, another commonly used approach in CSR analysis is virtue ethics. It recognizes that there are certain characteristics that people of all cultures and of all times have considered virtuous: loyalty, integrity, and honesty, for example. The test here is: if the chainsaw manufacturer is to be honest and act with integrity, must it include the safety device on its product?

The very notion that there are questions raised of proper behavior in the relationship between a corporation and its customers suggests a rejection of the ancient *caveat emptor* standard of doing business, under which, once the buyer and seller had agreed to an exchange, the responsibility for any fault in the product or for any harm done by the product lay entirely with the buyer. And this raises again the question whether marketing is fundamentally a cooperative or an adversarial process. Indeed, we have come a long way from the standard of *caveat emptor*. We now have a complex system of laws and legal precedents to adjudicate matters of product liability, and we have both governmental and non-governmental regulatory bodies to monitor firms' advertising claims. But to return to Carroll's pyramid explanation of corporate social responsibility, it is not enough merely to make a profit and to obey the laws while doing so. The society in which the firm operates has its own standards of ethical behavior to which it expects the firm to adhere. To make business decision-making even more difficult, these standards are often vague, uncertain, and poorly understood. And they shift over time and vary from one culture to another.

Another introductory point needs to be made. In most customer-related issues, indeed in almost all business ethics issue involving any set of stakeholders, the contemplated action sets the firm in opposition to the specific stakeholder in some way. For example, the chainsaw manufacturer's decision not to include a safety device on its product benefits the firm by increasing its profits but imposes health and safety risks on the customer. Using deceptive advertising presumably works to the advantage of a firm and to the disadvantage of the firm's customers.

Such is not the case with our three issues. In the production and marketing of cigarettes, alcoholic beverages, and gambling both the seller and buyer are satisfied with the exchange. It is not the customers of Altria, Anheuser-Busch, or Trump Casinos who raise objections or feel disadvantaged in some way. In like manner, it is not the purchaser of a new mobile phone, with a perfectly good model already in his pocket, who objects to the transaction because it is unnecessary, it uses resources better used elsewhere, and it adds marginally to the problems of waste disposal. That buyer is just as happy with the exchange as the seller. And when the marketers of apparel, automobiles, wine, or dining room suites imply in their advertising that buyers will somehow achieve an enhanced social status by purchasing their products. it is not the buyers who raise ethical concerns about the advertising of the products. Ironically, in all of these transactions both buyer and seller are perfectly satisfied.

From where, then, do the objections arise? Who raises the criticisms and creates the issues? Advocacy groups, self-appointed critics, civic and church leaders, sometimes entire communities rise up to call the sellers to task for what the advocates perceive to be inappropriate and unethical marketing tactics. The assumption is that the buyers themselves, the actual customers, are either unable to protect themselves or unable to understand the ethical issues of the exchange process. An additional and important assumption is that while the exchange may satisfy both the individual buyer and seller, the public good is somehow compromised and damaged.

In our commercial world today it stands to reason that a firm must bear the responsibility not only for the products it produces but also for the ways in which it markets and promotes those products. In this paper we will go on to explore both of these dimensions. By definition, socially unacceptable products raise ethical questions about the products themselves. Advertisers' use of inappropriate values involves marketing, advertising, and promotion. And our look at the problems surrounding over consumption involves both the products and how they are marketed.

III. Catholic Social Thought

Basics and History

Unlike CSR, CST begins with a strong metaphysical position on the nature of humankind. Stemming from Christian theology, it assumes that people are made in the image and likeness of God himself (Gen 1): they can reason, are creative, and are moral agents who are good but marred by sin. Thus they are called to be actors and creators, active in the world, not utility-maximizing consumers who live for pleasure. The ultimate goal of human existence is life eternal with God in heaven. They have both spiritual and physical dimensions, with moral principles applying to both. They have dignity as people because they are made by God who loves them, redeemed by Christ who died for them, and destined to be with God in heaven. Since Christ died for all, all people are brothers and sisters in Christ and thus called to love and be responsible for one another as Christ was. This call to love others thus extends beyond claims of justice and demands instead that we love as Christ did, sacrificing for the good of others. As God incarnate, Christ models what it means to be human and true human development is thus to become more like him, both individually and as a society: people grow as persons by growing in love of God and others and in the virtues.

The social teachings address the role of people in society, balancing understanding of how people act and interact with knowledge of what is good. The teachings are both old and new. On the one hand, the principles go back before the New Testament (e.g. James 5:5) to Moses and the prophets. God has always presented himself as the God of the poor and oppressed, always concerned for the spiritual and material well-being of his people. To the principles of justice in the Old Testament, Christianity added other-interested *agape* love in the New Testament. While collective social responsibility has long been part of the Judeo-Christian heritage, *Rerum Novarum* (1891) initiated a new dimension to comprehensively examine the political and economic systems in light of the timeless principles of justice, charity, and growth in virtues.

CST originated during the time of communist and socialist challenges to capitalism and social transformation of the industrial revolution. Therefore, it began with "the worker question"--does capitalism cause exploitation of labor—and thus the early emphasis was on worker rights in any system. With the rise of Nazism, Communism, World War II, and the Cold War, this was expanded to human rights more generally, and CST considered not just the economic system, but the political one and society as well. The Church in the Second Vatican Council more directly took up the question of the meaning of human action in the modern world. *Gaudium et Spes*, for example, explored what constitutes authentic human progress both individually and collectively, in view of what it means to be human (11-22), particularly as modeled by Christ who was God incarnate (22). As it stated, "the norm of human activity is this: that in accord with the divine plan and will, it harmonize with the genuine good of the human race, and that it allow men as individuals and as members of society to pursue their total vocation and fulfill it" (35). The goal of economic activity "is not the mere increase of products nor profit or control but rather the service of man, and indeed of the whole man with regard for the full range of his material needs and the demands of his intellectual, moral, spiritual, and religious life" (64). It critiqued the vast social, technological, political, and economic changes which had occurred in all countries (4-10), capitalist and communist, noting especially their tendency toward an atheistic and materialistic conception of human existence (19-21, 63).

After the fall of communism, in *Centesimus Annus*, the Church gave the most complete examination of the role of the entire economic system overall. It accepted the role of profits in a market system and was strongly supportive of the free market's capacity for material provision, efficiency of resource use, and fostering of creativity. It noted that in free markets, businesses freely seek out what people want and the rise of the importance of human elements—human capital, social capital, and entrepreneurial ability—combined with this to provide a more efficient, sustainable system with ever greater scope for workers to be the free subject of their work.[3] This wasn't an unqualified approval, however, for markets only supply what people want, but this may not provide for the actual mix of authentic human needs in society at the time. These skills instead may be turned to provision of bads (e.g. drugs, pornography) or over-consumption generally. Seeking to satisfy people's wants, it may even encourage lifestyles in which people live ever more for pleasure and work ever more for consumption (of career, status, goods, or leisure) and reduce the capacity for people to engage in moral effort and productive activity in the world (Gregg 2003:166). Increasingly living for consumption, people are ultimately dominated by it (CA 41).[4] Thus the Achilles heel is whether people (as workers or buyers) have a sufficiently developed sense of authentic human development to perceive what wants are indeed good, what work should be done, and in what spirit it ought to be performed. It was for this reason that Vatican II and John Paul II placed so great an emphasis on the importance of culture and the focus of what it means to be human (Novak 1993; 2001; McGurn 2004).

An additional important shift in these teachings was applying the principles developed for systems within countries to the relations between countries (e.g. *Solicitudo Rei Socialis*). In doing so, the teachings introduced the principles of solidarity and subsidiarity. On one hand, solidarity required that given their vastly larger wealth, developed nations assist people in poorer nations. On the other hand, subsidiarity reminded that as with people, poorer countries must develop to function on their own.

Applying CST to Firms: the Vocation of Business[5]

The vision of human good and development with its emphasis on growth in love of God and others thus implies a different role for the firm as a human enterprise than often occurs in CSR. Given its origins, CST has extensively considered the obligations of firms to *worker* needs (e.g. worker rights, fostering the capacity for workers to live out their vocation to work, participation in ownership and decision-making, etc.). However, far less exists on the role of the firm itself in society (Stackhouse 1995). And least examined of all are the goods and services a firm makes, how it sells them, and its responsibilities to its customers.[6] *Centesimus Annus*, the *Catechism of the Catholic Church* and the recently issued *Compendium of the Social Doctrine of the Church* highlight the dual (and linked) roles of firms in generating benefits from transforming resources into goods and services people want, and as "community of persons" in which people live out their vocation to work. Some analogous work in this is given by the Pontifical Commission on Communication's statement *Ethics in Advertising*. In addition, CST incorporates moral teachings from the larger body of Christian tradition, e.g. honesty. Still, teachings on the obligations of firms to customers are few.

Understanding the fundamental ends of a firm is important for answering this question of the firm's role in producing for others. Some deeper reflections upon the role of firms in this process have come through explorations of the vocation of business and in application of traditional social teachings to the firms (McCann 2003). Michael Novak developed some of the earliest and most extensive examinations of the role of firms in *society* in light of the social teachings (2001, 1996, 1993, 1983). In particular, as with *Centesimus Annus*, his work highlights the importance of creativity and entrepreneurship, and the importance of the three dimensions of markets, democracy, and culture for an effective and just democratic capitalist system.

However, Alford and Naughton (2001) provide perhaps the most comprehensive examination of the firm itself in light of CST principles. To do so, they propose what they term the "common good" model of the firm: the firm exists to serve the common good, which includes the needs of the workers, managers, shareholders, customers, and society overall. This includes both the goods and services they produce, as well as the means by which they do so and their effects on society. As they observe, CST sees a firm not as a mere mechanical entity, but, as Centesimus Annus states, a "community of persons who in various ways are endeavouring to satisfy their basic needs, and who form a particular group at the service of the whole of society" (CA 35). This includes making output of service to others. But it also implies that the firm is a place in which a community gathers to work and to grow in virtue through that activity. The common good model sees a firm as taking on the responsibility for the common good of all persons.[7]

The challenge is that elements necessary for a market economy to work—profits, money, prices, property rights, efficiency—are only intermediate goods, not ends of the common good in themselves. Alford and Naughton address this by distinguishing between what they term foundational and excellent goods. Excellent goods are those for which people strive (e.g. peace, justice, development in virtue, communion with others). These cannot be traded or exchanged, though they involve material goods which can be. Foundational goods are those which are necessary to survive but are not necessarily the goal of existence. People need food and shelter to live, but they do not live for them. Analogously, firms' foundational goods include profit and property rights, which they need to stay in business, but which are not their main purpose for existence (CA 35). As with Carroll's Pyramid of Social Responsibility described above, this distinction allows them to balance the need for sustainability of the economic system with the social goal of providing for excellent goods.

This approach flows from *Centesimus Annus* (35), which "acknowledges the legitimate role of profit as an indication that a business is functioning well...[and] that productive factors have been properly employed and corresponding human needs have been duly satisfied," but which adds that it is not the goal or indicator of the firm's well-being. CST implicitly assumes that the market does not operate efficiently as Friedman supposes because important dimensions of material and spiritual life are inadequately addressed. As Alford and Naughton (2001) write, this may require firms to engage in actions such as job design, ownership, or attention to customer needs beyond what is required for maximizing profits.

In addition, however, they argue that the foundational goods themselves vary in importance for individuals: from bodily, cognitive, and emotional needs, to moral and spiritual development. Following Maslow's hierarchy of needs, they treat this moral and spiritual self-realization as the highest state toward which people live. Thus they argue that the economy and firms are best when arranged so that people can experience development in each of these areas, especially spiritually. In this way, CST follows from a stronger conception of the goals of human existence, and within a larger body of moral and theological reflection. While one need not be Christian to accept the general framework, CST's Christian origin connection implies these elements cannot be omitted from it. The challenge is how to create both the sustainable economic conditions, while providing an economy, and firms, which enable people to grow in these dimensions.

Guiding Concepts

The following is neither exhaustive nor prescriptive, but rather a selection of several main elements within CST and/or Christian tradition which may be important to assist firms in reflecting upon the three cases of socially unacceptable products, over-consumption, and fostering inappropriate values in advertising. The first three—freedom and rights, justice, and virtue—parallel those listed under CSR above, but have a different focus due to the more explicit conception of the human person inherent in the Catholic tradition. Solidarity and subsidiarity, are unique to CST as stated, but find parallels in non-Catholic frameworks (e.g. the charter of the European Union). The root of all of these, however, is the nature and dignity of the human person as given above. Alford and Naughton (2001) provide more developed examples applying these principles to various dimensions of corporations: e.g. work, management, ownership, and marketing.

Freedom and Rights. Catholic thought views freedom differently than the classical liberal tradition, particularly that of Hume, Locke, and Mill. That tradition is much more ambiguous about defining personal and public good and, particularly since Mill and Bentham, conceives of freedom as primarily freedom from external interference, i.e. the freedom to do as one wishes, up to the point of affecting others. Catholic teaching rejects such radical autonomy because some actions are objectively wrong regardless of their material impact on others (e.g. defiance of God), sin affects both the person and the body of Christ (nothing is simply private in effect), and because the goal of life is to be free to love God and others more fully. This is not freedom from, but rather freedom to meet responsibilities or freedom for other dimensions to which God calls one. People are not independent. For this reason, rights do not serve as trump cards against interference from society, but rather to enable people to engage in what is necessary to live and to love God and others.

On the other hand, people must be free moral agents in the sense that self-realization is most important in freely choosing to live for others. In fact, in loving others people freely give up their freedom and work for the interests of others. Thus CST does not emphasize personal freedom because it is inherently good, pragmatic, or lets people do as they wish, but because moral/spiritual maturity demands that people must be free to do as they ought. People can only grow as persons by willingly accepting their responsibilities. Thus freedom is necessary for love. People must be free to take responsibility, not merely "free to choose" or to maximize utility (Gregg 234-236). At the firm and personal level, CST therefore recognizes freedom not as a good in itself, but as necessary to allow people to pursue other goods. Thus government permission for firms to freely engage in immoral or unjust practices cannot make such practices morally acceptable or just, and CST's support for the free market for the free market as an institution is not a blanket endorsement for all free market actions.

Justice, Private Property, and Universal Destination of Material Goods. The Catechism defines justice as "the moral virtue that consists in the constant and firm will to give their due to God and neighbor" (CCC1807). Traditional teaching on ethics of justice, from Aristotle onward, include the notions of commutative and distributive justice. Commutative justice regards fairness in exchanges, i.e. just prices (CCC2411). Distributive justice refers to justice in the allocation of scarce resources: what the community owes its citizens, proportional to their need and contribution" (CCC 2411).[8] Catholic social thought has applied such principles in reflections upon just wages (commutative), or usury or the allocation of scarce medical resources (distributive). The Church holds a *fundamental option for the poor*: the least well off should generally be given preference in society's allocation of resources, similar to Rawls' principle in his theory of justice. Laczniak (1999) applies the principle of distributive justice to sales of several types of goods and services (questionable insurance policies, high interest loans). Since customers do not fully understand the value of what they are purchasing, these practices result in an unjust distribution of resources. Though he doesn't consider it, commutative justice would also be violated if firms intentionally seek to benefit from ignorance or compromised ability of the purchaser.

That the Church strongly supports the principle of private property is reiterated from *Rerum Novarum* to *Centesimus Annus*. However, this is not only for efficiency, but rather that people may act for themselves and so that they may use what they have in service to others. In fact, their property must be put into service of all. The universal destination of material goods recognizes that all creation is made for mankind. Resources, though held privately, are to be offered for use for the benefit of all. *Rerum Novarum* used this principle to explain why the right of private property cannot be used to justify such cases as business owners making high incomes while their workers were oppressed or the concentration of wealth and power in the hands of a few while others face material deprivation.[9]

Virtue. As noted, in recent decades CSR has approached business ethics from the perspective of virtues. These have long standing in Christian tradition. Beyond following God in creating, people also imitate God in loving and in moral choices. This raises the question of what helps people take responsibility for and resolve problems. For managers, growth in virtues improves ability to act in ways beneficial to God and to others. Following Aristotle and Aquinas, Alford and Naughton (2001) argue that virtue involves using the right means to achieve the right end, and examine the four cardinal virtues: prudence, temperance, fortitude (courage), and justice.

Perhaps the most important virtue is that of prudence which helps the intellect comprehend what means are appropriate for achieving good ends. This involves both knowing what is right, as well as applying that to current circumstances and appropriate methods. The other virtues assist the will. Temperance guides in restraining excessive seeking after one's own desires. Fortitude is the courage to persevere in doing what is morally difficult. As a virtue, justice is the desire to see that everything is in right relationship, which involves people getting what they need. Within the field of virtue ethics, Brocato, de Simone and de Simone (1995) uses this traditional Christian virtue framework to develop ethical principles for managers.

Solidarity. *Solidarity* is recognizing others as brothers and sisters. This implies the responsibility to work together and serve each other, each in relation to his or her gifts and abilities (*Compendium* 201). This isn't simply financial assistance, nor even meeting physical and spiritual needs. It includes the latter, but emphasizes doing these as if for a brother or sister, with mutual commitment among people. As John Paul writes (SRS 38), this also isn't mere compassion but a "firm and persevering determination" to the good of all. This requires conversion to a consideration for the needs of others rather than actions, lifestyles, mindsets, etc. which emphasize personal gratification (*Compendium* 201).

Applying this to business, such a spirit should pervade all stakeholders. In terms of customers, firms should be committed to seeing what they do as serving customers, not maximizing sales. The proper mindset should be to ask "Is this product good for that customer? Does this help her?"[10] Seeking sales to those who are not benefited from the product would be to violate solidarity, the hallmark of which is a focus on the needs of the other person. A blind goal to merely maximize profits, with no thought to the common good reverses ends and means (CA 41) because it sees the purchases of (and perhaps taking advantage of) others as means to the end of material wealth, rather than seeing material creation as a means for greater communion with others. Viewing customers in adversarial terms would violate the principle of solidarity.

Subsidiarity. Finally, subsidiarity calls for actions to be done at the lowest possible level consistent with efficiency which leaves the greatest room for personal growth and development of relationship with others. This may seem out of place here since it was conceived of in terms of the modern state, not business per se. It is clear for government responsibilities versus family obligations: when possible, it is better to have family related activities done by families, and local community activities done by towns, not federal governments. In business, it can also be applied as a management principle to encourage all employees to rise to their possibilities and responsibilities.

Part of the rationale for this principle flows from the practical importance of using resources efficiently and who is in the best position to help. More importantly, the smaller the scale, the easier it is to see the people involved as other persons with whom one is connected and whom one serves (SRS 39). Finally, as with solidarity, this leads to the moral development of the persons involved as they are provided with the occasion for moral choice consistent with their state (Gregg 231). Parents can enforce the order of their children, but true development occurs when the children can control themselves.

Several aspects might be of relevance here for firms. First, individuals are responsible for their own choices, and they must make their choices in order to grow in virtue. Thus, for example, customers must be able to exercise some effort in choice, in responding to what companies offer. A similar example of this at the firm level is regulation of advertising. It would be more practical, efficient, and to the moral improvement of the advertising agencies if they themselves would use appropriate values and refrain from untruthful and socially harmful advertising. But governments step in when the firms do not regulate themselves. Second, a practical dimension is who is in the best position to help or do something with the development of the people involved in the consumption of their goods or services. This can be the consumers in cases of use (over-consumption). In others, it will be the firms themselves due to the greater understanding of their own products (e.g. product liability).

Overall, these principles stem from the basic Christian anthropology: people are made to seek out and live for God, in community with other people, and to grow in virtue. All people in society bear responsibility to assist one another in this. Contrary to natural rights, contractual, or Kantian ethics, Catholic Social Teaching demands *agape*, to want and work for what is good for others, while providing guidance on what constitutes the good. While CST leaves great scope for human freedom so that individuals may develop virtue as they choose, this is not a trump card over other values.

IV. The Production and Sale of Socially Unacceptable Products

Background

There are a number of products and services in our society, the production and sale of which are perfectly legal but which are questioned and criticized by significant societal groups. For example, the promotion of malt liquor, beer with high alcoholic content, to young, African-American males in urban centers has been widely criticized. Breweries claim that this is the target market for the product and, therefore, designing a promotional strategy to appeal to this group of customers makes good business sense. Critics respond that such tactics are unethical because this target market is especially vulnerable due to their age and susceptibility to alcohol-related health problems. Other current examples include tobacco products, prostitution and pornographic material, firearms, gambling, video games with highly explicit sex and violence, and even certain fast-food items.[11] It is these categories of goods and services that we refer to as socially unacceptable products. [12] Some are criticized for their inherent nature (e.g. prostitution), others for the fact that some consumers are compromised in their ability to make decisions in the first place (e.g. gambling or alcohol).

Corporate Social Responsibility Critique

Utilitarianism. How might we analyze such issues through a utilitarian lens? Consider the example of high alcohol content products marketed to African-American males mentioned above. On one side of our ledger would be the benefits, the profits that accrue to the breweries. On the cost side would be the social problems resulting from such promotion: increased alcohol addiction, increased crime, property damage, higher law enforcement and insurance costs, and the like. But how well can we measure those costs, and to what extent are those increased costs actually attributable to the promotion of malt liquor? As is often the case, a comprehensive utilitarian analysis is hard to perform because measurement of benefits may be difficult and utilitarianism itself provides no other principles outside of utility to use to resolve uncertainties.

Rights and responsibilities. Whenever criticism is leveled at one or another of these products, the question of rights comes immediately to the surface. Do not individuals have the right to smoke cigarettes, frequent casinos, or drink alcoholic beverages, assuming that they are of an age permitted to do so by law? If so, corporations should have the right to offer such legal products and services for sale. On the other hand, such rights cannot be absolute. What of the rights of others: non-smokers to a smoke-free workplace, or communities to protect themselves from the pain, suffering, and other costs created by drunk drivers? If the costs of public health care are exacerbated by growing problems of obesity or smoking, societal concern for the public good implies the right, to regulate the sale of sugar-laden soft drinks, fat-filled hamburgers, and tobacco products. In the end, this particular framework of ethical analysis leaves us with conflicting rights and responsibilities which must be negotiated and balanced.

Justice and Fairness. For this reason, CSR instead often approaches these questions using criteria of justice and fairness, especially when the customers, the buyers of the products, are part of what are known as "vulnerable groups."[13] The marketing of Uptown cigarettes by Reynolds Tobacco Company was criticized because Africans-Americans, for whom the brand was designed and to whom the cigarettes were marketed, suffer higher than normal health problems from smoking. The marketing of cheap whiskey in small, affordable bottles, aimed specifically at down-and-out, Skid Row inhabitants is criticized because it is seen as unfair to take advantage of people who are unable to make sound decisions for themselves. Advocacy groups criticize the promotion of state lottery tickets because they say it takes unfair advantage of addicted gamblers.

While it is true that using the analytical concepts from the business ethics tool bag often does not yield precise answers to concerns raised about the marketing of socially unacceptable products, using these ethical frameworks leads to the conclusion that firms must consider more than their bottom line. There is a wider public good at stake. Producers must do more than simply make a profit and stick to the letter of the law, that is, they must do more than satisfy Carroll's two lower levels of responsibility. If such firms are to maintain for themselves a legitimate and long-term role in the business community and in the wider society of which they are a part, they must satisfy a level of ethical responsibility as well. They must exercise some restraint in finding a way to satisfy multiple stakeholders: shareholders, customers, and communities; and they must balance both economic and social responsibilities.

Catholic Social Thought Critique

On the other hand, in some of these cases, CST offers a more explicit position than CSR. First, in the case of goods or services which the Catholic Church considers immoral (e.g abortion or prostitution CCC 2345, 6; euthanasia, sales of organs, slavery, etc.), human law cannot contradict natural law. Thus Catholic business owners and workers are discouraged from participating in such activities and encouraged to work toward making them illegal in society.

For goods which are neither explicitly condemned in Christian teaching nor outlawed by society, solidarity encourages consideration for the impact a business has on individuals and society. Neither gambling nor alcohol is morally problematic in itself. In fact, the *Catechism* specifically states that gambling is not morally prohibited, but observes that people (consumers and suppliers) must be wary of addiction to it (CCC 2413). The problem is one of effect: the loss of an addict's freedom to make decisions and the impact of the choices he or she make on themselves and others due to that addiction. This reflects a specific case of *Centesimus Annus'* (42) more general description of any occasion in which people come to live for consumption, rather than seeing consumption as supporting life.[14]

In these circumstances, firms run the risk of using people as means to an end, rather than ends in themselves, and invert means and ends of the created order (CA 41). Rather than serving their customers, firms benefit at the expense of certain groups of them. For CST, the intent is clear: firms must not seek to gain from the weakness of their customers. This would likely discourage, for example, deliberately expanding sales to alcoholics, raising nicotine levels in cigarettes, or the use of credit cards in casinos, and encourage businesses to consider other ways in which harmful effects of their products can be reduced.

It is true that in many of these cases, subsidiarity implies that—for their own development—consumers must take responsibility for making wise choices regarding existing products. This might be the case with large servings which benefit those with little income, but problematic for those inclined to consume too much. In some cases, however, subsidiarity may imply greater responsibility on the part of firms as they are in an important position regarding the products they choose to develop and the means by which they market them. In such cases, an appropriate sense of solidarity is important to assist people in companies in considering the needs of those who are affected by their actions.[15]

V. Fostering Over-Consumption

Background

Over-consumption is tough problem to address socially, but even tougher from the perspective of a firm's responsibilities. Assuming that most products made by most firms are intended to be good and useful, the problem here is too much of a good thing. Given that for most of human history masses had too little, it is not surprising that there is far less reflection on the difficulty of urging people to consume less, and the firm's role in doing so in any tradition.

The problem of over-consumption can be viewed from both a macro and a micro perspective. In the macro sense it means using up scarce resources and, at the other end of the consumption pipeline, creating more waste than the planet can absorb. In the micro sense it means buying another pair of $120 sneakers to add to an already full closet, buying a new mobile phone with added gadgetry and throwing away a perfectly serviceable unit, buying and consuming too much food, especially the unhealthy kinds. These two perspectives come together when we consider packaging, which requires the consumption of diminishing timber resources but which may be used, in the case of supermarket bags, for only a few minutes; when we think of buying gasoline-guzzling SUVs which consume too much of our limited petroleum stock, and add to pollution problems as well; when we locate new luxurious retirement communities in desert settings and put excessive strain on dwindling supplies of water to maintain the golf courses. In developed countries, and particularly in the United States, environmentalists join in a chorus with health experts in urging us to stop consuming so much.

These complaints are all the more powerful in light of the strong evidence that, above income levels generally exceeded in the developed countries, such consumption provides little additional gain in utility. Whatever the reason—e.g. the pressure of advertising (Galbraith 1985/1958), comparison with others in a reference frame (Frank 1999, 1985; Schor 1998, 1993), or psychological adaptation (Skitovsky 1992)—numerous studies across the developed countries reveal the same pattern: measured life satisfaction has increased little despite huge gains in income and consumption (Easterbrook 2003; Frey and Stutzer 2002).[16] Unlike utility gained from relationships, marriage, and health changes (which are large and permanent), that from consumption is small and fleeting.

These issues create a serious problem for managers, especially marketers, whose most basic goal is to get us to consume more. What car salesman questions whether we really need a third automobile for our family? Where is the real estate developer who builds 3,000 square foot homes to conserve land and lumber when there is a demand for luxury 8,000 square foot homes? What brand manager, teamed with an aspiring ad agency executive, does not dream of setting new sales records by increasing the demand for his or her product? This is a steep mountain for corporate social responsibility (or CST) advocates to climb. How can a business satisfy both its economic and its social obligations when those obligations compete and conflict with one another so directly?

Corporate Social Responsibility Critique

Utilitarianism. From the macro perspective described above we might well conclude that to promote the greatest good for the greatest number we must limit our consumption of scarce resources, whether it be potable water, petroleum, timber, or land. True enough, there are profits (benefits) to be made from the production, sale, and consumption of such products, but environmentalists make a compelling argument for restraint. The costs associated with dwindling resources and the diminished ability of the population as a whole, and especially of future generations, to enjoy the economic and aesthetic benefits of natural resources are indeed high. The case for the public good being more important than the additional profits for individual companies is a strong one.

From the micro perspective the case for restraining consumption is a more difficult one to make. How does one value the use of a supermarket plastic bag, even if it is used only for twenty minutes before being discarded? How does one put a value on our freedom to choose even those items like fat-filled cheeseburgers or a sugary soft drink that are not good for our health? This freedom to express our individual preferences through our consumption is, after all, the engine which drives our capitalist economies. Who can quantify the value of that freedom? It is only in the case of the most egregious examples of health-related risks such as those associated with cigarettes and alcoholic beverages that society dares to put legal and regulatory limits on consumption.

Rights and responsibilities. This is a difficult framework by which to justify restraining consumption. The rights of companies and individuals to spend their assets as they choose, for example, to promote and consume delicious, fatty cheeseburgers, are powerful, treasured, and well-protected rights. The public good and the rights of society to protect itself against mounting health care costs are not so clearly defined.

Justice and Fairness. Nor has a convincing case been made that it is unfair for fast food chains or sneaker manufacturers to promote excessive consumption. While some argue that the power of advertisers to create unnecessary demand is too great, that customers simply cannot resist the advertising blandishments, others dismiss this and claim that advertisers cannot create demand at all, only recognize the wants that consumers already have and attempt to satisfy those wants (Calfee 2001; Ringold 1998; Calfee and Ringold 1994).

In sum, CSR advocates have not taken up over-consumption as an important issue. The environmental lobby works at the margin to preserve resources, and public health advocates have had success in restraining consumption of a limited number of specific goods such as cigarettes and more recently fatty foods and soft drinks. But regarding the broad view of over-consumption, in both its macro and micro connotations, the <u>general belief appears to be that</u> the freedom of individuals to make decisions about their spending and consumption habits <u>currently</u> far outweighs concern for any detriment to the public good.

Catholic Social Thought Critique

In contrast to CSR, over-consumption has been a frequent target of attack within Catholic Social Thought and the tradition preceding it, though with greater emphasis on the role of consumers than of firms. Philosophers and theologians had for centuries argued against greed and acquisitiveness. Paul ascribed it to love of money (1-Tim 6:10) which Aristotle claimed allowed people to engage in acquisition beyond what people needed. Both wrote long before today's market economies. Neither greed, nor envy, nor living for pleasure is new (e.g. the hedonists and

Epicureans). What is new is the scale and scope of opportunities to live for pleasure both in ever more dimensions by ever greater proportions of the population.

Numerous encyclicals have addressed the problem of consumerism over the past century (e.g. GS 63, PP 16-19, OA 9, SRS 28, CA 36 and 41). While acknowledging that increases in consumption are not inherently bad (CA36), they consider a number of problems associated with the problem of consumerism. First, this may involve substantial impact on the environment. Second, excessive consumption results in waste and or consumption of goods and services with little value to those consuming them (CA 35). This violates the principle of the universal destination of goods since people discard what they have to consume more, "with no thought ...of some other human being who is poorer" (SRS 28), i.e. ignoring solidarity of all people. The encyclicals have also condemned the mindset of living for consumption, of being more concerned with what one has and consumes than what one is, of having rather than being (CA36). This spills into ideas of personal and social progress which emphasize having more rather than growing as people in love of God, others, and the virtues. Ultimately, this results in alienation (CA 41), in which people become slaves to their own consumption, rather than using it to assist them. *Centesimus Annus* argues that the fundamental problem is a flawed understanding of human existence.[17] As it states, "It is not wrong to want to live better; what is wrong is a style of life which is presumed to be better when it is directed towards 'having' rather than 'being,' and which wants to have more, not in order to be more but in order to spend life in enjoyment as an end in itself" (CA 36). CST thus encourages personal reform to pursue lifestyles instead based upon the quest for "truth, beauty, goodness and communion with others" (CA 36).

On the other hand, while condemnation of consumerism as a general phenomenon has been strong, the implications for individual firms have not been so well explored. Tremendous scope is left here for individuals, firms, and the range of goods and services provided. These are not condemned explicitly partly because most are not inherently bad and in fact can be used productively for humanity. In addition, as the evidence above indicates, the problem is often a general one which cannot be addressed by a firm alone. Instead, the problem is the lost understanding of the purpose of human life, and the development of the attitude that the goal of human life is consumption overall. This then lies behind the other problems which arise from over-consumption, from the lack of consideration of the needs of others (who should be seen as brothers and sisters) to the impact on the environment (given to all).

In this case, the solution begins with personal reform, and thus subsidiarity is an important consideration. Even if public policy measures to curb consumption (e.g. Frank's [1999, 1985] call to tax consumption to address negative consumption externalities, or to place limitations on advertising) could work, they cannot solve the inherent theological and philosophical roots of the problem. While firms may have some impact on this via their advertising, fundamentally the problem can only be addressed by individual change.

VI. The Use and Promotion of Inappropriate Values in Advertising

Background

The last of our three subjects, the use and promotion of inappropriate or problematic values, is not a product or a service per se, but the method or the tactics used in marketing and promoting products or services. The most commonly observed of these inappropriate values are sex and status.

What's wrong with sex and status? We will not attempt here a full-blown argument in answer to this question. Suffice it to say that many in our society find distasteful the use of sex and status as tools to sell products and services. The promise of fulfilling a sexual fantasy is an implicit message in the advertising of an astonishing variety of products from automobiles to alcoholic beverages to vacation cruises to apparel, not to mention more obvious categories such as shampoo and shaving cream. A convenience store chain uses a picture of a very curvy, flirtatious young woman to promote its cheeseburgers. Using sexual fantasies to sell products is objectionable in our society on two counts: our Puritan heritage and the view that the use of (primarily) women as sex symbols is demeaning.

The promise of status as a hidden message in advertising is equally pervasive but objectionable for a different reason. To imply that a person's success and acceptance as an individual depends on buying a certain brand of automobile, choosing a home in a new gated community development, or drinking a particular brand of Scotch whiskey is a value that many reject as unworthy and unwholesome. It emphasizes our role as simply consumers rather than as doers and creators. It glorifies wealth and materialism along with the possession or consumption of things. It furthers the belief that only by having money – exemplified by the extravagant lifestyle we lead – will we be accepted by the society in which we live.

In addition, a special problem involves marketing and advertising to children, the quintessential vulnerable marketing segment because of their immaturity, their lack of sophistication, and their inability to make sound and informed decisions about the worth of products and the appropriateness of advertising messages. Even if we expect adults to be able to reject false values in the advertising messages they see, one might well ask if it is fair to subject children to such messages. The promotion and sale of fast food to children – the use of Disney characters or Ronald McDonald to promote Big Macs, for example – is criticized because children lack the maturity and wisdom to decide whether such products are good for them. Is it fair to train the powerful psychological weapons of advertising on children in the hope of convincing them at an early age that only by having the latest sports hero pair of sneakers or the newest video game console will they be truly accepted amongst their peers?[18] Schor (2004) reviews how much of this advertising appeals to children's desire to fit in and to feel superior to their parents (45-60), as well as how this undermines parent child relationships (60-70).

Corporate Social Responsibility Critique

Because symbols of sex and status are used so often in the promotion of goods and services, we can assume that it is a successful technique and, therefore, satisfies Carroll's first (economic) level of corporate social responsibility. With only an occasional exception in the use of sex it is also legal. But is it ethical?

Justice and Fairness. The answer to this question depends in part on one's view as to the power of advertising. Professionals in the advertising field usually try to deflect criticism of their methods by claiming that advertising cannot create wants, desires, or values; it only reflects those psychological traits that we already have. Critics respond that even if this is true, the heavy emphasis of what they consider to be base values – the lust for sex and an affluent lifestyle – is wrong in that it contributes to already existing social problems. If the critics are right and advertising does indeed have the power to promote false values, is it fair or just to use that power simply to sell more merchandise? Is it fair to take advantage of customers' weaknesses and longings in this way?

Virtue Ethics. To glorify wealth and status, or to call attention to a company's brand through the use of blatantly sexual symbols, hardly qualifies as virtuous behavior. While social customs and expectations are hard to define precisely in this area, it is fair to assume that something better is expected of the virtuous manager than to use customers' prurient interest in sex and the glorification of wealth to sell products. Even though the use of sex and status symbols is so widespread as to be hardly noticed, nevertheless when the question is raised, such tactics are perceived to be unseemly rather than virtuous.

Even for those business critics who believe that the use of such advertising messages is inappropriate and unethical, there are many unanswered questions. What values are acceptable or unacceptable? What groups or individuals are qualified or designated to make that determination? It is easy enough to say that a socially responsible business should refrain from demeaning women by using them as mere sex symbols in advertising and should avoid promoting base values such as envy and greed. But businesses respond that such advertising is light-hearted and harmless, that it reflects rather than creates people's yearnings, and that in ethics terminology it does no harm. CSR advocates have much work to do in offering helpful, practical guidelines to marketers in their day-to-day decision making on such issues.

Catholic Social Thought Critique

On the other hand, the Pontifical Council for Social Communication considered this issue a decade ago in its statement *Ethics in Advertising*. EIA proceeds from many of the CST principles given above, most especially its view of the human person and human progress, personal dignity, freedom, and subsidiarity. While recognizing the important role of advertising for communicating information, it addresses a number of economic, cultural, and religious harms advertising may have. These include fostering unnecessary consumption, seeking to influence or manipulate people's consumption by appealing to weaknesses of consumers (sex, belonging, fear, status, envy, etc.), as well as promoting lifestyles of excessive consumption. As it states,

> ...unremitting pressure to buy articles of luxury can arouse false wants that hurt both individuals and families by making them ignore what they really need. And those forms of advertising which, without shame, exploit the sexual instincts simply to make money or which seek to penetrate into the subconscious recesses of the mind in a way that threatens the freedom of the individual ... must be shunned (EIA 9).[19]

To this, it adds, "it is morally wrong to use manipulative, exploitative, corrupt and corrupting methods of persuasion and motivation" (14). Similarly, *EIA* also warns about advertising to children which exploits their credulity and encourages them to pressure their parents to purchase goods and services: "Advertising like this offends against the dignity and rights of both children and parents; it intrudes upon the parent-child relationship and seeks to manipulate it to its own base ends" (EIA 16).

EIA urges advertisers to follow three principles: truthfulness, the dignity of the human person, and social responsibility.[20] At a basic level, respecting the dignity of the human person begins with recognizing that the goal of human existence is growth in love and relationship to God and others. [21] Other people are brothers and sisters to whom one is called to communion and for whom one wishes good, not objects for personal gain. This includes recognizing, as part of the development of all, the duty of people to use their freedom to make responsible choices. Advertising may hinder the fulfillment of this duty when it compromises the ability to reflect and make decisions or exploits or encourages "lower inclinations," i.e. appeals to "lust, vanity, envy and greed, and of techniques that manipulate and exploit human weakness" (EIA 16). Whether it is via the content (what is advertised and how) or the intended impact on the audience, such ads run the risk of becoming "vehicles of a deformed outlook on life, on the family, on religion and on morality — an outlook that does not respect the true dignity and destiny of the human person" (EIA 16). This may be harmful at a social level when it "reduces human progress to acquiring material goods and cultivating a lavish life style expresses a false, destructive vision of the human person harmful to individuals and society alike" (EIA 16).

EIA specifies that all those involved—advertisers, firms, broadcasters—bear some responsibility to the extent they are involved in the process. Following the principle of subsidiarity, it encourages these groups to work on their own to address these concerns, but acknowledges that government oversight may be necessary. Overall, EIA does not condemn advertising altogether, but rather encourages those involved in it to honestly assess the role advertising has in fostering excessive consumption and undermining a more authentic view of human existence, as well as to reflect upon what can be done.

It admits that this is not likely to be sufficient without a broader social change (customers, firms, broadcasters, entertainment, etc.) in understanding of the nature of the human person.[22] While advertising undoubtedly has a role, it is but one factor in a society in which other cultural forces (e.g. the entertainment industry, the sexual revolution) encourage consumption, power, status, and sex. Thus the extent of its impact is uncertain, particularly for any individual firm. Nonetheless, EIA encourages firms to refrain from participating in these trends, despite the extent of their individual influence.

V. Common Difficulties for CSR and CST

Both CSR and CST share several problems which limit their attractiveness to many. One is Friedman's classic argument that firms exist solely to make a profit. This reflects an attitude in business and economics that firms are not called to be socially responsible and weakens the appeal of both CSR or CST since they encourage firms to look beyond a simple bottom line to urge firms to do something other than maximize profits. Several responses may help encourage businesses to give such frameworks a deeper look. First, markets are not perfect: consumption externalities and addictive behavior imply that the outcome will not be efficient. Similarly, survey evidence indicates that most people hold greater concern for the least well off (a very soft Rawlsian or preferential option for the poor). But a competitive market is unlikely to effectively generate such an outcome. In such cases, firms may be the best places for society to enact provisions to enhance welfare, rather than leaving this up to the market.

Second, both CSR and CST share a problem of compliance. As Frank (2004) argues, corporate social responsibility of any form faces a prisoner's dilemma type situation: firms (and society) would be better off if both coordinated their actions and behaved ethically. But like a nuclear arms race, firms in a highly competitive environment are forced into escalating activities and promotions which produce little actual gain. Moreover, the firm which behaves ethically may well be put at a disadvantage. Thus, competitive pressures may lead to efficiency in some dimensions, but also discourage firms from adopting higher ethical (more costly) standards.

If so, society needs institutions which can help get all firms to act collectively without fear of defection or free riding. Frank argues this likely must be external, via either government or social norms. However, the history of restraining firms by regulations of any form indicates that government is often co-opted by the firms the state is trying to regulate. Increased communication are a means by which social norms can be brought to bear on firms, helping the market to provide a better outcome more efficiently without government action per se. Both accept the market's provision for gains, but also emphasize the need to go beyond mere self-interest toward some level of social responsibility.

Finally, all frameworks of business ethics must face the difficulty of providing universal concepts. Brenkert (1998) notes that the field of business ethics has traditionally sought to find universal principles which could be broadly accepted and appealed to, though more recently this has broadened to consider virtues to develop in individuals. Donaldson and Dunfee (1995) have sought to get around this by finding principles and virtues—hypernorms--which are commonly accepted across every culture. However, Brenkert (1998) argues this is particularly problematic for CST given its connection with a particular faith and its conception of a human person. Verstraaten (2003) asserts that one means by which this difficulty of the particularity of the Catholic teachings can be overcome, and their principles more widely discussed, is to structure the analysis as a form of narrative ethic, emphasizing the Gospels as the stories of Christ's life.

On the other hand, the Christian view of the human person is the heart of CST and cannot simply be set aside in the search for universally acceptable principles. From Vatican II onward, CST criticized an inadequate view of the human person as the root of the abuses in communism and Nazism. It made the same argument for views of progress today which emphasize growth in consumption with little concern for growth as persons in love and virtue. Thus while CST seeks common elements with other ethical frameworks, the anthropological view of the human person at its foundation cannot be ignored.

VI. Concluding Thoughts

Both CSR and CST remind businesses that they operate not in their own isolated sector but in a far larger and more complex social environment where they must interact with, and be responsible to, other societal sectors. The concept of corporate social responsibility demands that to be fully responsible corporate citizens, businesses must not only do the obvious and essential things: make a profit and obey the law. They must also fulfill society's expectations for ethical behavior and be generous, where possible, by giving back to or improving the communities which they impact. CSR requires that businesses recognize and fulfill their responsibilities to multiple stakeholders. Maximizing shareholder value by itself is not enough as a corporate mission or goal. Managers must make the necessary compromises and tradeoffs that will fulfill their responsibilities to customers, employees, communities, social activists, and to all other relevant stakeholders in addition to providing satisfactory returns for their shareholders.

CST, on the other hand, is both more demanding and more specific. Its stronger view of the human person and the goals of human existence provide more guidance in the cases of over-consumption and advertising values. Similarly, the principles of solidarity and subsidiarity assist in reflecting on socially unacceptable products. The challenges posed by CST are not so much different as they are more intense and personal.

These are daunting challenges, but businesses must accept them, even though the guidelines for making the necessary compromises are unclear. Only by satisfying their economic *and* social responsibilities can corporations attain a position of long-term legitimacy. Only then will the greater society fully recognize and honor the essential contribution of the business community in both secular and spiritual terms.

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Notes

[1] CSR is commonly understood to include not only all forms of business organizations, e.g., partnerships, sole proprietorships, as well as corporations, but also not-for-profit organizations. In this paper we will be using the terms corporation, firm, or business with the understanding that they may have a broader connotation.
[2] Such arguments assume explicit actions are not necessary as long as markets run perfectly. If so, free interaction may insure that people will have addressed the societal outcomes they want privately, and their tastes (both for consumption and for work) will be reflected in their market behavior. If society believes a product is bad, it will become reflected in lower sales and thus lower profits. Thus the moral or ethical societal outcome people desire occurs, but not via the explicit actions of the firms. Those who wish to accelerate the process should work to change the personal tastes that underlie the consumption decisions, not make the firm do something beyond its scope. However, the presence of market failures (e.g. consumption externalities, addictive behaviors, etc.) implies the market will not give an efficient outcome and firms may well be the best places for society to have corrective actions taken.
[3] i.e. with more scope for personal initiative, rather than working merely at the pace of machines as with much industrial production until the latter 20th century.
[4] It described this as alienation in a Christian sense, rather than in a Marxist sense of worker exploitation.
[5] As with countries, CST is clear that since firms are not people, they do not have moral obligations per se. Nonetheless, individuals within them do, and these may best be coordinated at the firm level.
[6] This is perhaps the least developed area not only of Catholic Social Thought, but of Christian theology regarding the firm and the economy overall. Non-Catholic Christian perspectives on what firms ought to produce are given in Raels (1995).
[7] In Catholic social teaching the common good is defined generally as including the full range of what is good for man as "a fallible spiritual-material creature called to an other-worldly destiny; a chooser; a knower, and the subject of moral acts, alone, and in association with others" (Gregg 231). Following *Gaudium et Spes* (26) it defines common good as "the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and more easily." This includes individual (CCC 1907) and social (CCC 1908) well-being and development and the conditions for that, e.g. peace and security (CCC 1909). This includes both material and spiritual welfare (Benestad 2003:4). While the political community is most responsible for promoting the common good (CCC 1910), this is a duty for all members of society (CCC 1913) including businesses (CST 338,339).
[8] The general principle of justice is that people get what they ought and social relations are rightly ordered. Commutative and distributive justice are elements in that just ordering.
[9] That much advertising for mature products has little impact other than to prevent loss of customers (Ringold 1998) raises the question of whether such advertising violates the universal destination of material goods.
[10] The invisible hand helps direct firms this way, but it is insufficient in motivation. The fact that one must consider the needs of others if one wishes to survive does not mean that self interest is the only reason to care, even if the knowledge is used to the same ends.
[11] The legality of these products and services changes over time and place. Alcoholic beverages were illegal during the Prohibition years, at one time tobacco products were banned, and the public sale of certain types of firearms is prohibited. Prostitution in this country is legal only in certain counties in Nevada. Some states or communities allow casino gambling and have state-run lotteries; others do not. In virtually all instances the production and sale of such products and services are subject to extensive government regulation.
[12] Goods which are socially unacceptable (e.g. prostitution and pornography) depend upon a widely shared sense of the morality of the given activity. However, cases of addiction, and especially consumption by children, raise problems for a laissez-faire utilitarianism. Shareholder and stakeholder models rest on the assumption that agents are making rational calculations based upon their self-interest in consumption. This rationality is less likely to hold in these cases. Thus in these cases profit maximization would not likely be consistent with utility maximization implied by the shareholder model. The same problem would occur with the stakeholder model, except in this case the firm must respond to the needs of customers as perceived by the firm, not as might be revealed.
[13] The case of marketing to children is considered below.
[14] As *Centesimus Annus* 42 states, "A person who is concerned solely or primarily with possessing and enjoying, who is no longer able to control his instincts and passions, or to subordinate them by obedience to the truth, cannot be free: obedience to the truth about God and man is the first condition of freedom, making it possible for a person to order his needs and desires and to choose the means of satisfying them according to a correct scale of values, so that the ownership of things may become an occasion of growth for him."
[15] Considering the needs of those who are *not* or should not be customers has a parallel case with externalities, in which the firm is responsible for effects it has on others.
[16] While some have criticized this conclusion (e.g. Hagerty 2000 and Hagerty and Veenhoven 2004), the evidence seems more likely to indicate that above a certain income level, marginal utility drops off very rapidly. Thus the overall

conclusion that additional consumption (for the developed countries today) provides little additional utility describes the current circumstances quite well.

[17] "The manner in which new needs arise and are defined is always marked by a more or less appropriate concept of man and of his true good. A given culture reveals its overall understanding of life through the choices it makes in production and consumption... In singling out new needs and new means to meet them, one must be guided by a comprehensive picture of man which respects all the dimensions of his being and which subordinates his material and instinctive dimensions to his interior and spiritual ones" (CA 36).

[18] While this naturally raises the question of the responsibility of parents to monitor what their children buy and eat, we do not pursue further the details of this debate here. Schor (2004) considers this in detail.

[19] Citing *Communio et Progressio*. See also CA 36.

[20] This does not require literal truthfulness. EIA acknowledges that commonly understood aspects of describing products—exaggeration, haggling, humorous claims—constitute a social dimension to advertising which do not violate truthfulness.

[21] Alford and Naughton (2001) thus argue an important element in marketing should be solidarity.

[22] In fact, the council addressed the role of the media more generally the prior year (1996) in its statement *Ethics in Communications*.