

# Catholic Social Teaching and the Construction of “Just” Markets

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## Abstract

The justice of markets is intricately connected to the treatment of the poor and the disadvantaged in the market economy. While the principles of Catholic Social Teaching point to an implied moral imperative that markets should manifest greater protections for the vulnerable, particularly the poor, they do not provide an actionable framework to aid business decision-making in marketing to the poor. Present business models for marketing to the poor, though clothed in ‘Corporate Social Responsibility’ terminology, are mostly profit-inspired. This paper draws on the ‘Market Construction Model’ proposed by Harvard researchers, Kasturi Rangan and Arthur McCaffrey to present an ‘Integrative Justice Model for Impoverished Markets,’ that is justice-inspired. The Integrative Justice Model embodies many principles of Catholic Social Teaching and provides the corporate world with an actionable framework for the enhancement of equitable marketing to the poor.

## I. Introduction

It is undoubtedly an act of love, the work of mercy by which one responds *here and now* to a real and impelling need of one’s neighbor, but it is an equally indispensable act of love to strive to *organize and structure society* so that one’s neighbor will not find himself in poverty, above all when this becomes a situation within which an immense number of people and entire populations must struggle, and when it takes on the proportions of a true *worldwide social issue*.<sup>1</sup>

The present experience of globalization and economic development is tainted with the existence of a considerably large proportion of the world’s population living in poverty. According to the World Bank, “of the world’s 6 billion people, 2.8 billion – almost half – live on less than \$2 a day, and 1.2 billion – a fifth – live on less than \$1 a day.”<sup>2</sup> The situation of poverty is not something that is God-willed or inevitable but rather an outcome of human choices.<sup>3</sup> It is, therefore, possible to bring about a change in the situation of poverty by changing such choices. The eradication of poverty has, in fact, become one of the major global concerns today. This is indicated by the first of the UN Millennium goals being to halve world poverty and hunger by the year 2015.<sup>4</sup> A traditional approach towards poverty alleviation has been that of charity or aid. However, as Archbishop Weakland points out, though charity is a necessary Christian virtue, it is not an economic solution to the problem.<sup>5</sup> According to Weakland, the solution must be

to help people to participate in the life of society by being able to make their contribution to it.<sup>6</sup> Business corporations can promote such participation by encouraging a spirit of entrepreneurship among the poor as well as seeking ways in which the poor can more actively be engaged in and benefit from the process of economic development.<sup>7</sup> In a sense, then, the role of business corporations in poverty eradication is crucial.<sup>8</sup>

According to Lee Tavis, the elimination of poverty is not just a moral imperative but is now considered a necessary component of sustained development.<sup>9</sup> Companies are beginning to realize that it is in their long-term interest to reduce or eliminate poverty. For instance, the *Tomorrow's Leaders* group of the World Business Council for Sustainable Development (WBCSD) in a recent paper acknowledges that “the vast numbers of people living in poverty today are potential consumers, employees, and suppliers.”<sup>10</sup> Further, the group points out that conventional models may not work well in doing business with impoverished segments and that there is a need to develop new models.<sup>11</sup> In recent years, approaches to reach out to the Bottom of the Pyramid<sup>12</sup> (BOP) market have been gaining currency in academic circles thanks to pioneering efforts by C. K. Prahalad and Stuart L. Hart among others.<sup>13</sup> There has also been a development of approaches, though to a lesser extent, in industry.<sup>14</sup> The question is whether such frameworks are worth pursuing with vigor?

Our response is a resounding “yes” and one reason is the congruency of such approaches with Catholic Social Teaching (CST). In continuing the work of Jesus, “man is called to render justice to the poor...actively seeking a new social order in which adequate solutions to material poverty are offered.”<sup>15</sup> While the Church acknowledges that she does not propose or establish systems or models of social organization<sup>16</sup>, she recognizes that she has a responsibility of influencing society and societal structures by means of her social doctrine.<sup>17</sup>

We can be confident that as business organizations embrace the idea that the “bottom of the pyramid” (BOP) constitutes an economically viable market segment, it becomes critical that exchange situations that are directed towards such segments be shaped in a manner that is “fair” and “just” to both parties (i.e. the business unit and consumer). This is particularly important in an impersonal economic marketplace that too often exploits the poor due to an “imbalance” of resources, information or financial leverage on the part of the less advantaged member. Partly in response to this task, Harvard University researchers Kasturi Rangan and Arthur McCaffrey have offered the sketchy but promising concept of “Market Construction.” Rangan and McCaffrey suggest that for traditional markets to be less exploitive of the poor, the interests of the impoverished must be better represented, more clearly understood and that the poor must be further empowered to help shape the products and services that are provided.

Based on the framework proposed by Rangan and McCaffrey, we have developed what we call an Integrative Justice Model (IJM) for Impoverished Markets. At the core of our proposed model is an authentic engagement with the poor with non-exploitive intent. If profitability is the sole aim of the business enterprise, there is an increased possibility of exploitation, particularly if there is an imbalance of resources, information or financial

leverage on the part of the customer. Consistent with philosopher Immanuel Kant's second formulation of his categorical imperative, Laczniak points out that "members of the human community, particularly those most subject to exploitation, should never be used as an expedient means to a financial end."<sup>18</sup> The IJM with its core focus on more vigorously representing the interests of the poor client provides a framework that treats customers as ends and not merely as means to the profitability of the company.

## II. The Market Construction Model (MCM)<sup>19</sup>

A fundamental assumption made in the theory of exchange is that both parties to the exchange are on an equal footing, which is very often not the case. In fact, it is precisely because of the inequalities that exist in the exchange process, that we see an ever-increasing amount of injustices. A major challenge in the construction of "just" markets is of creating economic "win-win" situations for all participants. In this connection, the Market Construction Model (MCM) proposed by Harvard University researchers Kasturi Rangan and Arthur McCaffrey has the potential of addressing this challenge.<sup>20</sup> Though the model they propose is thought to be most applicable to large infrastructure projects in developing countries, they maintain that their arguments would still be valid in dealing with the macro issues of global commerce.<sup>21</sup>

Rangan and McCaffrey's starting point is that although trillions of dollars have been expended by way of investment and aid to developing countries during the last twenty five years or so, it has hardly made a dent in global poverty.<sup>22</sup> This point is echoed by Prahalad, who points out that "for more than 50 years, the World Bank, donor nations, various aid agencies, national governments, and, lately, civil society organizations have all fought the good fight, but have not eradicated poverty."<sup>23</sup> In Rangan and McCaffrey's opinion, a major reason for this is that this investment has lacked an appropriate process for aiding the poor.<sup>24</sup> Based on their research, they propose a model of engagement, the Market Construction Model (see table 1), which is "built around a heuristic of interest representation, voice, and advocacy."<sup>25</sup> The pivot on which they build their framework is the poor client, who mostly does not have a voice and whose interests are often poorly represented in the exchange process. According to Rangan and McCaffrey, their proposed model operates under a different set of assumptions than the traditional market operation model. While marketing typically sells the organization to the customer, their new paradigm "seeks to sell the customer to the organization, using voice and advocacy to promote and represent the unrepresented interests of the poor."<sup>26</sup> The difference of approach in marketing to the poor as embodied in this model is more than semantic and shall be elaborated below.

**Table 1: A Market Construction Paradigm<sup>27</sup>**

	<b>Market Operation</b>	<b>Market Construction</b>
Functional Processes	Exchange Paradigm Selling and Promotion	Interest Representation Voice and Advocacy
Aim	Change choices	Change lives (macro)

Outcomes	Change behavior (micro)	Reconciliation of values and interests
Business Role	Represent vested interests	Represent unrepresented customer interests Surrogate voice Serve clients Intermediator Sell client/customers to organizations (public, private)
Vision		Lay foundation for prototype markets

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To begin with, as the global economy has grown and world logistics have improved, businesses are increasingly examining market segments that include large numbers of impoverished consumers. Their thought process is that while a single impoverished consumer has minimal economic potential, there is no shortage of poor persons. Thus, even with small profit margins, the collective of impoverished segments represents enormous economic value and perhaps tremendous profit opportunity. Prahalad estimates this market potential to consist of “4 to 5 billion underserved people and an economy of more than \$13 trillion PPP.”<sup>28</sup>

The major functional process in the traditional Market Operation Model (MOM) is the exchange paradigm, where “knowledgeable customers are able to sort through the choices created for them, evaluate their consequences for their welfare, and then select the one that meets their private interests.”<sup>29</sup> In the exchange paradigm, selling and promotion become paramount as the customer has to be literally coerced into purchasing the company’s products or services. Thus, marketing under the MOM involves selling the organization to the customer.<sup>30</sup> In the MOM, the company aims at constantly providing a greater array of products and services to the customer so as to gain and retain customers. The business directives of the organization consist mostly of representing the vested interests of owners, investors, or other partners such as distributors and suppliers. While this paradigm works well in many circumstances, especially with affluent and well informed consumers, it cannot easily extend to the poor, who do not have a voice, whose interests are often very poorly represented, and who have little power in the economic negotiation process. Therefore, the alternate paradigm that is proposed is that of interest representation, voice, advocacy and the reconciliation of values. The underlying assumption is that it is in the long-term interest of the business corporation to draw out the concerns and involvement of that customer segment that is often powerless and excluded. Such an approach will help defuse some of the suspicion and animosity towards globalization that characterizes global trade today.

Rangan and McCaffrey rightly point out that much of the antagonism towards globalization has been caused by the fact that “economic globalization is far too removed and abstract to be useful to the poor, who are curiously enough, *presumed* [emphasis added] to be the beneficiaries of much of the economic activity.”<sup>31</sup> Through a process of interest representation, voice and advocacy, it is their hope that much of this sometimes misinformed antagonism can be eradicated. This is particularly important in the present situation where there is a growing distrust of business.<sup>32</sup>

### **III. An Integrative Justice Model for Impoverished Markets**

Our discussion in the previous section reveals that the MCM presents a tremendous incremental value for firms that engage the impoverished market segment. However, there are certain areas that the model appears to imply but does not explicitly mention.<sup>33</sup> In our opinion, these dimensions will enhance the attractiveness of the model to the business community as well as be more constitutive of “just” marketing. Taking these elements into consideration we have modified the MCM and called it the Integrative Justice Model (IJM) for Impoverished Markets (see Table 2).

An important functional process that the MCM fleetingly points to (but does not clearly state) is that of “co-creation of value” with impoverished consumers. Co-creating results in a “win-win” situation for both the firm and the impoverished customer. Further, the impoverished customer is actively engaged in the shaping of the economic process.

Changing lives at a macro level is not a sufficient aim from the perspective of the business firm. The success of the firm depends to a large extent on its ability to be profitable. The MCM takes this dimension for granted. However, the profitability dimension needs to be visualized differently in the MCM, not as short-term profitability but long-term profit management.

One of the outcomes for firms that follow the MCM will be a reconciliation of values and interests. However, there are other outcomes such as customer empowerment, building long-term relationships and creating sustainable business initiatives. These dimensions enable the firm to be successful over a longer period of time.

Under its business role, the MCM mentions a number of points which really may not add significant incremental value such as surrogate voice, serve clients, intermediation and so on. In our opinion, there are three main business roles that the MCM should play. These are: articulating unrepresented customer interests; facilitating value creation; and investing in future consumption.

The vision of the MCM is to lay the foundation for prototype markets. As the MCM is meant to provide a blueprint for business involvement with impoverished market segments there should be further qualification concerning the prototype market envisioned that relates to this segment. In our opinion, the vision should be to lay the foundation for prototype markets that empower the poor while simultaneously creating “win-win” situations for buyers and sellers.

**Table 2: Integrative Justice Model for Impoverished Markets**

Functional Processes	Interest representation of all stakeholders, especially consumers Mandated advocacy for the poor Co-creation of value with all stakeholders, especially consumers
Aim	Long-term profit management Change lives (macro)
Outcomes	Reconciliation of values and interests Customer empowerment Long-term relationships Sustainable business initiatives
Business Role	Articulating unrepresented customer interests Facilitating value creation Investing in future consumption
Vision	Laying the foundation for prototype markets that empower the poor while creating “win-win” situations for buyers and sellers

#### **IV. The IJM in the light of Catholic Social Teaching**

Catholic social teaching comprises of the tradition of papal, conciliar, and episcopal documents that deal with the Church’s response and commitment to the social demands of the gospel in the context of the world. While CST is rooted in scripture and founded on the life and teachings of Jesus, a generally accepted starting point of this tradition dates back to Pope Leo XIII’s encyclical *Rerum novarum* in 1891.<sup>34</sup>

The whole of CST develops from the principle of the dignity of the human person.<sup>35</sup> Basically, what the Church affirms is that human life is sacred and human beings by virtue of being created in God’s image (cf. *Gen 1:27*)<sup>36</sup> have a certain inviolable dignity. This is not something that is acquired by one’s efforts, but is rather, a given. In other words, all human persons, regardless of race, color, and creed possess an inherent dignity of being in the likeness of God, and therefore, righteously, to be accorded full respect. Economic actions are to be evaluated then, on the basis of how much they uphold this dignity of the human person. The US Bishops, in their pastoral letter *Economic Justice for All*, assert that an economic system should be judged “by what it does *for* and *to* people and by how it permits all to *participate* in it. The economy should serve people, not the other way around.”<sup>37</sup>

In treating customers, particularly impoverished and disadvantaged ones as ends and not merely as means to the profitability of the company, the IJM adheres to the principle of the dignity of the human person. This “should not be regarded as an outright rejection of cost-benefit analysis, which focuses on outcomes and is a mainstay of business

analysis.”<sup>38</sup> It is, however, a rejection of a pure utilitarian position. A utilitarian position would favor representing the interests of poor customers if doing so would result in clearly measurable benefits or outcomes. Thus, one could argue that the rent-to-own industry, in offering products to customers who otherwise would not be able to own such items, is acting in the interest of its impoverished customer base. The profits arising from such transactions, which are largely on account of the high interest rates charged, are the measurable benefits of such interest representation. However, charging such high rates to people who are least likely to afford them is clearly a violation of the principle of human dignity.<sup>39</sup> In the IJM such transactions would be considered unjust as they do not sufficiently consider the interests of the impoverished segments.

As the impoverished segments are disadvantaged in many ways, largely through no fault of their own,<sup>40</sup> it often becomes difficult for them to sufficiently articulate their interests. The IJM therefore proposes a mandated advocacy for the poor as part of the functional process of the company. This is in keeping with CST’s preferential option for the poor. As the US Bishops’ economic pastoral points out, “all members of society have a special obligation to the poor and vulnerable.”<sup>41</sup> The pastoral further elaborates that this option “does not mean pitting one group against another, but rather, strengthening the whole community by assisting those who are most vulnerable.”<sup>42</sup> Advocacy of the poor also ensures that the company refrains from actions that further disadvantage the impoverished segment.<sup>43</sup> The Bishops’ pastoral reminds us of the message from Scripture and Church teaching that “the justice of a society is tested by the treatment of the poor.”<sup>44</sup>

In keeping with the principle of human dignity, CST emphasizes that through work, the human person continues in the creative work of God.<sup>45</sup> Human beings are thus co-creators with God. The concept of co-creation has been gaining acceptance in academic literature with the work of Vargo, Lusch, Prahalad, and Ramaswamy.<sup>46</sup> Such an approach calls for a greater involvement and participation of customers in the very creation of value. This is consistent with CST’s call for a greater participation of all in the economic life of society.<sup>47</sup> The Bishops’ pastoral highlights the fact that “it is wrong for a person or a group to be excluded unfairly or to be unable to participate or contribute to the economy.”<sup>48</sup> However, it should be pointed out that participation or involvement in CST is understood mainly in terms of the right to economic initiative<sup>49</sup> or the participation of everyone in the running of the business enterprise.<sup>50</sup> Nowhere in the body of CST literature have we come across the concept of co-creating value with customers. In the IJM, the co-creation of value with all stakeholders, particularly poor customers, is considered important because it emphasizes an on-going partnership perspective that is in the long-run interests of both the company and the impoverished market segment.<sup>51</sup>

CST recognizes the role of profits as an indicator that the business is functioning well.<sup>52</sup> However, CST also points out that profits, although legitimate, should never be the sole objective of a company and should go together with another equally fundamental objective, that of social usefulness.<sup>53</sup> The IJM incorporates a longer term financial view—not one that is driven by quarterly profit increments or even annual ROI targets. The market development of impoverished segments is inherently a longer process than one that is dictated by the length of the Julian calendar and/or annualized share

performance scores. [Consider the development of on-line selling by e-Bay and the number of consecutive quarters (20+) of losses before the advent of “black” figures]. The acceptance of long-term profit management rather than short-term profit maximization is essential. The IJM will sacrifice short-term profits in order to lay the groundwork for continued participation of impoverished segments in exchange relationships that will benefit their interests in the long run. Increasingly, large corporations (e.g. Coca Cola) are resisting the provision of quarterly profit guidance to investment analysts because they find such a focus antithetical to the corporate strategic planning process.<sup>54</sup> Together with this long-term profit management, the IJM aims at changing lives at a macro level which is indicative of its social usefulness.

CST upholds the close relation between morality and economics. According to CST, “giving the proper and due weight to the interests that belong specifically to the economy does not mean rejecting as irrational all considerations of a meta-economic order.”<sup>55</sup> This is because “the purpose of the economy is not found in the economy itself, but rather in its being destined to humanity and society.”<sup>56</sup> An outcome in the IJM is the reconciliation of values and interests. This follows on the lines of the saying in the book of Proverbs: “Better is a little with righteousness than great revenues with injustice” (Pr 16:8).<sup>57</sup>

In the IJM, the knowledge and insight of the customer, despite the customer’s relative lack of financial assets, is seen as necessary to the co-production of a sustainable economic relationship. The impoverished customers bring knowledge to the exchange relationship that sellers may not routinely possess. As CST reminds us, “the poor should be seen not as a problem, but as people who can become the principal builders of a new and more human future for everyone.”<sup>58</sup> The continuous involvement of impoverished customers is seen as essential due to the IJM’s emphasis on long-term and sustainable relationships rather than the short-term and exploitive situations that too often characterize dealings with impoverished markets.

In the wake of the corporate scandals in recent years, companies are beginning to realize that investors are not interested solely in the financial performance of the company but that the social and environmental issues are also important. According to the *Social Investment Forum*, socially responsible investment (SRI) assets in the United States rose more than 258 percent from \$639 billion in 1995 to \$2.29 trillion in 2005.<sup>59</sup> At the same time, there may or may not be conclusive evidence that suggests that socially responsible firms outperform those that are not.<sup>60</sup> However, the fact that SRI assets over a ten year period from 1995 to 2005 increased four percent faster than the entire universe of managed assets in the United States is indicative of a shift in investor preferences.<sup>61</sup> It can be said with some confidence that CST has perhaps played a part in orchestrating this shift. According to CST, purchasing power gives consumers the responsibility of directing the behavior of producers towards “the presence of correct working conditions in the company as well as the level of protection of the natural environment in which it operates.”<sup>62</sup> The IJM provides companies with a sustainable business framework that not only will be attractive to socially and environmentally conscious investors but also be in keeping with CST’s principle of Stewardship that “insists that people show their respect for the Creator by their stewardship of all creation.”<sup>63</sup>

The IJM can be seen to be an *investment* in future consumption by poor market segments due to the sustainability perceived in having a long-term, continuing exchange relationship. Certainly, investment by firms in the manufacturing capacity to deliver future production is not controversial. In fact, such future driven investment is usually perceived to be a wise business practice. When new investment in production capacity is announced, the share price of the company at focus often increases. Similarly, if implemented well, albeit with short-term costs, the IJM can serve as a blueprint for enhancing future consumption by the poor.

CST points out that “poverty poses a dramatic problem of justice; in its various forms and with its various effects, it is characterized by an unequal growth that does not recognize the equal right of all people to take their seat at the table of the common banquet.”<sup>64</sup> The vision of the IJM is to lay the foundation for prototype markets that truly empower the poor in a way that creates “win-win” situations for both buyers and sellers. It is our hope that this will give more people “a place at the table”<sup>65</sup> and ensure a “globalization without marginalization.”<sup>66</sup>

## V. Conclusion

We believe the IJM addresses, to a large extent, the often felt gap between the principles of CST and actual business practice. The IJM embodies many elements of CST and provides the corporate sector with an actionable framework for the enhancement of equitable marketing to the poor. The practicality of the IJM lies in the fact that many elements of the IJM are already being implemented in the business world. However, as the proverb goes, ‘the proof of the pudding is in the eating,’ the actual challenge ahead lies in the implementation and further refinement of the IJM by business firms.

## Notes

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<sup>1</sup> Catholic Church. Pontificium Consilium de Iustitia et Pace, *Compendium of the social doctrine of the church* (Città del Vaticano; Washington, D.C.: Libreria Editrice Vaticana; United States Conference of Catholic Bishops, 2004), n. 208, p. 92. Italics in text.

<sup>2</sup> World Bank, *World Development Report 2000/2001: Attacking Poverty* (New York: Oxford University Press, 2001), p. 3.

<sup>3</sup> See Peter Henriot, S.J., “Catholic Social Teaching and Poverty Eradication: Key Concepts and Issues,” Presentation at the Conference on *Debt Relief and Poverty Eradication in Uganda: The Roles and Responsibilities of the Catholic Church*, Kampala, Uganda 8-10 November 2001 <[www.cafod.org.uk](http://www.cafod.org.uk)>

<sup>4</sup> See UN Millennium Development Goals <[www.un.org/millenniumgoals/](http://www.un.org/millenniumgoals/)>

<sup>5</sup> This point is echoed by Prahalad who points out that though charity might feel good, it rarely solves the problem of poverty in a scalable and sustainable fashion. See C. K. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits* (Upper Saddle River, NJ: Wharton School Publishing, 2005), p. 16. It should be pointed out that our intention is not to downplay the significance of charity. Charity has an important role in Christian life as highlighted by Pope Benedict XVI in his encyclical *Deus Caritas Est* (2005). However, as Clark points out, charity should not be divorced from justice. See Charles M. A. Clark, “Wealth and Poverty,” in Helen Alford, O.P., Charles M. A. Clark, S. A. Cortright, and Michael Naughton, eds., *Rediscovering Abundance: Interdisciplinary Essays on Wealth, Income, and Their*

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*Distribution in the Catholic Social Tradition* (Notre Dame, Indiana: University of Notre Dame Press, 2006), 161-88.

<sup>6</sup> Archbishop Rembert G. Weakland, O.S.B., "The Economic Pastoral Letter Revisited," in John A. Coleman, S.J., ed., *One Hundred Years of Catholic Social Thought: Celebration and Challenge* (Maryknoll, New York: Orbis Books, 1991), pp. 201-11.

<sup>7</sup> See Prahalad, *The Fortune at the Bottom of the Pyramid*. According to Prahalad, "large-scale and wide-spread entrepreneurship is at the heart of the solution to poverty" p. 4.

<sup>8</sup> See Michael Novak, *Business As A Calling: Work and the Examined Life* (New York: The Free Press, 1996).

<sup>9</sup> See Lee A. Tavis, *Power and Responsibility: Multinational Managers and Developing Country Concerns* (Notre Dame, Indiana: University of Notre Dame Press, 1997), p. 5

<sup>10</sup> WBCSD, "From Challenge to Opportunity: The role of business in tomorrow's society," A paper from the Tomorrow's Leaders group of the World Business Council for Sustainable Development, February 2006, <www.wbcd.org>, p. 11.

<sup>11</sup> *Ibid.*, p. 12.

<sup>12</sup> The 'Bottom of the pyramid' is a term coined by C. K. Prahalad and Stuart L. Hart to refer to the four billion people at the lowest economic level in the world. See C. K. Prahalad and Stuart L. Hart, "The Fortune at the Bottom of the Pyramid," *Strategy+Business*, 26 (January 2002): 54-67.

<sup>13</sup> See Prahalad, *The Fortune at the Bottom of the Pyramid*; Allen Hammond and C. K. Prahalad, "Selling to the Poor," *Foreign Policy*, 142 (May/June 2004): 30-37; C. K. Prahalad and Allen Hammond, "Serving the Poor, Profitably," *Harvard Business Review*, 80:9 (September 2002); Stuart L. Hart and Clayton M. Christensen, "The Great Leap: Driving Innovation from the Base of the Pyramid," *MIT Sloan Management Review*, (Fall 2002).

<sup>14</sup> S. C. Johnson based in Racine, Wisconsin, U.S.A. is an example of a company that has been actively involved in the development of approaches to reach the BOP market. <www.scjohnson.com>

<sup>15</sup> Catholic Church. *Compendium*, n. 325, pp. 141-2.

<sup>16</sup> See *Ibid.*, n. 68, p. 30.

<sup>17</sup> See *Ibid.*, n. 70, p. 31.

<sup>18</sup> Gene R. Lacznaiak, "Distributive Justice, Catholic Social Teaching, and the Moral Responsibility of Marketers," *Journal of Public Policy and Marketing*, 18:1 (1999): 125-9.

<sup>19</sup> Adapted from Nicholas Santos and Gene R. Lacznaiak, "Marketing to the Poor: A SWOT Analysis of the Market Construction Model for Engaging Impoverished Market Segments," a paper presented at the Conference on *Corporate Responsibility and Global Business: Implications for Corporate and Marketing Strategy* at the London Business School, July 13-14, 2006.

<sup>20</sup> V. Kasturi Rangan and Arthur McCaffrey, "Globalization and the Poor," in John Quelch and Rohit Deshpande, eds., *The Global Market: Developing a Strategy to Manage Across Borders* (San Francisco, CA: Jossey-Bass, 2004), pp. 335-60.

<sup>21</sup> *Ibid.*, note no. 4, pp. 383-84.

<sup>22</sup> *Ibid.*, pp. 341-43.

<sup>23</sup> Prahalad, *The Fortune at the Bottom of the Pyramid*, p. 3.

<sup>24</sup> Rangan and McCaffrey, "Globalization and the Poor," p. 344.

<sup>25</sup> *Ibid.*, p. 357.

<sup>26</sup> *Ibid.*, p. 358.

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<sup>27</sup> Ibid., p. 358.

<sup>28</sup> Prahalad, *The Fortune at the Bottom of the Pyramid*, p. 21. The dollar purchasing power parity (PPP) measure is a more appropriate measure than the traditional average per capital gross domestic product (GDP) method.

<sup>29</sup> Rangan and McCaffrey, "Globalization and the Poor," p. 358.

<sup>30</sup> Ibid., p. 358.

<sup>31</sup> Ibid., p. 350. The positions of Caufield, Hoffmann, Klein, and Stiglitz are used to arrive at this conclusion. For further reading of these positions see: Catherine Caufield, *Masters of Illusion: The World Bank and the Poverty of Nations* (New York: Holt, 1996); Stanley Hoffmann, "Clash of Globalizations," *Foreign Affairs*, 81:4 (2002); Naomi Klein, *No Logo: Taking Aim at the Brand Bullies* (New York: Picador USA, 1999); Joseph E. Stiglitz, *Globalization and Its Discontents* (New York: Knopf, 1999).

<sup>32</sup> WBCSD, "From Challenge to Opportunity," pp. 6-7. The Tomorrow's Leaders group point out that it could take very little to turn the combination of distrust of business and concern over the world's future into widespread anger.

<sup>33</sup> This discussion has largely been adapted from Santos and Lacznia, "Marketing to the Poor."

<sup>34</sup> This does not imply that the Church prior to Leo XIII did not address matters of social significance. In fact, there are some such as Michael Schuck who argue that we need to consider papal social teaching from 1740 to the present. See Michael J. Schuck, *That They Be One: The Social Teaching of the Papal Encyclicals 1740-1989* (Washington, D.C.: Georgetown University Press, 1991) cited in John A. Coleman, S.J., ed., *One Hundred Years of Catholic Social Thought* (Maryknoll, New York: Orbis Books, 1991), pp. 3-4.

<sup>35</sup> See John XXIII, Encyclical Letter *Mater et Magistra*: AAS 53 (1961), 453, 459 referred to in Catholic Church, *Compendium*, n. 107, p. 50.

<sup>36</sup> See Catholic Church, *Compendium*, n. 108, p. 50.

<sup>37</sup> U. S. Catholic Bishops, *Economic Justice for All*, n. 13, p. 574 in David J. O'Brien and Thomas A. Shannon, eds., *Catholic Social Thought: The Documentary Heritage* (Maryknoll, NY: Orbis Books, 1998), pp. 572-680. Italics in text.

<sup>38</sup> Lacznia, "Distributive Justice, Catholic Social Teaching, and the Moral Responsibility of Marketers," p. 127.

<sup>39</sup> See Ibid.

<sup>40</sup> This is opposed to positions which sometimes portray poverty as being the result of laziness.

<sup>41</sup> U. S. Catholic Bishops, *Economic Justice for All*, n. 16, p. 574.

<sup>42</sup> Ibid. The pastoral adds that "as Christians, we are called to respond to the needs of *all* our brothers and sisters, but those with the greatest needs require the greatest response." n. 16, p. 575.

<sup>43</sup> See John Rawls, *A Theory of Justice* (Cambridge, MA: Harvard University Press, 1971); Lacznia, "Distributive Justice, Catholic Social Teaching, and the Moral Responsibility of Marketers."

<sup>44</sup> U. S. Catholic Bishops, *Economic Justice for All*, n. 16, p. 575.

<sup>45</sup> See John Paul II, *Laborem Exercens*, nos. 25-26 in O'Brien and Shannon, *Catholic Social Thought*, pp. 352-92.

<sup>46</sup> See Robert F. Lusch and Stephen L. Vargo, eds., *The Service-dominant Logic of Marketing: Dialog, Debate & Directions* (M. E. Sharpe, 2006); Stephen L. Vargo and Robert F. Lusch, "Evolving to a New Dominant Logic for Marketing," *Journal of Marketing*, 68 (January 2004): 1-17; C. K. Prahalad and Venkat Ramaswamy, *The Future of Competition: Co-Creating Unique Value with Customers* (Boston, MA: Harvard Business School Press, 2004).

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- <sup>47</sup> Catholic Church. *Compendium*, n. 333, p. 145.
- <sup>48</sup> U. S. Catholic Bishops, *Economic Justice for All*, n. 15, p. 574.
- <sup>49</sup> Catholic Church. *Compendium*, n. 333, p. 145.
- <sup>50</sup> Vatican II, *Gaudium et Spes*, n. 68 in O'Brien and Shannon, *Catholic Social Thought*, pp. 166-237.
- <sup>51</sup> Our IJM approach sees the customer not only as a co-producer but a "co-creator" in the sense that the customer's contribution to the marketing transaction is viewed as a natural extension of all persons having a stake in the economic system.
- <sup>52</sup> Catholic Church. *Compendium*, n. 340, p. 148.
- <sup>53</sup> *Ibid.*, n. 348, p. 151.
- <sup>54</sup> Gordon Platt, "United States: Coca-Cola puts the lid on earnings guidance." *Global Finance*, 17/1 (January 2003): 10. Other large corporations that have followed Coca-Cola's lead include McDonald Corp. and Motorola. See Phyllis Plitch, "Moving the Market – Tracking the Numbers/Street Sleuth: More Companies Put Brakes on Frequent Forecasts; Quarterly Earnings Guidance can take Analysts' Attention Away from Long-Term Goals," *Wall Street Journal (Eastern Edition)*, April 11, 2006, p. C-3.
- <sup>55</sup> Catholic Church. *Compendium*, n. 331, p. 144.
- <sup>56</sup> *Ibid.*
- <sup>57</sup> Quoted in *Ibid.*, n. 257, p. 116.
- <sup>58</sup> *Ibid.*, n. 449, p. 194.
- <sup>59</sup> Social Investment Forum, *2005 Report on Socially Responsible Investing Trends in the United States: 10 year review*, January 24, 2006, <[www.socialinvest.org](http://www.socialinvest.org)>
- <sup>60</sup> See David J. Vogel, "Is There a Market for Virtue? The Business Case for Corporate Social Responsibility," *California Management Review*, 47/4 (Summer 2005): 19-45.
- <sup>61</sup> Social Investment Forum, *2005 Report*.
- <sup>62</sup> Catholic Church. *Compendium*, n. 359, p. 154.
- <sup>63</sup> Laczniaik, "Distributive Justice, Catholic Social Teaching, and the Moral Responsibility of Marketers," p. 127. See also Catholic Church. *Compendium*, "Safeguarding the Environment," nos. 451-487.
- <sup>64</sup> Catholic Church. *Compendium*, n. 449, pp. 194-5; see also John Paul II, *Sollicitudo Rei Socialis*, n. 33 in O'Brien and Shannon, *Catholic Social Thought*, pp. 395-436.
- <sup>65</sup> This is the title of the statement issued by the United States Conference of Catholic Bishops on November 13, 2002.
- <sup>66</sup> John Paul II, Message for the 1998 World Day of Peace, 3: AAS 90 (1998), 160 in Catholic Church. *Compendium*, n. 363, p. 156.