

# Business Ethics is from Mars, Religion is from Venus: Why the Two Need to Talk

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## Abstract

This paper argues for the injection of faith into business ethics and practical wisdom into religion via a mutually beneficial dialog between those two fields. The argument is built upon a model that assumes three sources of knowledge: logic, practical wisdom, and faith.

Business ethics is useless in the absence of a dialog with religion (in the absence of faith) because it cannot find ethical solutions to business problems without first accepting some absolute truth. Religion (while well-meaning) is ineffective providing for the temporal needs of the poor in the absence of the dialog with business because success in the temporal sense requires practical economic wisdom which religion sadly lacks.

The paper ends with an example of what the dialog between business ethics and religion might look like in the context of one area of business: foreign direct investment. The example shows that might avoid the unethical exploitation of foreign workers, and religion might be more effective in giving temporal help those who are employed as a result of foreign direct investment.

## 1.0 Introduction

Gray's "must read" *Men are from Mars, Women are from Venus* considered relationship problems in terms of differences in the way men and women think. Business ethics and religion have the same sort of relationship problems and they are also due to the way the two think. Business ethics thinks without faith. Religion thinks without practical business wisdom.

This purpose of this paper is to make the case for a dialog between business ethics and religion. The argument is built upon a model that assumes three sources of knowledge: logic, practical wisdom, and faith. As will be shown, business ethics is strongly linked to logic, weakly linked to practical wisdom, and not linked to faith at all. Religion is strongly linked to both logic and faith, but not linked to practical economic wisdom. Business ethics sees faith as undemocratic, controversial, and irrational while religion sees business ethics as ad hoc (lacking core beliefs) and corrupt. Both fail because they cannot see the virtue in the other's point-of-view.

Business ethics gives itself the impossible task of establishing moral frameworks in the absence of any absolute truth. Although religion is successful at its primary task of saving souls, it fails in its secondary task of helping the poor in the here and now because it insists on disregarding practical economic wisdom.

This paper introduces the three sources of knowledge in Section 2. Sections 3 and 4 describe the relationship between business ethics and religion (respectively) with the three sources of knowledge. Section 5 shows how a dialog between religion and business

ethics could identify an approach to foreign direct investment that is both ethical and practical. Overall conclusions are made in Section 6.

## 2.0 The Three Sources of Knowledge: Faith, Practical Wisdom, and Logic

John Paul II, in *Fides Et Ratio* (1998), distinguishes between two sources of knowledge: faith and reason. Faith is the source of the truth of divine revelation, and reason is the source of the truth of philosophy. Reason depends on perception and experience to discover what can be known. Faith depends on God's grace to discover why we exist.

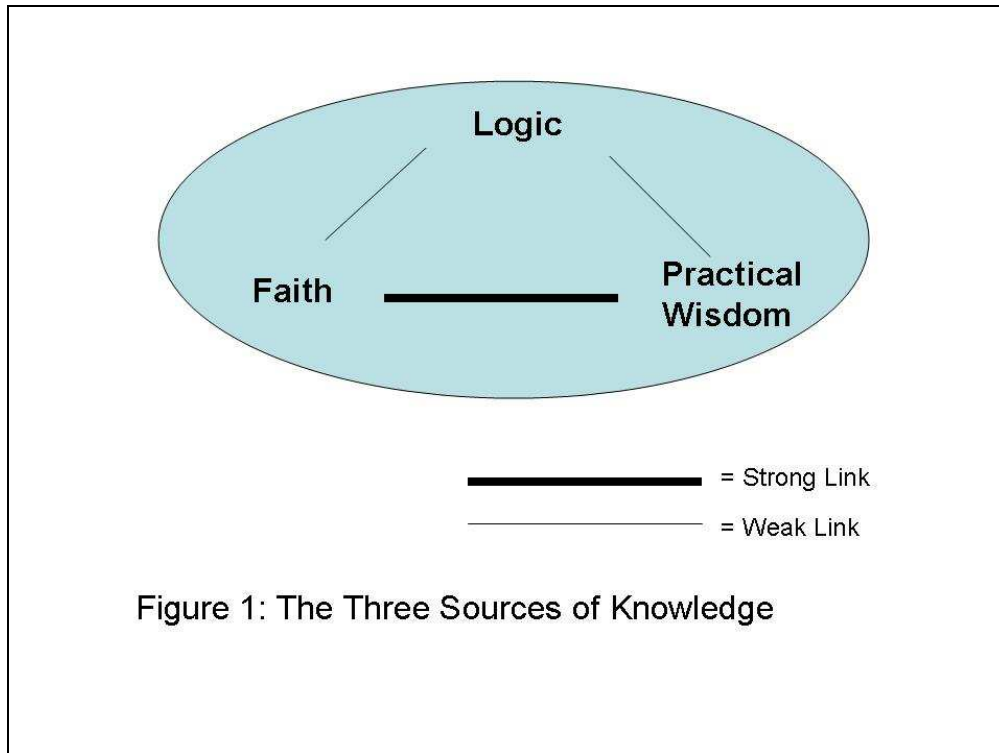
John Paul regretted that philosophical research had generally abandoned the investigation of being (had cut itself off from faith) and concentrated instead on knowing (on reason). He was disappointed that philosophy, rather than trying to learn the truth, actually does nearly the opposite by emphasizing the *limits* of rational thought. Philosophy's lack of confidence in the human ability to find the truth has led to a noxious mix of agnosticism and relativism which he called "undifferentiated pluralism." The operating assumption of undifferentiated pluralism is that all positions are equally valid even if they contradict one another; in short, "everything is reduced to opinion..." Undifferentiated pluralism is roughly equivalent to what most people call relativism.

Young (1996) adds a third source of knowledge by splitting reason into an English and French/German "ethic." In this paper, these ethics will be called by more evocative terms: practical wisdom (empiricism) and logic.

Young's "logic" comes from French and German philosophers including Descartes, Rousseau, Kant, Hegel, Nietzsche, and Marx. Logic finds truth by thought; truth comes from within. Logic, lacking an anchor in the real world, is the branch of reason susceptible to relativism.

Practical wisdom comes from without. It finds truth in history, actual practice, or real-world experimentation (as opposed to thought experiments). It believes what it sees while logic sees what it believes. Practical wisdom uses the real world as a classroom. It seeks out empirical support for theory; it relies on the scientific method and statistics to discover truth. In contrast, logic uses the mind as a classroom; it relies on mathematical proofs or some other mental calculus to discover the truth.

The drawing below shows the strength in the relationships among the three sources of knowledge: faith, practical wisdom, and logic. Faith and practical wisdom both confidently search for the truth and are, therefore, strongly linked. Logic often rejects the concept of truth and is, therefore, not strongly linked to either faith or practical wisdom.



Some would argue for a strong link between logic and faith. Certainly saints like Thomas Aquinas would seem to have used logic to prove the existence of God (Halsall, 1998), yet Aquinas clearly states that one cannot prove the existence of God a priori (by pure reason), but “a posteriori from some work of His more surely known to us.” God’s works are empirical evidence of his existence; logic was not an element in St. Thomas’ formulation.

“Logic and faith have, in fact, been at war with each other for some time; one of the ambitions of the French Revolution was to replace faith with logic. Likewise, logic and practical wisdom have also fought with each other; in fact, as economist Thomas Sowell (1995) demonstrates each represents the preferred way of thinking of the opposite poles of the political spectrum in this country today. That is, American conservatives embrace practical wisdom’s bias for what is and what works in practice while American liberals prefer to use logic in a search for more utopian political solutions. The following two quotes illustrate this point:

Some men see things as they are and say why. I dream things that never were and say why not. – Robert Kennedy (liberal)

They went to work with unsurpassable efficiency. Full employment, a maximum of resulting output, and general well-being out to have been the consequence. It is true that instead we find misery, shame and, at the end of it all, a stream of blood. But that was chance coincidence. – Joseph A. Schumpeter (conservative, “Austrian school” economist)

The next section shows how business ethics is connected to the three sources of knowledge. It will be seen that the lack of a connection to faith leaves it incapable of performing its prime function: confidently giving specific recommendations for particular ethical dilemmas.

### 3.0 The Relationship between Business Ethics and the Three Sources of Knowledge

Religious liberty might be supposed to mean that everybody is free to discuss religion. In practice it means that hardly anybody is allowed to mention it – *Autobiography* (G.K. Chesterton, 1937)

Ironically, one of the earliest and perhaps best courses in business ethics for college students was written by Arthur Andersen, a corporation later destroyed by ethical lapses. How could one of the pioneers of business ethics made such a spectacular ethical mistake? The following quotes from the instructions for ethics professors included in the Andersen course give some insight into the genesis of Andersen’s downfall (Arthur Andersen, 1992):

“Recognize that your task is not to change the moral character of your students but rather to increase their *awareness* of the ever-present ethical dimensions of business activities and decisions.”

“...it is not up to you to tell your students what is right or wrong;”

“When a student asks you a question, reflect the question back to the individual or open it up for the entire group. This helps the facilitator *remain neutral*.”

As the above quotes clearly demonstrate, not only did the Andersen business ethics course have no absolute ethical standard (no “right and wrong”) to impart, it was actually a course *goal* to stay clear of ethical absolutes. It is, therefore, surprising that in its infancy business ethics was deemed impractical because it was *excessively sanctimonious* (Stark,1993). Business ethics began as a field in philosophy/religion, and as such it was more concerned with good and evil than with the real-world problems of business managers. It avoided practical economic wisdom just as religion today continues to ignore it. It regarded business as inherently immoral, and therefore was of no practical use to business.

But once business ethics became a business discipline, it made a violent swing to the opposite end of the spectrum in its preferred source of knowledge. It began to embrace the practical and completely rejected faith (rejected right and wrong). Relativism remains the hallmark of business ethics courses. As a consequence business ethics still cannot produce the “actionable strategies” Stark was looking, but now it is because of its defeatist belief (evident in the Andersen course) that right and wrong are “misconceptions” or “Sunday School” attitudes.

In the Andersen ethics course, the instructor was to familiarize students with a seven-step ethical decision making process that incorporated three ethical perspectives (utilitarian, rights and duties, and justice). The students were then to be given real-world

ethical cases in which they were to apply the seven-step process and ethical perspectives in making ethical decisions according to ... *their own inclinations*. The students were taught that any “solution” to an ethical problem is merely a function of their own point-of-view and whatever ethical perspective he/she believes appropriate for the situation.

The Andersen approach to business ethics education still dominates today. The following quote is from Ferrell (1994):

“We do not, in this book, tell you what is right or wrong, but instead attempt to prepare you to make informed ethical decisions. First, we do not moralize by telling you what to do in a specific situation ... we do not prescribe any one philosophy or process as best or most ethical ... by itself, this book will not make you more ethical, nor will it tell you how to judge the ethical behavior of others. Rather, its goal is to help you understand and use *your current values and convictions* in making business decisions...”

One might wonder how the “current values and convictions” of an Adolph Hitler might be of any use in business ethics. In a still more recent text the author’s advice to ethics instructors is essentially identical to that given in the Andersen course: “They (the students) must be *comfortable* with (the consequences of their decisions) and the knowledge that ... they made what was *for them* the right decision in the circumstances” (Sharp, 2006).

To be fair, Sharp does criticize relativism, but he offers no way to escape it. He offers this useless bit of nonsense, “The debate around relativism is around its applicability: Which behaviors (or values) are legitimately different in different cultures, and which are universal?”

It is anyone’s guess what that is supposed to mean, but the advice seems to be that that local standards (to the extent that they differ from more universal standards) are acceptable if they are *legitimately* different. But what gives a particular difference legitimacy? For that matter, why does the local standard have to justify its legitimacy while the universal standard is (apparently) presupposed to be legitimate? Sharp is apparently uncertain since he goes on to say that an act isn’t necessarily ethical simply because *everyone* else does it (simply because it conforms to a universal standard).

Whether or not the intent of business ethics is to teach relativism, relativism is what is taught, and not that it needs to be. According to Blume (1987), “There is one thing a professor can be absolutely certain of: almost every student entering the university believes, or says he believes, that truth is relative.”

Thus, the common approach to teaching business ethics feigns open-mindedness in its advocacy of debate and the desirability of hearing what each person has to say. But at the same time it is dogmatically closed-minded with respect to the possibility of actual right or wrong. Far from challenging the students’ existing beliefs by exposing them to the merest possibility of truth, business ethics only confirms their relativistic world-view.

Secular fundamentalism is another phrase used to describe the absolute belief in non-belief which is at the core of business ethics. Ekins (2002) criticism of the secular fundamentalists’ argument for the separation of church and democratic politics is adapted here to criticize arguments for separating business ethics and faith. In the original political context he characterizes the separatist arguments as ahistorical (in that they

misconstrue Western political history), incoherent (in that they rely on an unreal distinction between religious and secular reasoning), and incomplete (an argument that does not apply in the new context).

In this context the separatists' arguments translate to at least two arguments for keeping faith out of business ethics. First, history has shown that faith is totalitarian; if faith it is brought into business ethics it will dictate a particular solution to each problem regardless of majority opinion. Second, faith-based ethical solutions are less rational than logical solutions because faith is based upon what one merely believes to be true, rather than on what one can rationally prove. Because faith is less rational its conclusions are also more likely to be controversial than those from secular business ethics reasoning.

According to Ekins the error in the first argument comes from the secular fundamentalist's misinterpretation of history. They incorrectly believe that the origin of the democratic states of France and the U.S. were both the product of a removal of religion from public discourse. After all, they reason, the American Constitution prohibits the establishment of a state religion, and the French Revolution "gave rise to the use of state power in outright opposition to religion..." Thus, it may seem that democracy was only possible once the West separated itself from faith. But the United States, both before and after the Revolution, was and is very religious; there was "a de facto cultural establishment of Protestantism" for most of our first century and religious values have been and still remain a big part of public discussion (witness the movements to establish civil rights and to abolish slavery, abortion, alcohol, etc. which have all been expressed in religious terms). Furthermore, Ekins references empirical proof that among poor nations, democracy is positively correlated to religious intensity.

Again, the secular fundamentalists' second error is the assumption that reasoning based on faith is less rational and more controversial than secular reasoning. They are wrong on both points. Business ethics is no more rational than faith...

"No argument for any conclusion at all in any field *and that includes politics and ethics* as well as the axiomatic disciplines like mathematics can be so completely drawn as to eliminate its dependence, conscious or unconscious, on undemonstrable first premises..." (Budziszewski, 1992)

That is, just as "rational" mathematics proceeds from axioms, which must be taken on faith, all secular reasoning including business ethical reasoning must begin with unsupported ("irrational") beliefs of some sort.

Budziszewski wasn't the first person to realize this. His assertion had been mathematically proven by Kurt Gödel (perhaps the greatest mathematician of the last century) in a paper published in 1931. Gödel proved that every logical system is dependent on axioms that cannot be either supported or refuted by the system itself (Berlinski, 2005).

And might safely assume that even secular fundamentalists would generally regard *The Declaration of Independence* as rational even though it begins with a set of unproven "self-evident" truths. Furthermore business ethics *as it is* has its own set of unconscious axioms; it is, therefore, at least inaccurate or perhaps even hypocritical for a business ethicist to argue that axioms are not needed in his discipline. As proof of this argument, consider the (somewhat silly) axiom implicit in business ethics that an ethical

solution can be found in a debate among informed business people apparently no matter who those people happen to be or what they happened to believe. It is also foolishly taken as axiomatic that students should not be taught right from wrong.

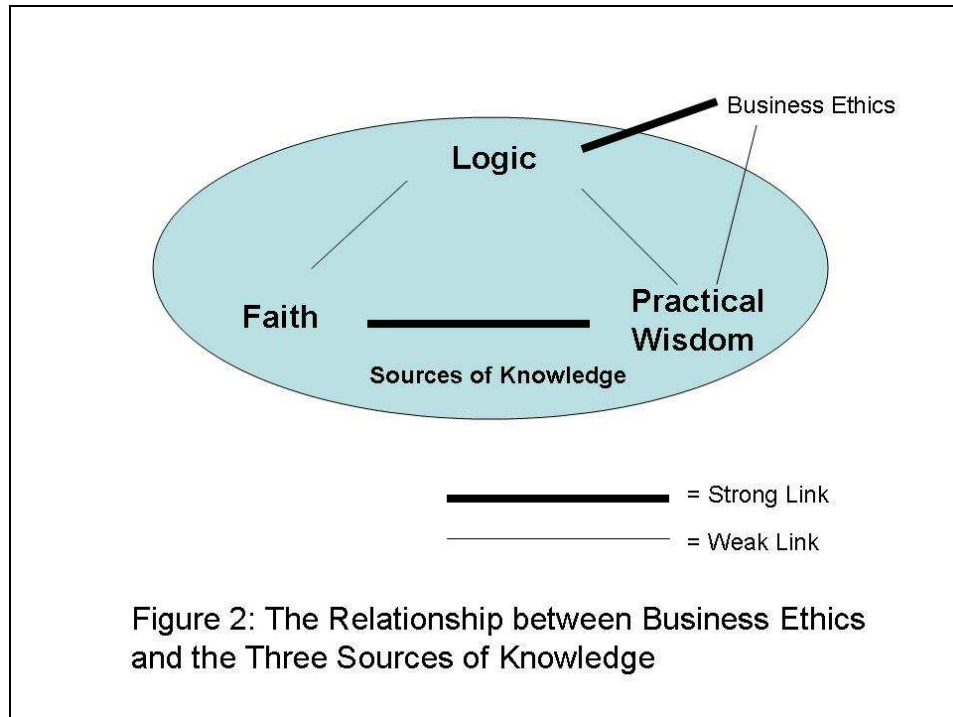
The simple fact is that all aspects of culture, not just business ethics, are inseparable from some truth. Dulles (1999) notes that, “(culture) touching as it does on the transcendent...cannot evade mystery.” Roger Ebert’s (2002) review of *The Godfather* demonstrates the danger of ethical reasoning without truth. He explains that we sympathize with (and even admire) that movie’s obviously evil protagonist, Mafia Don Vito Corleone, because his story is told “entirely within a closed world.” Don Corleone, “does nothing that, *in context*, we can really disapprove of” and is (in fact) “the *moral center* of the film.” Ebert is correct; in a world without truth, rational thought produces an irrational conclusion: Don Corleone is a moral man.

Just as secular reasoning in business ethics is no more logical than reasoning based on faith, it is also no less controversial. Certainly it would be controversial to conclude that the Godfather was a moral man. And Ekins asks us to consider, “the uncontroversial, and explicitly religious premise that we should do unto others as we would have them do unto us” side by side with the “controversial secular premise in the utilitarian theory (common in business ethics) to the effect that maximizing utility is the ultimate good.”

The case has been made that business ethics is cut off from faith, and that that disconnect is fatal. Now it will be argued that business ethics is only strongly connected to one of remaining two sources of knowledge: logic. Young (ibid) explains that, although the modern American university originally showed a preference for practical wisdom, that preference later changed in favor of logic as first graduate schools and later undergraduate programs became modeled after the modern German universities.

Business ethics, like any other academic discipline in the modern “Germanized” American university shows a decided preference for logic. That is, although most textbooks on business ethics contain cautionary tales concerning famous ethical lapses, the methods for finding ethical solutions do not include such practical-wisdom practices as searching for historical analogies (an empirical approach common in military strategy).

As shown below, business ethics is strongly connected to logic, but only weakly connected to practical wisdom. This excessive reliance on logic yields a business ethics that prefers relativism and deconstruction, an ethics without explicitly identified axioms, and (in short) an ethics nearly devoid of common sense.



#### 4.0 The Relationship between Religion and the Three Sources of Knowledge

Economics has been a popular subject among Christian theologians for at least the last two centuries. That said, theologians have preferred the use of logic and faith and apparently rejected practical wisdom (empiricism) in their approach to economics.

The Catholic sacrament of penance/reconciliation used to focus almost exclusively on acts of commission, the “shall nots” spelled out in the 10 Commandments. After Vatican II the penitent were asked to consider their sins of omission as well. “What should I have done that I did not do?” Therefore, it is somewhat ironic that Catholic theologians have traveled in nearly the opposite direction with respect to economics. While they used to speak in terms of what should be done, they now focus more on what should not be done. Their reluctance to give positive advice could stem from the humility gained from the failure of their past recommendations, but one wonders if those recommendations might have been more accurate had the theologians not relied on logic and faith as their only sources of truth. The same comments could be made concerning Protestant theology/theologians.

There is only space in this paper to consider the economic writings of a few theologians so generally only the most “legitimate” were chosen. In the Catholic tradition legitimate teaching authority is vested in the *magisterium*: popes, bishops, and those to whom they delegate teaching authority (Massaro, 2000). While the Protestant tradition has no central authority, the legitimacy of theological sources used in this paper is obvious given each theologian’s position in his religion or the widespread use of his teachings in seminaries, etc.

Gronbacher (1998) gives a historical overview of both Catholic and Protestant economic thinking beginning with five Catholic perspectives from 1891 to the present.

The first perspective is distributionism which is attributed to Pope Leo XIII put forth in his encyclical *Rerum Novarum* (1891). Distributionism incorrectly assumes that economics is a zero-sum game (one party to an economic exchange can only win if another party loses), it stresses the importance of private property, and recommends the family farm as the ideal fundamental unit of the social order. These explicit recommendations are less common these days and were unfortunately made in the absence of any apparent empirical evidence. *Rerum Novarum's* calling for an agrarian lifestyle at a time when people were moving to cities meant that it was inadequate to deal “with the ‘new things’ of industrialization and the capitalist revolution.”

Despite the zero-sum nature of distributionism, Leo was not a socialist. In fact, he warned of the negative consequences of socialism (a term that at that time would have included communism) even before any socialist states existed. Leo attacked socialism in both *Quod Apostolici Muneris* (1878) and *Rerum Novarum* (ibid.) calling it “a deadly plague” and accusing socialists of working on the poor man's envy. Leo not only advocated for private property, but labeled the collectivization of property emphatically unjust warning that the poor would suffer most under the collective. Leo's condemnation of socialism was adamant and absolute; he concludes that socialism is “irreconcilable with true Christianity ...” and (if that were not clear enough) he plainly states that “no one can be at the same time a good Catholic and a true socialist.”

Leo's argument for condemning socialism is logical rather than empirical (this was no fault of his since empirical data would have to wait until socialist economies actually existed...and failed). He proceeds from what he saw as an “essential fact” that one of the most important thing that makes human beings different from other animals is that we do not live strictly for the present; it is *our nature* to forgo some present consumption to build up property for later use. Therefore, if the state deprives us of our right to property, it deprives us of our ability to plan and live for the future and thereby deprives us of humanity itself. Even worse, a parent without property has no means of providing for his own children. Therefore, the state must necessarily take on the role of provider. Leo regarded this civil government control over the family to be a “great and pernicious error” which would ultimately cause the destruction of the home. Thus, Leo concluded that the *sacredness* of private property is the first and most fundamental principle in economics.

Leo also recognized the impossibility of the socialist's goal of equalized outcomes. His argument was simple and purely logical; he reasoned that natural differences in humans would necessarily lead to dissimilar outcomes. Thus, he not only found socialism's methods illegitimate, but its goal impossible.

The “New Deal” is the Gronbacher's second Catholic perspective. The New Deal Catholicism, guided as it was by Keynesian and socialist economic theories, was nearly diametrically opposed to Leo's thinking in that it sought to provide moral justification to the paternalistic state. Again, in the absence of any empirical support, New Deal Catholics called for a powerful state which would mandate a more equitable distribution of wealth, a just wage, labor unions, full employment, safe working conditions, etc. The New Deal school of thought lacks some of the legitimacy of the other Catholic perspectives in that it was the product of thinking outside the magisterium (Monsignor John Ryan being one of its intellectual progenitors).

Gronbacher's third Catholic perspective is Solidarism or Corporatism as developed in Pope Pius XI's encyclical *Quadragesimo Anno* (1931). Solidarism reaffirms Leo XIII's demand for private property, as well as his unambiguous and unqualified condemnation of socialism. *Quadragesimo Anno* may seem at first glance to argue for collectivism in that it makes a strong case for "voluntary professional associations" of workers, managers, and owners that would privately accomplish much of the New Dealer's agenda (set industry standards, adopt codes of ethics, police its own members, etc.). But as Sirico (2006) points out, the context of the Church's apparently pro-union position holds the union "as a viable institutional check on the power of the state" (as opposed to the power of the business). In fact Pius taught that unions and other private associations were not to attempt to monopolize the supply of labor and thereby force working men to "either join them or starve."

In other respects Solidarism shows itself to be neither anti-individual nor anti-capitalist. While *Quadragesimo Anno* is plainly critical of early 20<sup>th</sup> century capitalism, it is clear that the "liberalism" both Leo XIII and Pius XI criticize is something other than free markets. Pope Leo XIII's *Libertas* (1888) gives "liberalism" a very broad meaning to include even concepts such as the separation of church and state, freedom of speech, civil law, freedom of worship, liberty of teaching, tolerance, etc. Obviously he wasn't against most (perhaps all) of those. His criticism of liberalism seemed to be in reference to what we would now call secular fundamentalism. This "liberalism" has more in common with communism (which is intentionally atheistic) than it does with capitalism (which can be atheistic, but without any specific intention). Furthermore, Pious XI explicitly states his tacit support of free markets via his agreement with Leo's comment (from *Rerum Novarum*) which recognizes the legitimacy of both capital and labor in these strong words (among others), "capital cannot do without labor, nor labor without capital."

And while Pius and Leo both opposed the greed of some capitalists, they nevertheless insisted that the owners of capital deserve more of a return on their investment than an amount sufficient to repair and renew their capital. Pius went so far as to characterize the Marxist claim to the contrary as "much more specious than that of certain of the Socialists who hold that whatever serves to produce goods ought to be transferred to the State..."

Gronbacher's fourth Catholic perspective is Liberation Theology which he said was *inspired by* "the work of both John XXIII (*Mater et Magister* [1961], *Pacem in Terris* [1963]) and Paul VI (*Populorum Progressio* [1967])." Not only was liberation theology not the direct product of the magisterium, it seems to have actually been a misinterpretation of magisterial teaching, and was later actually condemned by the magisterium.

Gronbacher describes Liberation Theology as the attempted "synthesis of moral theology with Marxist economics" in which an attempt is made to "portray Christ as a Marxist revolutionary." In it, the spiritual aspects of Christianity are downplayed in favor of the temporal. It gave specific economic policy recommendations, again without any empirical support, at a time when the magisterium had moved away from making positive economic recommendations (had moved from "thou shall" to "thou shall not").

Liberation Theology begins with the (reasonable) belief that the Gospel demands a preferential option for the poor, and ends by suggesting that the church must be

involved in a real-world struggle for economic and political “justice” particularly in the third world. Liberation Theology hit its high water mark about 1980, but by the mid-1980s the church began to “reign in some of the more outspoken liberationists” (Gill, 2002). Pope John Paul II found liberation theology to be heretical which ultimately caused Leonardo Boff, one of its two main proponents, to leave the priesthood. Boff’s perverse attention to the temporal was evident in his post 9/11 lament that while only “one plane hit the Pentagon. Twenty-five planes should have hit it” (Washington Times, 2002).

Pope Benedict XVI (as Cardinal Ratzinger - 1994) argued that the “science” in liberation science was seriously flawed. He asserted that Marxist analysis in liberation theology failed to act as real science when it neglected to perform a careful “epistemological critique” (when it fails to consider what sort of mistakes it is likely to make).

The Pope could have easily criticized Liberation theology on an empirical basis, but failed to use that approach consistent with the practices of his predecessors. Even though liberation theology focused primarily on the temporal, it was in the precisely in the temporal realm where its failures were most evident so a temporal (empirical) attack would have been very effective. As will be seen later, liberation theology’s failure to deliver temporal benefits to the poor in Guatemala led to missionary Catholicism being upstaged by evangelical Protestantism.

Gronbacher’s final Catholic perspective is Economic Personalism which grew out of a dialogue between free-market economists and Christian social thinkers; its analysis relies on insights from free markets. Economic Personalism evolved from Polish Personalism, the product of a young Polish priest/theologian, Karol Wojtyla (later John Paul II). Gronbacher argues for the compatibility of free-markets and Economic Personalism noting that John Paul II found that 1) wealth is created and not simply found in nature (and therefore wealth “distribution” is not a zero-sum game), 2) entrepreneurship is especially important to poor economies, 3) entrepreneurship has many noble virtues including industriousness, competence, order, honesty, initiative, frugality, thrift, spirit of service, keeping one’s word, daring, etc., 4) the traditional Roman Catholic principle of subsidiarity and its recommendation of free decisions of individuals in the marketplace calls for enterprise apart from state control, and 5) the state is responsible for safeguarding the prerequisites of a free economy.

Finn (1999) suggests that Gronbacher overstates the case for the alignment between Economic Personalism and free-market schools of economics. While Finn agrees that many aspects of the free-market Chicago, Austrian, and Virginia Schools are compatible with the writings of John Paul II, he nevertheless insists that significant points of departure still exist. For example, Economic Personalism is not in lock step with Hayek’s (the Austrian School’s) rejection of the notion of social justice, Friedman’s (the Chicago School’s) belief in freedom as the ultimate goal and the individual as the ultimate entity in society, or Buchanan’s (the Virginia School’s) view of property rights as nearly absolute.

But there is evidence that John Paul II was, in fact, in substantial agreement with a great deal of the free-market school thinking. As Gronbacher notes, Rocco Buttiglione, an Italian philosopher, “is often credited with bringing the work of F.A. Hayek and Ludwig von Mises to the attention of John Paul II, then working on his early drafts of

*Centesimus Annus* (1991).” Clearly John Paul II would not have let a known advocate of the free-market school work on an economic encyclical unless he (John Paul) was accepting of free market principles.

It is true that John Paul criticized *radical* individualism in his 1990 address to the business community of Durango, Mexico. The Pope criticized owners of great fortunes who “show no willingness to give up their privileges for the sake of others”, and spoke of how God had intended that the goods that make up his creation were intended to benefit all human beings while the excessive cornering of goods by the wealthy had deprived the poor of their rightful share.

But the essence of even the Durango address was pro-capitalism where capitalism equals virtuous individualism. The Pope emphasized that he had always been very interested in meeting business people in his apostolic journeys since he placed a great deal of hope in them. He said that his intention was to describe the role that business people *should play* on the North American continent. He argued that business is not merely morally legitimate, but *essential* to a moral society.

As further evidence of John Paul’s pro-capitalism intentions, it should be noted that he explicitly supported at least his own definition of capitalism in *Centesimus Annus* which was published a year *after* his Durango address. His endorsement of capitalism is especially remarkable given the traditional suspicion Catholic theologians had had of business and the reluctance of his more recent predecessors to specifically recommend *any* economic system.

His recommendation of capitalism in *Centesimus Annus* (1991) begins with two rhetorical questions, “should (capitalism) be the goal of the countries now making efforts to rebuild their economy and society?” and “ought (capitalism) be proposed to the countries of the Third World which are searching for the path to true economic and civil progress?” He answers that if capitalism is an “economic system which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector, then the answer is *certainly in the affirmative...*”

Some summary observations can be made regarding the Catholic perspectives. The first is that the closer one gets to the magisterium, the more individualistic/capitalistic the thinking. The two more totalitarian perspectives (New Deal and Liberation Theology) were both the products of philosophical reasoning below the level of the magisterium. The second observation is that despite the fact that in recent times the magisterium has been loathe to make any economic system recommendations, communism has been consistently condemned, and capitalism has been explicitly recommended.

Gronbacher also discussed three Protestant perspectives. The first of those belonged to Luther who was suspicious of free markets but was nevertheless compelled to conclude that goods should be bought and sold at market-based prices. Lutheran suspicion of markets remained until at least the early 20<sup>th</sup> century (in which Reinhold Niebuhr expressed much the same suspicion of markets as had Luther in his day). Niebuhr extended Luther’s line of thinking using Marxist economic analysis in his critique of capitalism in *Moral Man and Immoral Society* which (as De George notes) became the basis for courses in seminaries and schools of theology. Still, Niebuhr recognized the danger of government control. In fact, he described totalitarian

government and laissez-faire economics as the two contrasting perils of modern society (although he nevertheless recommended government control of the economy).

John Paul II made reference to the same contrasting perils in *Centesimus Annus* (“The individual today is often suffocated between the two poles represented by the state and the marketplace”), but the Pope did not believe that either should either dominate or be replaced. The Pope employed the Catholic concept of subsidiarity (the concept that decisions should be made at the lowest level of society possible) and reasoned that market decisions should be made at the level of the business and that the state should limit its economic influence to providing the rules of the game and enforcing those rules (policing) in the marketplace.

The second Protestant perspective was that of John Calvin who supported the market including private property, capital accumulation, etc. Abraham Kuyper extended Calvin’s theology by developing the concept of sphere sovereignty according to which each unit of society (state, family, school, church, etc.) has its own God-given responsibilities. This concept is compatible with the Catholic (John Paul II’s) concept of subsidiarity.

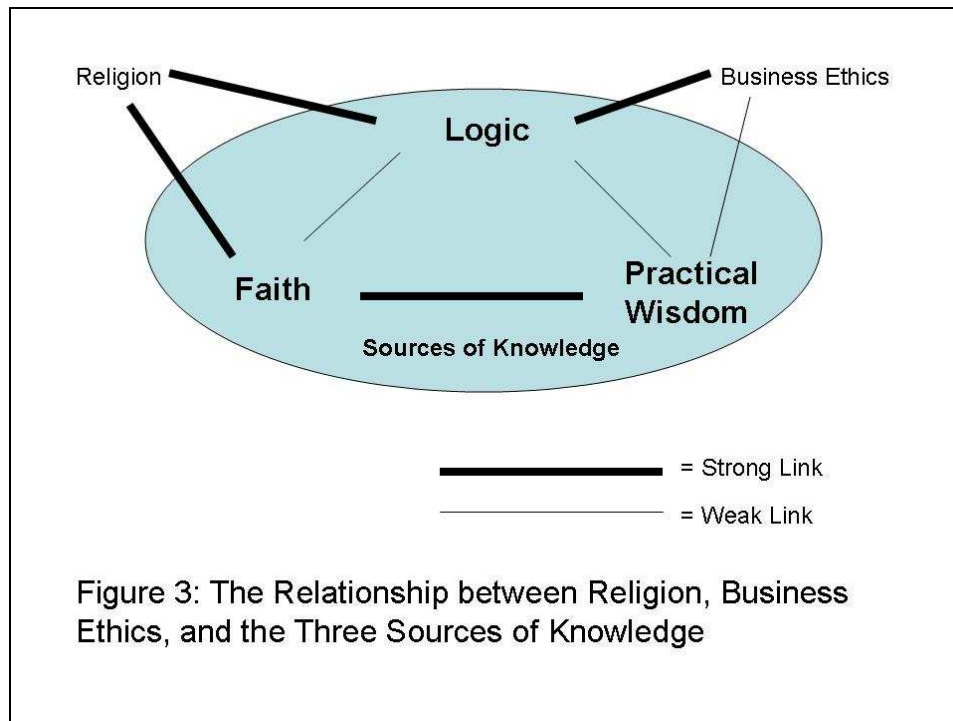
A third Protestant perspective was attributed to John Wesley. Wesley argued that money itself was not evil, but that moral judgments could be attached to the way it was obtained or used. Wesley believed that people should be entrepreneurial and make as much money as they honestly can and that they should give freely to the poor as well as to their own families.

This discussion leads to the following conclusions. First, theologians have generally preferred to use faith and logic and avoid empirical evidence in their economic thinking. Second, while theologians may condemn they do not generally reluctantly endorse particular economic systems.

It is not surprising to find religion tightly linked to both logic and faith and not linked to practical business wisdom. Religion is *about* faith so the link from religion to faith is necessarily strong. Of the two remaining sources of knowledge, only logic is suited to an exploration of faith. Empiricism can show which type of economic system works, but it is not suited to show which is “right” in a religious sense. For example, Goldberg (2006) notes, “Pro-life (people) often concede that having an unwanted baby is ‘bad’ for both the baby and mother in material (economic) terms. (But pro-lifers) simply say that a higher law applies.” That is, empirical economic evidence fails to condemn abortion (which many would call evil in a religious sense).

The weak link to empiricism/practical wisdom (at least as far as business is concerned) may also be due to the relative newness of the science of economics compared to religion and theology. Christianity is 2,000 year-old religion, and it may simply be that the use of statistics has yet to “catch on” in theological circles.

The following drawing summarizes the relationship between religion and the three sources of knowledge. The relationship between business ethics and those sources is also shown (repeating the view in Figure 2). The drawing shows no direct connection between religion and practical wisdom (a point that has hopefully been made by now). There is also no direct connection between religion and business ethics; this is the connection that is being advocated. That connection could mitigate the disconnect between religion and practical business wisdom as well as the disconnect between business ethics and faith.



While religion has occasionally made attempts to analyze the moral ramifications of economic activity, it has failed to consider the practical ramifications of its pronouncements. This isn't to say that religion must provide ethical solutions that work; God, after all, is under no obligation to make the righteous rich. But, if religious thinkers want to improve the condition of the poor (and most say that they do), then they should show more concern for the practical ramifications of their recommendations. Likewise business is under no obligation to make ethical decisions that are really ethical in a religious sense, but a connection to faith would certainly help if that is the intention.

### 5.0 A Dialog between Religion and Business Ethics – The Right Approach to FDI

The last two sections have suggested the need for a dialogue between religion and business ethics. Business ethics needs to recognize truth so it can give specific practical answers to ethical problems. Religion needs to at least consider the likely real-world results of its well-meaning theologically-based recommendations.

Weigel (2005) and Dulles (ibid) both argue for closer ties between the real world and religion. They each attribute the horrors in 20<sup>th</sup> Century Europe to a rejection of Christianity. When the state rejected faith, Europe experienced pagan National Socialism and the “animal farm” of Leninist communism. When business ethics rejects faith, we get a type of libertarian capitalism that John Paul II called “savage” and Dulles called the “anarchic jungle of social Darwinism. And when religion rejects the practical wisdom of business we get liberation schemes that fail to either evangelize or bring prosperity.

This section will consider what a dialog between business ethics and religion might look like in one specific instance, an attempt to specify the right way to go about

foreign direct investment (FDI) in developing nations. This ethical problem seems like a good one in that it is “hot” and the moral hazards are endless.

FDI is defined as at least a 10% equity stake in a foreign business (not just the purchase of a few shares of stock), so those who engage in FDI have real power over such things as working conditions in the foreign businesses in which they invest. FDI is an important expression and driver of the best and worst aspects of globalization. The ethics of FDI are the ethics of globalization itself.

Any dialog between business ethics and religion would soon lead to the realization in both communities that the “right” FDI must be both ethical and profitable. Although religion might regard the intention to profit from doing business with the poor as wrongheaded, business ethics no longer does. Stark (*ibid.*) wrote that before business ethics was a business discipline (when it was in the hands of the religious/moral philosophers) it made the mistake of assuming that profit and ethics were mutually exclusive; that assumption meant that business ethics was useless for business itself (useless for the only group that might have been guided by it).

Just as business ethics felt no pressure to help business, most theologians have not felt pressured to develop a theology that might help the temporal condition of their flock. And those few who did focus on the real-world, the liberation theologians, failed to consider empirical data (the real-world effect of their theology). Gooren (2002) describes, for example, how Catholic missions based on Liberation Theology lost members to evangelical Protestantism in Guatemala City due to Liberation Theology’s inability to deal with the real-world problems of poverty, alcoholism, etc.

Theologians may believe that practicality requires compromise, but as has already been shown there is a type of capitalism that appeals to both the logic of the theologian and produces positive results in the real world. Certainly the Liberation Theologians did not consider their logic-driven approach to be selling out; their big mistake was being impervious to empirical results.

Theologians may be pleasantly surprised to discover that practical business wisdom has presupposed win-wins since the demise of merchantilism (in the 18<sup>th</sup> century). Some theologians who had been reflexively anti-business have already begun to discover the error of their ways. Novak (1996), for example represents the thinking of a formerly anti-business priest/theologian who now sees business as a calling. No businessperson would doubt that FDI must not only profit the business, but must profit the host nation and its people as well. If the Marxists are right (if capitalist investment is necessarily exploitative) then FDI cannot be both ethical and profitable and the dialog need go no further. But assuming one can’t fool all of the people all of the time, it must follow that any truly exploitive FDI will eventually lead to nationalization, strike, or condemnation in the international community (any one of which would destroy profit).

Just as the dialog would teach theologians the practical wisdom of win-wins, so too would the business ethicists be taught the importance of truth. Yardley (2006) mentions that Yahoo has been globally denounced for turning over information that helped the Chinese government convict dissidents, and Google is now on the same road to perdition having agreed to introduce a Chinese version of their search engine which restricts searches for terms such as “Tibet” and “democracy” (although Google seems to be rethinking their intentions at the time of this writing). The business ethicist informed by faith could confidently state that Yahoo’s action was evil, and that Google’s is

supportive of evil; he could dispense with the nonsensical conclusion that a corporation is acting ethically if its executives are happy with their ethical decisions. No ethical alchemy can turn Yahoo's evil straw into ethical gold even if the corporate suits are happy.

Where would the dialog end? Assuming the religious and business ethicists were able to work together, what might their recommended approach to FDI look like? It might very well resemble the "Engaged Citizenship" advocated by Timberland President and CEO Jeffrey Swartz (2004) or a "Constructive Engagement" advocated by Michael Novak (ibid.). Both approaches specifically address the issue of FDI in developing nations, combine religious attention to truth with the practical wisdom of profit, and recognize the difference between virtuous and selfish capitalism.

Although Swartz is a hard-nosed businessman, he uses faith to make his argument. He admits to believing in God, and admits that he cannot prove that commerce and justice go together. Business ethics as it is cannot support him.

Swartz, himself an heir to the Timberland business, commits his own company and his own wealth to the basic rights of all of Timberland's value chain (even those who are employed by subcontractors in developing nations...people not directly employed by Timberland). He calls this approach "engaged citizenship." Practical wisdom, as practiced in engaged citizenship, insists on profitability not only on the financial side of Timberland's balance sheet, but on the charitable side as well. Engaged citizenship wants both while religious philosophers may have been satisfied with an honest (but failed) attempt to help the poor, and business ethicists may have been satisfied with a profit that failed to help the poor.

Engaged citizenship is compatible with Easterly (2006) who recommend "searching" as opposed to "planning." Big unworkable plans come down from outside "planners" meanwhile "searchers" look to the local situation and the local people for ideas about what might work. Swartz gives an example of the searching approach (without calling it that). He tells of a woman in the Dominican Republic who said that his literacy program at Timberland (a top-down example of "planning") wasn't working because her children would not become Timberland employees until they had gone through the same poor school (outside the company) that she had gone to. Her children would be left illiterate due to the ongoing failure of the local public school. Her advice was to take Timberland's literacy into the community and fix the problem at its source instead of repairing the damage later. She recommended beginning literacy work with the kindergartners. She was a low-level searcher, running her grass-roots idea up the chain of command.

Swartz was open to a bottom-up idea because, as a business person, he is focused on results (on empirical data). Swartz's abandonment of top-down management style in his charitable operations could have been easily predicted. Modern business practice calls for bottom-up management and so it is not surprising that the practice spilled over into his charitable "operations." Consistent with modern management practices, Swartz listens to the recommendations of people at the bottom, lets them try what they recommend, and then evaluates the results.

Easterly's objections to planning in economic development is nothing more than a restatement of what business has known for over 60 years. It is nothing more than a restatement of Von Hayek's (1944) position on central planning. Unfortunately in the

absence of the dialog, this well-known economic theory is something new in the foreign aid policy literature. Easterly's conclusion is exactly the sort of results that one would expect to come from a dialog between business and religion. Religion, unfamiliar with the concepts of feedback and accountability has relied too long on logic-driven grand plans rather than more organic modern management techniques.

Novak (ibid.) also provides a vision of what the dialog could yield. He sees a "constructive engagement" between business and the poor. Businesses would work with human rights groups or religious groups that are not reflexively anti-capitalist. He points out the error on the one hand of business leaders who see themselves only as economic animals and on the other hand of traditional moralists blind to the empirical consequences of their fine moral ideas.

Novak shows that the quiet diplomacy practiced by businesses such as Unocal have been more effective in dealing with dictators than the noisy self-serving bullying practiced by human rights groups. Dictators are often excessively proud people who will do many things privately that they will resist if bullied in public.

Business (in the absence of the dialog) also has its problems. It often believes itself praiseworthy if it merely acts in accordance with the laws of the developing nations, but Novak warns that a constructive engagement that is wholly passive (mealy "legal") is actually destructive. While it might seem dangerous for a corporation to push a dictator too hard, Novak believes that pushing is necessary in order to avoid being complicit in the dictator's actions. The passive stance taken by Google in China is an example of the passivity of which Novak warns. While Google isn't actively doing something evil (they haven't turned over the names of dissidents as Yahoo has), their intention to limit search engines to politically correct subjects makes them complicit in China's immoral actions.

Novak suggests that moral pressure from business can be applied even to the worst dictators relatively safely and effectively so long as it is done quietly. He reasons that dictators respect power and are likely to be especially respectful of aggressively moral business people since (surrounded by "yes men" as they generally are) dictators respect and trust those straight-talking business people who make no attempt to hide their disagreements; dictators (even more than most politicians) are in need of people they know they can trust.

## 6.0 Conclusions

There are three sources of knowledge: faith, practical wisdom, and logic. Business ethics is strongly connected to logic, weakly connected to practical wisdom, and not connected to faith at all. This leaves business ethics incapable confidently giving specific recommendations and open to justifying anything that business people can live with.

The secular arguments for keeping faith out of business ethics are ahistorical, incoherent, and incomplete. Faith is not anti-democratic (as the secularists assume). Faith is no less rational, nor less controversial, than secular reasoning.

Religion is strongly tied to faith and logic, but is not connected to practical wisdom (in the economic sense). This leaves religion well-meaning, but often ineffective in its attempts to help the poor.

While business ethics avoids declaring anything right or wrong, religion avoids endorsing any specific economic systems. Theologians have written about economics, but have generally confined their judgments to the characteristics of economic systems (rather than the economic systems themselves). Religion's unwillingness to endorse specific economic systems is one of the causes of religion's ineffectiveness in helping the poor. This unwillingness may stem a lack of knowledge about the results of economic systems, and that lack of knowledge may in turn be caused by religion's lack of interest in empirical data.

This paper has argued for a dialog between religion and business ethics. It is expected that the dialog would make each aware of the sources of knowledge that it ignores. Business ethics would learn about right and wrong from faith, and religion would learn about what does and does not work from practical wisdom. A projection of what the dialog might look like in the context of foreign direct investment showed that it might lead to something like Swartz's "engaged citizenship" or Novak's "constructive engagement."

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