

“SITUATING AND EVALUATING INSTITUTIONS IN THE COMMON GOOD”

Common Good and Neo-Liberalism Perspectives

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ABSTRACT

Business Institutions play a fundamental role in ensuring and preserving the common good of society. The underlying philosophy of global society and its institutions half a century after the Second World War still remain largely divided between capitalism and socialism. The capitalists seemed to have won when the 'iron curtain' fell in 1989. Was this the case? Not everyone has progressed since the end of the Cold War. Since 1990 some 55 countries have had declining per capita incomes, while inequality has risen within and between countries. It is too soon to say whether global capitalism will be saved from itself. This thesis is a theoretical analytical attempt at providing an assessment of business institutions from the perspective of the social common good as understood in the Aristotelian-Thomistic philosophic tradition.

Key Words: *Common Good, Business Institutions, The firm, Social Structure, State, Capitalism.*

Las Empresas juegan un papel fundamental a asegurar y preservar el bien común de la sociedad. La filosofía fundamental de la sociedad global, medio siglo después de la Segunda Guerra Mundial, todavía se quede en gran parte dividido entre el capitalismo y el socialismo. Los capitalistas parecidos haber ganado cuando el "telón de acero" se cayó en 1989. ¿Fue el caso? No todos progreso desde el fin de la Guerra Fría. Desde que 1990 unos 55 países han tenido rentas por habitante declinantes, mientras la desigualdad ha subido dentro y entre países. Es demasiado pronto decir si el capitalismo global será éxito. Esta tesis es una tentativa analítica teórica en proporcionar una evaluación de Empresas desde la perspectiva del bien común social comprendió como en la tradición Aristotélico-Tomístico de la filosófica.

Palabras Claves: *Bien Común, La Empresa, Instituciones, Estructura Social, El Estado, Capitalismo.*

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ABBREVIATIONS

IFRS	International Financial Reporting Standards
GAAP	Generally Accepted Accounting Principles
GCR	Global Competitiveness Report
GDP	Gross Domestic Product
GNIPC	Gross National Income Per Capita
IMF	International Monetary Foundation
NASDAQ	National Association of Securities Dealers Automated Quotation System
NE	Nicomachean Ethics, by Aristotle
Pltcs	‘Politics’ by Aristotle
SEC	United States Security and Exchange Commission
SME	Small and Medium Enterprises
“Triple P”	Triple Bottom Line
U.K.	United Kingdom
U.N.	United Nations
U.N.G.A. res.	United Nations General Assembly Resolution
U.S.A	United States of America
U.S.S.R	Union of Soviet Socialist Republic
WEF	World Economic Forum

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“SITUATING AND EVALUATING INSTITUTIONS IN THE COMMON GOOD”

AN INTRODUCTION

There seems to be an unwritten principle in capitalistic societies that “...There is one and only one responsibility of business... to increase its profits...”¹ The 2008 world financial crisis, largely perpetrated by unethical business practice in post-modern western societies, gave an opportunity to citizens to reconsider the tenets of capitalism and free markets. Part of the discussion that ensued was the reassessment of the scope and role of corporate institutions’ in society. The underlying philosophy of society and its institutions half a century after the Second World War still reminisced over the cold-war between capitalist and socialist societies. The capitalists seemed to have won when the ‘iron curtain’ fell in 1989. Was this the case? To wit, Douglas Cassel points out that while global prosperity has risen dramatically in recent decades, not everyone has progressed since the end of the Cold War. Since 1990 some 55 countries have had declining per capita incomes, while inequality has risen within and between countries. It is too soon to say whether global capitalism will be saved from itself by regulation, just as American national capitalism may have been saved by the New Deal reforms it opposed. As Pope John Paul II has warned, the world must not succumb to a "radical capitalist ideology" which "blindly entrusts" social problems to market forces².

In the world political stage the Universal Declaration of Human Rights and the United Nations General Assembly both point out that "Everyone, as a member of society, is entitled to the realization, through national effort and international cooperation and in accordance with the organization and resources of each State, of the economic, social and

¹ Donaldson, Thomas and Werhane, Patricia, *Ethical Business*; New Jersey: Prentice Hall, 1983; p. 180; quoting Milton Friedman, *Capitalism and Freedom* Chicago: Chicago University Press, 1962.

² Cassel, Douglas, Human rights and Business Responsibilities in the Global Market Place; *Business Ethics Quarterly*, Volume 11, Issue 2. ISSN 1052-150X, 2001. pp. 261-274: p 261

cultural rights indispensable for his dignity and the free development of his personality" and it also points out that "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and necessary medical care and necessary social services, and the right to security in the event of unemployment."³

In an informal talk entitled, "Free Markets for Free Men," delivered on October 17, 1974, before a group of business leaders and others concerned with commodity markets, at a luncheon sponsored by the University of Chicago, Milton Friedman lauded the achievements of the United States of America saying that; "It's true that there have been free men who have made free markets. The founders of this country, the fathers of our Constitution, were free men who believed in individual and personal freedom, and they set up a Constitution that was designed to preserve free markets. But many people who regarded themselves as free men have produced totalitarian societies. The intellectual creators of the Soviet Union would have called themselves free men and would have said that they believed in individual and personal freedom. Yet they created not free markets but controlled markets."⁴

He later on explained that it is institutions that actually make free men. "I believe that you cannot really say that free men make free markets. They may or may not. But you can say with great certainty that free markets make free men and that controlled markets destroy free men." He then elaborated this statement saying, "the tycoons of the 19th century were willing to express their opinions on affairs, wherever the chips might fall. The tycoons of the 20th century are people who have learned how to get around Washington."⁵

With regard to the free men of the then Union of Soviet Social Republics (Russia) and those of the United States of America (USA), Friedman explained the nature of their

³ Ibid., 262 quoting, U.N.G.A. res. 217 A (III), U.N.Doc. A/810 at 71 (1948)

⁴ Friedman, Milton, Free Markets for Free Men; Selected Papers, No. 45, October, 1974, Graduate School of Business, University of Chicago; p 1.

⁵ Ibid., p 8

differences in the following way; “If they do not seem to be free men, and people in the United States do seem to be free men, it’s not because of a difference in their personal character or anything like that. It’s because of a difference of the institutions in the two countries. The chief difference in the institutions is that we still have some small measure of free markets while they have a much lesser measure of free markets.” He crowned this part of his speech by letting the audience understand that what “I’m giving you is the general argument for free trade that Adam Smith developed two centuries ago”. Friedman was so Smithian that he even mimicked the famous Smithian scepticism when he pointed to the engaging paradox of mending society - “Well it must be free men who make free markets. There’s an element of truth in that, but I think to a far greater extent free markets make free men and not the other way around.”⁶

Most capitalists seem not to have faith in man’s ability to fashion a ‘good’ society although paradoxically they seem most in favour of the unbridled human freedom to elect how “to spend your money, what to do with your time, where to work, what job to take, where to live.” It smacks of a self-contradictory ‘totalitarian’ system since, at one and the same time, one should be utterly free and totally subservient to a free market system freely; outside of which there is scepticism of any success in modelling a just human society⁷. George Stigler and Paul Samuelson have pointed out that the principle of ‘unanimity’ within free markets is of course completely impractical⁸. History has shown that institutions in themselves are not enough to ensure the common good. Personal freedom in solidarity is possibly the alternative.

⁶ Ibid., p 1

⁷ George Stigler and Paul Samuelson explain that totalitarianism, especially boarding on inefficiency and terrible cruelty is wrong but that neither is there a possibility of efficient decisions when we consider the other extreme side of freedom since it is impossible to draw the line where freedom is present or not. Should it be 51% or should there be no action if it is not unanimous? Cf. Stigler, G.J. and Samuelson, P., A Dialogue on the Proper Economic Role of the State; Selected Paper No. 7, , Graduate School of Business, University of Chicago, 1963; Pp 1-40; p 33

⁸ Stigler, George .J. and Samuelson, Paul, A Dialogue on the Proper Economic Role of the State; Selected Paper No. 7, , Graduate School of Business, University of Chicago, 1963; Pp 1-40; p 32

A question then arises from the foregoing, can it "perhaps be said that, after the failure of Communism, capitalism is the victorious social system, and that capitalism should be the goal for countries now making efforts to rebuild their economy and society?"⁹ I have tried to analyse the nature, place and role of business institutions from the standpoint of the Aristotelian – Thomistic concept of the common good. John Paul II made an attempt at responding to his own question and mentioned that the answer is complex. "If by 'capitalism' is meant 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, even though it would perhaps be more appropriate to speak of a 'business economy', 'market economy' or simply 'free economy'. But if by 'capitalism' is meant a system in which freedom in the economic sector is not circumscribed within a strong juridical framework which places it at the service of human freedom in its totality, and which sees it as a particular aspect of that freedom, the core of which is ethical and religious, then the reply is certainly negative"¹⁰.

It is in the nature of human beings and human society to struggle for greater communion, culture and material well-being. Social life is necessary for the perfection of the person¹¹. The principle motive of human action in society is the common good, which includes the personal good. Thus, the good of the person and the social good, or common good, are inseparable principles in the life of man. Therefore, the human being acts to attain his own perfection and in doing so two aspects are made manifest; the first is that in attaining his own perfection he enables the society flourish and secondly, he can only seek his perfection best in a flourishing society. To use an analogy of the human body, which is multicellular, each cell performs certain processes similar to the human processes for eating, breathing, and reproduction. In doing so it contributes to the health of the whole

⁹ Cassel, Douglas, Human rights and Business Responsibilities in the Global Market Place; Business Ethics Quarterly, 2001; P 270; quoting John Paul II, 1991 Encyclical, *Centessimus Annus*, para. 42

¹⁰ Ibid., p 271

¹¹ Aquinas, Thomas, S Th II-II, q188, a8

body; but similarly, the cell functions best in a healthy body; when all the other cells are functioning well. Hence, analogically, the common good of society and the particular good of the individual are inseparable. Aquinas' reiterates this when he says that the common good is the end of each individual member of a community, just as the good of the whole is the end of each part. On the other hand, the good of one individual is not the end of another individual¹²... and in another place he says that "the good of a nation is more divine than the good of one man"¹³.

I will use the term common good in the manner in which it is construed in the Aristotelian-Thomistic tradition. It is generally agreed that the term has its roots in Greek philosophy, but that it is Aristotle who uses the terms 'sumpheron koinon' – meaning common advantage¹⁴ and 'agathon koinon' translated as common good¹⁵. He explains that "the good of the *polis* is [a] greater and more complete good to acquire and preserve". While the personal good of the individual is necessary and incumbent on each person to seek, it is finer and more divine to preserve it for a people and for poleis [the plural form of polis]"¹⁶. Polis in the Aristotelian sense is the city state, such as Athens or Sparta were, in which the communities find the greatest happiness in common life. The common good, the good of the polis, is thus explained in contrast to the exclusive good of the individual, which is inferior. Hence, the common good is "a good proper to, and attainable only by, the community, yet individually shared by its members"¹⁷. The common good is manifested when the core activity (work) of all men and every man is directed to the universal good of society and the person, so that the nation-state or 'polis' and each part of it is flourishing. It remains one while being shared among many.

¹² Ibid., S Th II-II, q58, a9

¹³ Ibid., S Th I, q108, a6

¹⁴ Aristotle, Ethics, III.6.1278b19-24, "the common advantage also brings them together insofar as they each attain the noble life. This is above all the end for all both in common and separately."

¹⁵ Aristotle, Metaphysics, 350 B.C., (Translation, W. D. Ross, 1994), Book XII, 10. <http://classics.mit.edu/Aristotle/metaphysics.html>

¹⁶ Aristotle, Nicomachean Ethics, 1094b

¹⁷ Smith, Thomas W., Aristotle on the Conditions for and Limits of the Common Good; The American Political Science Review, Vol. 93, No. 3, (Sep., 1999), pp. 625-636: quoting Dupre 1993, 687, <http://www.jstor.org/>

The meaning of development is the continuous process of seeking the greater good of society and of every person. Authentic human development is that which concerns the whole of society and the whole person in every single dimension¹⁸. Hence, the common good is one of the principles of moral action which comprehends what Benedict XVI expounds as “Caritas in Veritate” – Charity in Truth.¹⁹

To grasp this concept is to understand that being a concept that defines a final cause of the perfect community; the common good concept has, in various ways, been confounded singularly with the political dimension of society. However, as both Aristotle and Aquinas show, the fact is that the political common good is not opposed to the good of the person²⁰. Secondly, recent heated discussions on the issue (especially in the 1930-40’s) has somewhat linked discussion of the common good to acknowledging totalitarian government (socialism or its manifestations) as opposed to the liberal or libertarian philosophy of life²¹. Hence, to accept the concept of the common good has meant to accept an explicit threat to individual rights and freedoms. It is not the purpose of this paper to interpret what liberalist’s philosophy understands by common good. I will use the concept in its definition as the good of the whole community and of each member of the community. Hence, for me there is no opposition between the whole and the parts with regard to the common good as explained above²².

This essay attempts to show a common good framework that may help revise the manner in which the performance of businesses in society is evaluated. It is an attempt at encouraging an amplification of the value of the firm, from merely fulfilling its presumed

¹⁸ Benedict XVI, Encyclical Letter Caritas in Veritate, Para. 11; Librería Editrice Vaticana, 2009

¹⁹ Benedict XVI, Caritas in Veritate, Para. 6; Librería Editrice Vaticana, 2009

²⁰ Smith, Michael A., Human Dignity and the Common Good in the Aristotelian-Thomistic tradition; Edwin Mellen Press: New York, 1995. P 59

²¹ Ibid., p 58

²² Aristotle, Ethics, III.6.1278b19-24

‘contractual’ obligation to derive monetary and material wealth from society, to that of seeing itself as an important institution collaborating in the conservation of the common good of society in its particular and universal perspective.

The introductory paragraph offers a bird’s eye view of the state of the question in post-modern Western Society. It offers the concept of the common good as a basis of finding a third way besides capitalism and communism. Chapter 1 sets out to crystallize, locate and describe the place and role of institutions – the realm where firms predominate in society – on the basis of the Aristotelian-Thomistic social structure. I considered it necessary to go back to the foundations of society in order to explain sinuously how the firm is inserted into the common good of society. Once inserted into the framework of the common good of society, the paragraph then illustrates the positive and negative effects of the firm in society based on the current global economic expediency. The diversity of the outcomes experienced in society at the altar of capitalist free markets enables us see the negative effects more succinctly and in particular the reasons why one needs to think of the so called ‘third’ way. In this paper the ‘third’ way is also referred to as an ‘elect’ society.

At the beginning of Chapter two I discuss the philosophical principles underlying Adam Smith’s theory of the ‘wealth of nations’, giving special attention to his ‘Theory of Moral Sentiments’. In the ‘Theory of Moral Sentiments’ Adam Smith lays the foundations of social morality which should not be separated from his “‘An Inquiry into the Nature and Causes of the Wealth of Nations’”. I then offer the response from the Aristotelian-Thomistic tradition of the theory of the common good. It is also an attempt at showing that excellent praxis has as its foundation an implicitly excellent, profound and true theory. From the theory of the common good, the last part of chapter 2 gives conclusions which form a possible practical basis for re-thinking the way forward for society to evaluate the firm.

My research is fundamentally an interpretative qualitative analysis of the principle of the common good in Aristotelian-Thomistic philosophies on the one hand, and on the other what I could call capitalist philosophic literature. It is an attempt at holistically viewing the capitalistic social phenomena and its manifestations while on the other hand offering another perspective from the common good theory. It is an advocacy for the common good theory as a way of evaluating business institutions. Beside Aristotle's, 'Politics' and Aquinas' 'Summa Theologica', I have also considered those who follow similar tenets such as Rafael Alvira, Rachel Lázaro, Alejo Sison and Fontrodona, Millán-Puelles, Pope John Paul II, Pope Benedict XVI, Alfredo Cruz, Michael Smith, Jacques Maritain, Charles de Koninck, Peter Koslowski and Antonio Argandoña among many. On the capitalist theory side I have considered Adam Smith, Michael Novak, John Rawls, Isaiah Berlin, Manuel Velasquez, Butcher and Clarke among others. It is a grounded theoretical research in preparation for further robust qualitative and quantitative research on a new frame work of evaluating the firm.

Chapter I

Reviewing Literature on the Firm, the Common Good and the Society Social Structures in the Aristotelian-Thomistic Perspective

0.1 Aristotelian Structure of the Polis

The good will of every person is necessary to accomplish the enormous task of building a flourishing society; and especially human institutions, such as the family, businesses, all kinds of social associations and governing institutions. Based on the Aristotelian principle of the common good, Figure 1 demonstrates the Aristotelian structure of human society. I find it useful to provide a simple structure in order to pinpoint the locus of the business firm within the context of society. The term common good principally refers to the *polis* or state in our world. Hence, Millán-Puelles explains that the common good consists, in the first place, in Peace (tranquillity in order); for without it the community and the individuals cannot be happy. In the second and third places the common good consists of cultural and then material well-being²³.

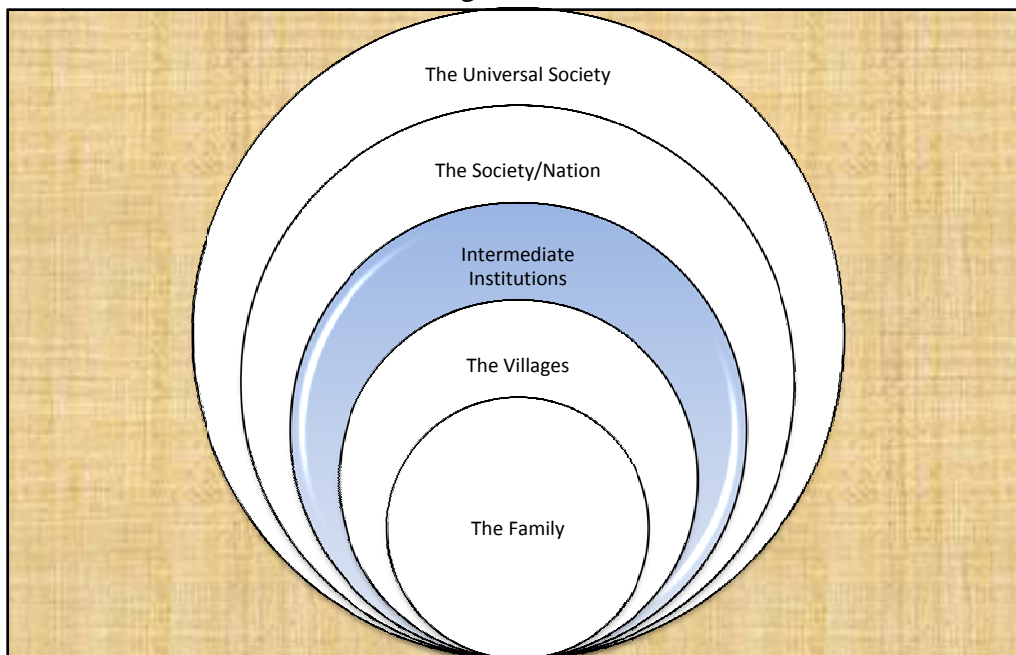


Figure 1: Structure of Society considering Aristotelian principles

²³ Millán-Puelles, Antonio., Bien común, en Gran Enciclopedia Rialp, Vol. 4, Pp 225-230; Rialp: Madrid, 1971. P 225

The concept that the diagram tries to portray is taken from Aristotle's account of how a self-sufficing state is naturally created by human tendency towards the common good. First, individual human beings combine in pairs because they do not exist apart. The male and female join in order to reproduce, and the master and slave come together for self-preservation. The master uses his intellect to rule, and the slave uses his natural body for labour. Second, the households arise naturally in these early communities in order to serve everyday needs. Third, when several households develop relationships in order to acquire greater natural material goods a village emerges. Finally, "When several villages united in a single complete community, large enough to be nearly or quite self-sufficing, the polis comes into existence. Thus originating from the bare natural needs of life the human communities continue in existence for the sake of a good life. And therefore, if the early forms of society (the family and household) are natural, so is the state, for it is the culmination of the natural development of human relationships. Human relationships develop out of the necessity of a more perfect life and when this growth reaches self-sufficiency it is termed the *polis* (Pltcs, I.2.1252b27-30). Hence, he concludes, "it is evident that the state is a creation of nature, and that man is by nature a political animal"²⁴. Intermediary institutions 'implicitly' appear in his chronology of realizing the city-state (*polis*) when he begins to explain commercial associations of men.

The concept of the circle is used to distinguish the different parts of society, the world and the concept of a distinct and 'complete unit' of responsibility necessary to achieve the common good. The rectangular box which contains the Global society and all its parts is the environment in all its reality. It is not finite. The rectangle therefore has the sense of the entire Universe and its content. This is mainly to establish the idea of an environment in which humankind partakes for human beings do not live in a void. There are animate and inanimate creatures and different categories of beings which belong to the entire universe and which are necessary for the good of human kind, such as air, water, space, time, minerals, planets, plants, material things in all their grandeur.

²⁴ Aristotle, Politics, Book 1, para 2, lines 27-40.

The Global society and its different parts are linked and therefore form one circle, but as previously alluded to, each circle is a complete whole in itself, and therefore forms a unit of the whole; much like cells and organs within the body. These units while distinct are part of each other. Hence, the perfection of one affects the others and is part of the others. Each complete unit would therefore be imperfect if it existed without the others. 'Common' means that which is prior to us in everything and that unites us as a whole. The term 'particular' refers to the part in which each person participates within the whole. The 'common' is therefore what each one aspires to and therefore is indispensable although we can deny it as a result of our freedom. We aspire naturally to the common good and it is greater than us. If we deny it we have no way of adhering to the good²⁵. According to Aquinas the term 'common' refers to something predicated of something else – an effect or some one thing found in many according to one predication (in predicando). It also refers to the mode of a cause (in causando) – that is a final cause which remaining one in number extends to several effects²⁶.

Finally, the circles represent elements of society and these develop from the smallest cell of society to the larger parts of society. The smallest part is the core or heart of the each larger part since it is the principle nature for which all elements of human society find their meaning. However, what is not very evident but is assumed in the diagram is that the larger parts develop from natural human relationships. The effect of growth in size is caused by the processes of effective natural relationships between the smaller parts. Hence, the persons²⁷ in the smallest circle form families, for as Aristotle says referring to the poet Hesiod, "First house and wife and an ox for the plough"²⁸.

²⁵ Alvira, Rafael D., Bien Común y Justicia Social en las Diferentes Esferas De la Sociedad; Revista Empresa Y Humanismo, Vol. XII, No. 2/09, Pp. 61-79, Universidad de Navarra (Pamplona); Abril, 2009

²⁶ Smith, Michael A., Human Dignity and the Common Good in the Aristotelian-Thomistic tradition; Edwin Mellen Press: New York, 1995. P 80; quoting Aquinas, T., De Veritate 7, 6, ad 7.

²⁷ Cruz, C.J., Gran Enciclopedia Rialp; Bien común; Ediciones Rialp: Madrid, 1971. P. 224

²⁸ Aristotle, Politics, 1, part II, Translated by Benjamin Jowett, <http://classics.mit.edu/Aristotle/politics.html>

The single cell from which society grows is the relationship between man and woman. Man and woman unite in marriage and form communities which in turn unite with other communities forming a larger political unit. "The family is the association established by nature for the supply of a person's everyday wants... But when several families are united, and the association aims at something more than the supply of daily needs, the first society to be formed is the village. And the most natural form of the village appears to be that of a colony from the family, composed of the children and grandchildren, who are said to be suckled 'with the same milk.' And this is the reason why Hellenic states were originally governed by kings; because the Hellenes were under royal rule before they came together, as the barbarians still are. Every family is ruled by the eldest, and therefore in the colonies of the family the kingly form of government prevailed because they were of the same blood. Homer says: "*Each one gives law to his children and to his wives.*"²⁹

Families form villages and villages come together to form the state. At the village level the family is still the 'giver of the law'. At this point necessity for larger communities is vaguely left to unity because, all Aristotle says is that, there is a natural process in which villages are united in a single complete community; when they are large enough to be nearly or quite self-sufficing, the state comes into existence, originating in the bare needs of life, and continuing in existence for the sake of a good life³⁰. Considering contemporary society, it is evident that the larger unions made up of many villages are mainly augmented through intermarriage among community members or by forming cross-unit intermediary institutions to aid in achieving the common good of the individual communities³¹. These include businesses or other economic institutions, political parties, and cultural institutions among many others. For inter-community institutions or intermediary institutions to form a natural integration of communities, they should have a strong foundational basis for communion.

²⁹ Ibid.

³⁰ Ibid.

³¹ Koslowski, Peter, "The Common Good of the Firm as the Fiduciary Duty of the Manager". Pp. 72-75, In *Global Perspectives on Ethics of Corporate Governance*, eds. GJ (Deon) Roussouw and Alejo José G. Sison, New York/ Hampshire, England: Palgrave MacMillan. 2006.

A strong basis for ‘inter-community’ unions is often provided by a complex of bonds such as family bonds, cultural bonds, material necessity bonds, security, and other such bonds, which enhance the common good of each individual community³² so that if the bond was absent each of the composite communities would be worse off. Each of the bonds or complex of bonds is also ultimately supportive of the good of the family³³. For instance, for the community to desire unity with another community for reasons of security, food and drink or maintaining inter - family wealth, it is because the individual will be secured or will be able to take care of his or her family or will have more possibilities of employment. In Aristotle’s ethics, this concept of bond is maintained by reciprocity in exchange. Thus he says that it is by exchange that they [the citizens] hold together³⁴. As the communities become larger and form nations and international communities, ties between them need to be strong in a way that each individual understands and adheres to. The broader the community is, the greater the need for the principle of subsidiarity. The effectiveness of these bonds is for the good of the individual and the family. The bond is organic rather than static as Antonio Argandoña points out³⁵.

0.2 Locating the Firm within the Aristotelian Society

It seems evident that business institutions as such, except merchants, are not considered within the politics of Aristotle, they are presumed. This is because businesses are institutions that form an important part of the natural tendency of exchange or trade between one community and another; between one village and another. The firm is necessary as an opportunity for the manager of the household to fend for the necessities of his family. If it were not, then the natural process to self-sufficiency that becoming a

³² Millán-Puelles, Antonio, Bien común, en Gran Enciclopedia Rialp, Vol. 4, Pp 225-230; Rialp: Madrid, 1971. P. 225

³³ Ibid.

³⁴ Aristotle, Nicomachean Ethics, Book V, part V, lines 13-14

³⁵ Argandoña, Antonio, The Stake Holder theory and the Common good; Journal of Business Ethics, Vol. 17, Pp. 1092-1103. P 1

nation-state provides, thanks to the 'communion' through trade between 'villages', remains rather weak.

Village needs are well served by business institutions which provide efficacious platforms for the relationships that arise among citizens. Businesses form an effective channel for self-sufficiency in material goods. They can also be very effective means of transmission of knowledge, culture, artefacts and so on, between communities. Secondly, provision for self sufficiency, as our contemporary society has shown, is better provided for by intermediary institutions in the nature of a firm, rather than individuals acting simply as household managers. The firms are intermediaries because they seek resources within and beyond the capability of family structures. In this way they contribute to the common good of the extended civil society. For example, business in the industrial and post industrial era led to the search for resources, to provide raw materials for production; cotton, minerals, labour and so on.

From the foregoing, I conclude that businesses or firms are a means to the common good. Their general private nature is also more in line with the nature of the principle of private property. For as Aristotle says, 'It is clearly better that property should be private, but the use of it common; and the special business of the legislator is to create in men this benevolent disposition'...and again, 'there is the greatest pleasure in doing a kindness or service to friends or guests or companions, which can only be rendered when a man has private property. These advantages are lost by excessive [centralisation] of the state. The exhibition of two virtues, besides, is visibly annihilated in such a state: first, temperance towards women (for it is an honourable action to abstain from another's wife for temperance' sake); secondly, liberality in the matter of property.'³⁶

³⁶ Aristotle, Politics, Book II, V.

Sison and Fontrodona use the word ‘artificial’ or ‘imperfect societies’ to refer to the firm³⁷. Accordingly, they suggest that on account of their end or purpose, poleis are considered by Aristotle to be “natural” and “perfect” societies, whereas present-day corporations by contrast would figure as “artificial” and “imperfect” associations. Like the family and the village, the polis is a “natural” society, because it stems from an innate tendency in human beings (Politics, 1252b). The firm is artificial, according to them, because it does not arise directly or organically from nature and is based on voluntary bonds of “friendship” or free association among citizens. Finally, they say that the firm is artificial because it is not self sufficient, for the good life.

The last rationale could be applied to families, villages and communities and this would make them artificial, yet they are not as already explained. With regard to the rationale that they are an ‘imperfect’ association because they do not arise from the innate tendency in human beings, it is necessary to point out that Aristotle says that ‘the art of getting wealth out of fruits and animals is always natural’³⁸. He further states that there are two sorts of wealth-getting...; ‘one is a part of household management, the other is retail trade: the former necessary and honourable, while that which consists in exchange is justly censured; for it is unnatural, and a mode by which men gain from one another’. The former is honourable because the household manager has to take care of the health needs of his family from what nature provides and the latter is artificial because it is a means of getting wealth, the most hated sort being ‘usury’³⁹. Aquinas on the other hand explains, in reference to Aristotle, that wealth is twofold, natural and artificial. Natural wealth is that which serves man as a remedy for his natural wants: such as food, drink, clothing, cars, dwellings, and such like, while artificial wealth is that which is not a direct help to nature,

³⁷ Sison, Alejo J.G. and Fontrodona, Joan; The Common Good of the Firm in the Aristotelian-Thomistic Tradition; 1st IESE Conference on, “Humanizing the firm and the Management Profession”; Barcelona, IESE Business School, June 30, 2008.

³⁸ Aristotle, Politics, book I, p X.

³⁹ Ibid.

as money, but is invented by the art of man, for the convenience of exchange, and as a measure of things saleable⁴⁰.

The firm in contemporary society is made up of natural parts; viz, knowledge, human work, capital, raw materials, it provides for the family necessities, safeguards the just relationships between citizens working together, and in general proffers a means to the common good of civil society. Therefore, the firm is a type of community. It helps augment human relationships and cooperation in friendship and work; greatly enriching the family possibilities or the village where the diversity of skills is lower.

Two aspects of the firm could be delineated in order to understand this institution better. One aspect could be the natural relationships of friendship and cooperation and work which provide for the needs of the family; and the second being the price or value of 'exchange' that arises from the nature of trading and necessity of 'capital'. With regard to the first aspect, the business is made up of natural elements as stated above. With regard to capital and price or value of exchange, the price has to be a just price/value for the art to remain a natural exchange of value; otherwise it would be an injustice (an excess over the just price) and at times result usury. A value below the just price would be a result of ignorance, injustice or charity. In the cases of injustice, Aquinas advocates for retribution for the inequality (injustice) perpetrated⁴¹. Capital on the other hand is representative of work extended to the firm in advance by the owner or bank. Considered from this perspective, a firm is an institution made up of natural realities which has the capability of making 'artificial wealth' (money beyond the natural needs of the subject). Artificial wealth could be an unnatural just art or unnatural vice. Money used as a just value for work done is equivalent to work itself and this is just. Money, the artificial instrument used to represent human work, can itself be misconstrued as a 'product' and a thing of

⁴⁰ Aquinas, Thomas, S Th. I-II, q2, a1

⁴¹ Ibid., S Th. I-II, q114, a1

exchange delinked from the human work and human needs that give it its genuine 'value'. For example, in the 'mercantilist'⁴² money is the beginning and end of business.

The firm or business is 'artificial' from two perspectives; first it is the effect of a form in the mind of the entrepreneur (man), rather than a 'being' arising out of a natural organic process given by the one who Creates out of nothing as explained by Aquinas; 'natural things depend on the divine intellect, as artificial things on the human.'⁴³ And secondly, it can create 'artificial wealth'. Sison and Fontrodona explain that business firms and corporations are intermediate bodies that primarily pursue economic goals⁴⁴. Natural chrematistics are for the provision of "such things necessary to life and useful for the community of the family or state, as can be stored"⁴⁵, whereas non-natural chrematistics, of "riches and property [which] have no limit". Natural wealth-getting is based on the premise that true riches, kind and amount of property needed for a good life has a limit. Non-natural wealth-getting, on the other hand, believes that "more is always better". Hence, with regard to money used for exchange Aristotle concludes that money was intended to be used in exchange, but not to increase at interest. And this term interest, which means the birth of money from money, is applied to the breeding of money because the offspring resembles the parent. Wherefore of [the many] modes of getting wealth this is the most unnatural⁴⁶. It can be surmised here that unbridled augmentation of riches is contrary to nature whereas, wealth for the purpose of providing for the community is natural. What seems very upright in Aristotle is the concept of unfair means of acquiring wealth and the excess of wealth beyond the needs of the family and by extension, the community. Finally, one can also surmise that the measure of wealth is the 'need' of a flourishing family and by extension, community. Since this is most difficult to measure, as every family and community can allocate itself unnatural needs and needs are relative,

⁴² Martínez-Echevarría, M. A. *Evolución del pensamiento económico*. Espasa-Calpe, Madrid, 1983. P 27

⁴³ Aquinas, Thomas, *S Th I*, q17, a1

⁴⁴ Aristotle, 1253b, *The Politics*, 1988, ed. Stephen Everson, Cambridge/New York: Cambridge University Press; in Sison, A.J.G. and Fontrodona, J.: *The Common Good of the Firm in the Aristotelian-Thomistic Tradition*, 2008

⁴⁵ *Ibid.*, 1256b

⁴⁶ *Ibid.*, 1267a

then it is necessary to find a way to measure and regulate the business in a way that helps it acquire the virtue of finding the ‘just mean’ in wealth accumulation.

0.3 Natural and Artificial Elements of the Firm

The firm therefore has both natural and artificial elements according to the Aristotelian and Thomistic understanding of the concepts. The natural element is the role of providing for the necessities of the household for a good or flourishing life. The artificial is the chrematistic tendency of accumulating undue ‘profit’ or construing the business as merely a tool for the accumulation of riches. Business is not self-sufficient from the perspective of the common good, but in consequence, one cannot construe that the business is an unnatural vice of man, since all societies other than the polis (the self-sufficing nation-state) would be ‘imperfect’ from that perspective. Secondly, since the manager of the household has a natural right to provide food and material-being for the needs of his family, then any noble and natural way he uses to make that provision is excellent for the attainment of the common good. And finally, the real vice in the firm is the ‘end’ or ‘object’ per se of making profit outside the provision the needs of society in order to flourish. Other vices may be construed of the firm such as unjust wages, unjust prices, exploitation of people and natural resources and the like. But the ultimate root of these vices is primarily the one vice of ‘excessive’ profits; wealth for the sake of wealth.

A complex question arises given that any art or work to provide material necessity may result in surplus produce, whether food, or drink or clothing or anything for that matter that is construed as a need for the family. The surplus may again be traded for the needs that the family does not have or for the sake of another family in need of the surplus. I propose that this is still within the ambit of natural social life and a natural necessity for the common good of the universal society. There remains therefore, the argument of savings of the family.

The question is whether savings are a natural need for the family? The answer is yes, for it is natural to put aside food or family material needs to be used in case of drought or other unforeseen natural disasters or simply to take care of the needs of the family in the future. Therefore, one sees that in seeking provision for the family, the natural consequences of this work are material provision for the needs of the family and reasonable savings for the future. In economics this can be construed as value of work = salary (for a flourishing life) + savings. Anything beyond this can be construed as ‘unnatural profit’.

Further, unnatural profit is equivalent to a luxury. That is, any material well-being in excess of the natural needs of the family or the excess over and above food, clothing, education and research and development, housing, travelling, light, water, health and the like and savings. For natural material needs of the family and the so called ‘luxuries’; the true measure of ‘excess’ is not in quantity, since needs as such cannot be quantified and are relative to the context. Rather, the measure of the material needs now and future savings are in human virtues. If there is truly an excess then as Aquinas suggests, this can be used for a good purpose, for the good of others. A man may intend the moderate gain which he seeks to acquire by trading for the upkeep of his household, or for the assistance of the needy: or again, a man may take to trade for some public advantage, for instance, lest his country lack the necessities of life, and seek gain, not as an end, but as payment for his labour⁴⁷. In the case of a communities aggregate wealth or riches or the limit at which a society, as a whole, is living a luxurious life, the measure is justice and charity, seen from the perspective of the level of wealth of each citizen and the whole people. The terms personal virtue and social virtue are used here to comprehend all the good human qualities that enable a person in a society persist in his pursuit of the good.

The primary virtue is that which will measure between excess and what is just. From the perspective of society, the virtue which serves this role is justice in its fullest and widest scope. From the point of view of the person as such it is temperance. As Aquinas explains,

⁴⁷ Aquinas, Thomas, S Th. II-II, q77, a4

“Human virtue is that which inclines man to something in accordance with reason. Now temperance evidently inclines man to this, since its very name implies moderation or temperateness, which reason causes. Therefore temperance is a virtue... Further, that nature inclines everything to whatever is becoming to it. Wherefore man naturally desires pleasures that are becoming to him. Since, however, man as such is a rational being, it follows that those pleasures are becoming to man which are in accordance with reason. From such pleasures temperance does not withdraw him, but from those which are contrary to reason. Wherefore it is clear that temperance is not contrary to the inclination of human nature, but is in accord with it. It is, however, contrary to the inclination of the animal nature that is not subject to reason”⁴⁸.

With regard to Justice, Aquinas states,

“Justice... directs man in his relations with other men. Now this may happen in two ways: first as regards his relation with individuals, secondly as regards his relations with others in general, in so far as a man, who serves a community, serves all those who are included in that community. Accordingly justice in its proper acceptance can be directed to another in both these senses. Now it is evident that all who are included in a community, stand in relation to that community as parts to a whole; while a part, as such, belongs to a whole, so that whatever is the good of a part can be directed to the good of the whole. It follows therefore that the good of any virtue, whether such virtue direct man in relation to himself, or in relation to certain other individual persons, is referable to the common good, to which justice directs: so that all acts of virtue can pertain to justice, in so far as it directs man to the common good. It is in this sense that justice is called a general virtue. And since it belongs to the law to direct to the common good ... it follows that the justice which is in this way

⁴⁸ Aquinas, Thomas, S Th. II-II, q141, a1

styled general, is called "legal justice," because thereby man is in harmony with the law which directs the acts of all the virtues to the common good"⁴⁹.

Justice is needed both in the person and in the society. It is Aquinas, who explains that,

“There are two kinds of justice. The one consists in mutual giving and receiving, as in buying and selling, and other kinds of intercourse and exchange. This, the Philosopher [Aristotle, Ethic. v, 4) calls commutative justice, that directs exchange and intercourse of business. The other consists in distribution, and is called distributive justice; whereby a ruler or a steward gives to each what his rank deserves.”⁵⁰

0.4 Synthesis

From my literature research it emerges that for man, from the ‘dawn’ of his being, is naturally born into a society, into a family, and is therefore a social being by nature; and a social life is necessary for the practice of perfection⁵¹. Aristotle has shown that the primordial social cell of man’s society is the family. Man freely develops his family into a household. He is born with free-will because by the gift of nature, all his deliberate actions stem from his judgments. Aquinas says, a sheep upon seeing the wolf, judges it a thing to be shunned from natural instinct; but man acts from judgment, because by his apprehensive power (from some act of comparison in the reason) he judges that something should be avoided or sought. Therefore, he acts from free judgment and retains the power of being inclined to various things⁵². Freedom is the means or the core instrument that man uses to establish a flourishing society, for outside society, that is, man in solitude, freedom is reduced to the level of mere instinct as that of animal.

⁴⁹ Aquinas, Thomas, S Th. II-II, q58, a5.

⁵⁰ Aquinas, Thomas, S Th. I, q21, a1.

⁵¹ Aquinas, Thomas, S Th II-II, q188, a8

⁵² Aquinas, Thomas, S Th I, q83, a1

Secondly, for Aristotle, male and female are joined in order to reproduce – paternity; and the master and slave came together for self-preservation. With the rule of the intellect man works for self-preservation, propagation of his species and education of his family. “When several villages are united in a single complete community, large enough to be nearly or quite self-sufficing, the state comes into existence, originating in the natural needs of life, and continuing in existence for the sake of a good life.

The bonds that link one village to another and one community to another are primarily carried out by institutions developed between them. A security force is therefore institutionalised in the armed forces; intercommunity educational and cultural exchange is institutionalised in schools and colleges and universities and cultural institutions; trade and technology to provide for larger community needs through exploiting more complex natural resources is institutionalised in private businesses, public institutions and technological institutions whether public or private. The exchange that ensues between village and village and family and family and community and community is the institution that uses ‘money’ as the equitable measure of value.

My understanding is that it is in the nature of institutions to find their perfection of ends and means in the political institution of the polis or the nation-state. The term institution is here defined as ‘an organization founded and united for a specific purpose’⁵³. It may also be seen more specifically as individual concrete social organization such as a family, a business, a club, a parish or a state among others⁵⁴. In Aristotle’s and Aquinas’ understanding of the political institution; wherever many things are directed to one, we shall always find one at the head directing them and secondly, if one man surpassed another in knowledge and virtue, this would not have been fitting unless these gifts

⁵³ WordNet®, Princeton university lexical database; <http://wordnet.princeton.edu/perl/webwn?s=institution>

⁵⁴ Alvira, Rafael D., Bien Común y Justicia Social en las Diferentes Esferas De la Sociedad; Revista Empresa Y Humanismo, Vol. XII, No. 2/09, Pp. 61-79, Universidad de Navarra (Pamplona); Abril, 2009. P 73

conducted to the benefit of others⁵⁵. This obviously implies, that the perfection to which the institutions adhere, so do the individuals and families, for the common good is the good of the whole and the parts.

The business or the firm is one of the institutions that forms the nexus between the village (or community) and the nation-state. It has been shown, from the literature available and from Aristotle and Aquinas that the business as an institution is a creation of man and thus ‘artificial’ as opposed to ‘natural’, and that it comprehends or is a composition of both ‘artificial’ and ‘natural’ elements. Natural because it is formed by and for the sake of knowledge, human work, capital, raw materials, provides for the family necessities, safeguards the just relationships between citizens working together, and in general proffers a means to the common good of civil society. Given all these natural capabilities of the firm, it becomes clear that the institution is an excellent means to an abundance of material possessions and resources⁵⁶ of the family and society; for such is the definition of the world wealth. I have defined artificial wealth as the ‘wealth’ which is beyond the natural needs (wealth) of the family and the polis and therefore is not based on true wealth. In as much as a firm is composed of human relations and work; it is also a nexus of societal transcendental goods, both internal and external, such as, habitat, civilization, culture and education.

Finally, the role of the highest societal institution and the family members is to ensure that there is tranquillity in order (peace) in society, through justice. Human needs and wants find their optimum perfection in virtue and not in the material goods. Man generally has an infinite appetite, an infinite instinctive capacity for material goods. External goods include ‘good birth (*eugeneia*), education, wealth and material goods, workers, political power, honour, leisure, friends, and one’s own children. If one is to cultivate the virtues and enjoy a good life, one requires more external goods than are necessary to merely sustain life. They are necessary for a good life but are not sufficient. Internal goods are

⁵⁵ Aquinas, Thomas, S Th I, q96, a4

⁵⁶ WordNet®, Princeton university lexical database; <http://wordnetweb.princeton.edu/perl/webwn?s=wealth>

those excellences of intellect and character (NE, II, 1), that are internal to psyche and activity of some actor⁵⁷. Aristotle adds an intermediate category between internal and external goods comprising of ‘goods of the body’, health, beauty, and strength; but sometimes he considers these as external goods since they are external to the human psyche and *energia*⁵⁸. They are necessary to produce (NE 1096b, 11) because they preserve and protect internal goods. They are instrumental, and therefore their measure is the good specific and internal to human beings and their activity⁵⁹. In conclusion, “Material well-being signifies, in as much as we are refereeing to the subject (subjectively speaking), ‘the self-expression of the human spirit in its bodily nature’”⁶⁰.

Perspectives on the Concept of the Common Good and Firms

0.5 The State, the Ontological and Practical Common Good

There is a difficulty in capturing the concept of the common good as most authors allude to⁶¹. This is because the societal common good is a state of ‘flourishing’ or ‘self-sufficiency’ in which human beings as persons and society as a whole are enjoying the fruit of their labour (cultural and material well being) and are living in harmony with one another (peace) as Millán-Puelles (1971)⁶² puts it. Therefore, the state of well being and peace in society is not only manifested by material well-being, but also by cultural well-being which is something that belongs to the spiritual realm and is not quantifiable as such. Nevertheless it is a reality. For instance, one may be enjoying the same life style in a society, but in a rather impersonal and disconnected manner. From another perspective, when one may enjoy material well-being (riches) and tend towards self-alienation or

⁵⁷ Knight, Kevin, *Aristotelian Philosophy, Ethics and politics from Aristotle to MacIntyre*, Knight: Cambridge, 2007. P 25

⁵⁸ *Ibid.*

⁵⁹ *Ibid.* P 26

⁶⁰ Millán-Puelles, Antonio, *De Economía y Libertad*; 4 biblioteca breve de temas actuales, Universidad de Piura: Piura, 1985. P 104

⁶¹ Alvira, Rafael D., *Bien Común y Justicia Social en las Diferentes Esferas De la Sociedad*; Revista Empresa Y Humanismo, Vol. XII, No. 2/09, Pp. 61-79, Universidad de Navarra (Pamplona); Abril, 2009. P 68

⁶² Millán-Puelles, Antonio, *Bien común*, en *Gran Enciclopedia Rialp*, Vol. 4, Pp 225-230; Rialp: Madrid, 1971. P. 225

distance from others. Hence, matter cannot enjoin society; only something more spiritual which we often refer to as love or friendliness. It is what Aristotle and St Thomas Aquinas and the Scholastics refer to as virtue, which is primarily a spiritual phenomenon. Hence, for human beings to enjoy society they need to be bound by both material and spiritual aspects.

0.6 The Common Good and the Person and Society

Millán-Puelles explains the concept of the common good as both ontological and practical. From the scholastic perspective, the Common Good is ultimately discussed from two perspectives; the “ontological” perspective and the social perspective. The ontological common good is the appropriate good in which every person in the community aspires to. From the social perspective properly speaking, the common good is that which benefits every person in the society or community of persons⁶³. Both the ontological and practical social perspectives are difficult to point to or to be very specific about primarily because the common good is primarily achieved through good actions or virtues of people.

Alvira (2009)⁶⁴ adheres to this definition of the common good and takes it further. He doubts whether it is appropriate to say that the society is for the person rather than consider it the other way round. To be a ‘person’ exceeds mere individuality. However, that the society is for the person and not the person for society is a thesis which appears true in intention but very difficult to elucidate. Since really there is no ‘particular’ good without the common good and since the common good is necessarily societal. He even makes the strong statement that “humanism is above all belonging to society” and therefore to become human for him is to rise above our individuality⁶⁵. Hence, at all times

⁶³ Millán-Puelles, Antonio, Bien común, en Gran Enciclopedia Rialp, Vol. 4, Pp 225-230; Rialp: Madrid, 1971. P. 225

⁶⁴ Alvira, Rafael D., Bien Común y Justicia Social en las Diferentes Esferas De la Sociedad; Revista Empresa Y Humanismo, Vol. XII, No. 2/09, Pp. 61-79, Universidad de Navarra (Pamplona); Abril, 2009. P 65

⁶⁵ Alvira, Rafael D. ¿Qué es el humanismo empresarial? El humanismo en la Empresa, Rialp, S.A.: Madrid, 1992. P 33

one is either struggling to develop the society or destroying it; humanity is received from society⁶⁶.

Alejo Sison sees the common good as Aristotle did; eudaimonia (happiness) consists in a good life in common, shared with one's family, friends and fellow-citizens in the polis. Not only is this the supreme human good but it is also the common good⁶⁷; that which is apt for each and everyone in society. However it is essential to note that the common good is not common because everyone in a society participates in it, but rather it is common because in itself it can be allocated to all people in a society⁶⁸. Therefore, with regard to the firm, the current perception has no place for the concept of the common good because in the shareholder view, there is a common business end, profit; but it is not the kind of good in which each and everyone can actually participate. With regard to the stakeholder theory, the distribution of profits, there is only a common instrumentality of the firm put at the service of divergent or rival interests. The different stakeholders simply use the firm to further their own exclusive interests. He and Joan Fontrodona conclude that, a theory of the firm based on the common good would require three conditions. Firstly, it should provide an account of the proper locus and purpose of the firm within the overall context of society, the integral whole, where the intrinsic, social and practical common good of human beings is primarily to be found. Secondly, it should put forward an explanation of a common good proper to the firm itself as a whole and to each of its constituents. Thirdly, it should propose ways in which the particular common good of the firm could be integrated or subordinated to the wider common good of the political community⁶⁹.

⁶⁶ Ibid. p 34

⁶⁷ Sison, Alejo J.G. and Fontrodona, J.; The Common Good of the Firm in the Aristotelian-Thomistic Tradition; 1st IESE Conference on, "Humanizing the firm and the Management Profession"; Barcelona, IESE Business School, June 30, 2008.

⁶⁸ Millán-Puelles, Antonio, Bien común, en Gran Enciclopedia Rialp, Vol. 4, Pp 225-230; Rialp: Madrid, 1971. P 226

⁶⁹ Sison, Alejo J.G. and Fontrodona, J.; The Common Good of the Firm in the Aristotelian-Thomistic Tradition; IESE Business School, June 30, 2008.

Robert G Kennedy has a similar perception to Sison's; that is, that when one refers to the common good he is referring to a good that is shared among the citizens⁷⁰. Hence, Sison explains that Kennedy understands the term common good as referring to the contributions of the firm to the common good, such as augmenting the wealth-producing capacity of society and offering better goods and services to address our material needs, but never of the common good of the firm per se⁷¹. Of those who agree to the idea that the common good is "a good proper to, and attainable only by, the community, yet individually shared by its members" are Mary M. Keys⁷², Thomas Smith (1999)⁷³ and Dupre⁷⁴ as expounded by Thomas Smith.

Mary Keys much like Sison is not in agreement with John Rawls, Sandel and Galston's concept of the common good. In Daniel Schwartz's review of Keys it is mentioned that; Rawls views the common good as constituted by arbitrary utilitarian desires and arrangements of players in the free market place; Sandel's common good is the good of a community, but is relative given the lack of a universal good or solid foundation of the good. He has been labelled communitarian but has yet to accept the label; Galston on the other hand follows Isaiah Berlin's value pluralism which gives political action the benefit of doubt, much like Thomas Hobbes does. Nevertheless, it should be noted that Berlin does not share Hobbes' pessimism on human society⁷⁵.

⁷⁰ Kennedy, Robert G. *Corporations, Common Goods and Human Persons*; Terrence J. Murphy Institute for Catholic Thought, Law, and Public Policy, Vol. 411, University of St Thomas, 2006; Pp 1-31, pp 13-14.

⁷¹ Sison, A.J.G. and Fontradona, J.; *The Common Good of the Firm in the Aristotelian-Thomistic Tradition*; IESE Business School, June 30, 2008.

⁷² Mary M. Keys: *Aquinas, Aristotle, and the Promise of the Common Good*, New York: Cambridge University Press, 2006, pp. xiii, 255 as reviewed by *British Journal for the History of Philosophy* 17(1) 2009: Pp 207–229

⁷³ Smith, Thomas W., *Aristotle on the Conditions for and Limits of the Common Good*; *The American Political Science Review*, Vol. 93, No. 3, (Sep., 1999), pp. 625-636, <http://www.jstor.org/stable/2585578?origin=JSTOR-pdf>

⁷⁴ *Ibid.*

⁷⁵ Schwartz, Daniel, 'Aquinas, Aristotle, and the Promise of the Common Good'; *British Journal for the History of Philosophy*, 200917:1,207-210. P 207

0.7 Perceptions of the Common Good in Liberal Democratic thought

Manuel Velasquez, Claire Andre, Thomas Shanks, and Michael J. Meyer, seem to agree with John Rawls perception of the common good. They see it as a good which everyone enjoys, which is "certain general conditions that are...equally to everyone's advantage"⁷⁶. This common good is made up of the general goods the citizens can enjoy in society such as water, environmental assets, healthcare and so on. In addition the common good is not objective but rather an agreement between citizens in a democratic state. This school of thought, much like most liberalist pose, sees the common good as problematic since, in a pluralistic society there are differing perceptions of what the common good is and therefore it is difficult to achieve through a democratic process. Secondly, there are people who will always act badly and contrary to the common good since this is a reality of society; that there are bad people. Thirdly, individualism poses an obstacle to the common good since it places a high value on individual freedom, on personal rights, and on allowing each person to "do his or her own thing". Most of all, it seems that the common good often requires particular individuals or particular groups to bear costs that are much greater than those borne by others. For example, in order to make the health system affordable and accessible to all, it may require that insurers accept lower premiums, that physicians accept lower salaries, or that those with particularly costly diseases or conditions forego the medical treatment on which their life depends on⁷⁷.

Individual perceptions are relevant if based on the principle of questioning reality in order to reach decisions, actions and means in the truth, which is 'the principal driving force behind the authentic development of every person and of all humanity'.⁷⁸ No one has the perfect solution to everything. Precisely, this is one of the reasons human beings need each another; because one solves problems better when one deliberates among many divergent

⁷⁶ Velasquez, Manuel, et al: The Common Good, Markulla Centre for Applied Ethics, Aug 2009, Santa Clara University, <http://www.scu.edu/ethics/practicing/decision/commongood.html>

⁷⁷ Velasquez, Manuel, et al: The Common Good, Markulla Center for Applied Ethics, Aug 2009, Santa Clara University, <http://www.scu.edu/ethics/practicing/decision/commongood.html>

⁷⁸ Benedict XVI, Encyclical Letter Caritas in Veritate, Para. 1

points of view. But the ultimate goal is to reach decisions that accomplish the good of all and everyone. Otherwise divergence becomes a divisive force and a path contrary to good ordering of society and therefore peace. It can also lead to a state of anarchy. Secondly, if individuals in society live contrary to virtue, that is, they are vicious, then the foundations of vice must be in the lack of proper education and lack of justice in society. But vice cannot be the basis of organising society. It should be virtue, for that is the highest good of the individual and the community. It follows therefore that the society must find a solution against the vices and prevail upon them. If not, then the ideal of moral action is lost. The consequences of that would be grief in society and not happiness both in the short and long-run. Thirdly, the good of the individual is lower or less perfect than that of the common good of the whole community; as Aristotle explains, the sufficiency of happiness, and therefore the good, is not conceivable in a strictly individual perspective. In order to be complete happiness must extend to one's, spouse, children, relatives and fellow citizens⁷⁹. In conclusion, those who suffer for the sake of the common good do so for the sake of the common good; for the good of the whole is also the good of the parts in the long-run, and breeds peace. Aquinas expounds the idea by saying that the good to which the city is ordered is the highest among human goods, for the proportion of things which are means to an end must be according to the proportion of ends⁸⁰.

What obviously catches the eye is that democracy is mostly embroiled in the task of finding the majority in any set of decisions to be made, starting from selecting the leader of a state. But this also is required of executives in firms; to make inclusive decision making especially through the principle of subsidiarity. As Butcher and Clarke show, business leaders need to be responsive to the external interests of shareholders, customers, supply chain relationships and strategic alliances, as well as to... employees seeking greater "voice" and consultation. To quote them, this multiple interest perspective has

⁷⁹ Smith, M. A., *Human Dignity and the Common Good in the Aristotelian-Thomistic tradition*; Edwin Mellen Press: New York, 1995. P 60

⁸⁰ Aquinas, T., *In libros politicorum Aristotelis exposito*. (Raimundus M. Siazzi, O.P., ed. Taurini: Marietti, 1951), I, 1, 11; in Smith, Michael A., *Human Dignity and the Common Good in the Aristotelian-Thomistic tradition*; Edwin Mellen Press: New York, 1995. P 61

served to promote the development of stakeholder theory in which business success is seen to lie in the capability of organizations to effectively work with, and accommodate, such diverse concerns (Clarkson, 1995; Donaldson, 1999; Jones, 1999). The participation of such stakeholders in organizational governance suggests a more democratic orientation to organizing (Harrison and Freeman, 2004)⁸¹. The reason why the democratic system can be used for one set of decisions and not for another requires study. The only distinguishing thing, as I see it, between the democratic process of electing a president and that of choosing which health care system to use is that the latter affects the unbridled capitalism of a particular group of people in society. It is assumed that in electing a president that would not happen since apparently the 'institution of the presidency' will ensure the freedom of all and none interference with the market system. There seems therefore to be a contradiction in practice and theory, regarding this premise.

Terchek, Ronald J. and Moore, David K, critique Michael Smith on his exposition of the Aristotelian common good. They claim that Aristotle is pessimistic about attaining the "common good" because it seems that justice, equality, and the ends of politics (happiness of citizens) necessarily resist the possibility of a common good in any city⁸² (NE 1096b30-5, 1097a8-14). But this is explained by Aristotle in NE 1097a, 15-1098b, 7), that the good is a principle not a form. It is not a thing but an end. The human good is activity expressed in virtue, and if there are more than one virtue the good will express the best and most complete virtue⁸³. There is a clear difficulty in differentiating the perfect state to which man desires, the common good, and the processes in which man finds himself, and which naturally seems difficult to explain in virtue of the ultimate end of society or of the person. Needless to say, one may find it difficult to reach the good, but the one thing that must be

⁸¹ Butcher, David and Clarke, Martin, Political leadership in democracies: some lessons for business?; *Management Decision*, Emerald Group Publishing Limited, Vol. 44 No. 8, 2006; pp. 985-1001q: p 985

⁸² Terchek, Ronald J. and Moore, David K., Recovering the Political Aristotle: A Critical Response to Smith: *The American Political Science Review*, Vol. 94, No. 4 (Dec., 2000), pp. 905-911. URL: <http://www.jstor.org/stable/2586215>

⁸³ Aristotle, NE, 1098a, 5, translation by Terence Irwin, 3rd Ed. 1987. P 17

fostered is the desire to keep trying, both at the individual level and at the level of governance of human society.

Though the common good is difficult to achieve one cannot settle on the ‘middle path’ of imperfection. Apparently this ‘middle path’ has manifested itself, in global terms, in accessing totalitarianism, capitalism or communism. In trying to find the ‘just mean’ of an imperfect political life, many seek a state of affairs, which Novak refers to as, the success of democracy, liberalism, and market economies, where man glories in “divergence, dissent, and singularity” and invents “practical principles embodied in institutions... jealously guarded by rival interests, each of considerable power, by which social cooperation may be achieved without prior agreement on metaphysical, philosophical, or religious presuppositions”⁸⁴. This state of social affairs, of the state of ‘cooperating individuals’ for the good of either part, is supposed to achieve the common advantage of social cooperation, peace, thanks to an ‘invisible hand’. But one cannot jealously guard lies, injustice, or any other vice for the sake of social cooperation. Social cooperation is meant to be the ultimate good of a political community, based on cooperation in Truth. The search for truth on the other hand demands the study of metaphysical, philosophical and religious truths.

However, not all liberals are of the same stripe – it is not a unified theory. For example, Novak is a Christian liberal democrat while Tercheck and Moore seem to be liberals who perceive that politics is not to be linked with ethics⁸⁵. Ethics makes societal life rather easy to comprehend and avoids the hard things that politics causes, and the struggle for power. Whereas Tercheck deny that the simplicity of ethics is, to be sure naïve, they prefer a contradictory stand in relation to Aristotle. Whatever the reasoning may be, it is not that of Aristotle, who in the ‘Politics’ shows a persistent attentiveness to a world of inequality and power and who asks individuals to learn to share a time and place in ways that respect

⁸⁴ Novak, Michael, *The Spirit of Democratic Capitalism*, P 65

⁸⁵ Tercheck, Ronald J. and Moore, David K. *Recovering the Political Aristotle: A Critical Response to Smith*: *The American Political Science Review*, Vol. 94, No. 4 (Dec., 2000), p 911

political expediency. Aristotle's politics of civic friendship should be read hand in hand with his call for citizens to fight for political autonomy in a political cosmos that can also challenge the centrifugal forces inherent in any society⁸⁶.

As previously alluded to, Butcher and Clarke research the democratic organization. In their findings they propose three particular mechanisms for democracy to work in any organization. The first is a process of representation that balances potential tyranny and Anarchy, achieving decisions through democratic debate (Barbrook, 1975)⁸⁷. The second is accountability, which allows members to have power to "punish" or "reward" leaders through elections (Barry, 2002)⁸⁸. Thirdly, a participation process should be put in place to take into account the electorate's views (Kaiser et al., 2002)⁸⁹. Kim et al. (2002)⁹⁰ suggest that the degree of electoral inclusion has a direct impact on the level of trust. Their conclusion is that the process of changing organizations to real democratic institutions is still a matter of debate. They also conclude that, in much of the management literature, organizations are still considered as communities of stakeholders. For instance, Charles Handy (1997, 1998) tracks the emergence of the concept of "organizational citizenship". Handy's idea reflects the voluntary basis upon which employees share their valuable knowledge; this has to be given freely and thus employees need to be viewed as voluntary citizens, not merely employees⁹¹. Although this work does not explicitly deal with the

⁸⁶ Ibid.,

⁸⁷ Butcher, David and Clarke, Martin. Political leadership in democracies: some lessons for business?; Management Decision, Emerald Group Publishing Limited, Vol. 44 No. 8, 2006; pp. 985-1001q: p 988; quoting Barbrook, A., Patterns of Political Behaviour, Martin Robertson and Co., London, 1975.

⁸⁸ Butcher, David and Clarke, Martin. Political leadership in democracies: some lessons for business?; Management Decision, Emerald Group Publishing Limited, Vol. 44 No. 8, 2006; pp. 985-1001q: p 988; quoting Barry, B. (2002), "Capitalists rule OK? Some puzzles about power, politics, philosophy", Economics, Vol. 1 No. 2, pp. 155-84.

⁸⁹ Butcher, David and Clarke, Martin. Political leadership in democracies: some lessons for business?; Management Decision, Emerald Group Publishing Limited, Vol. 44 No. 8, 2006; pp. 985-1001q: p 988; quoting Kaiser, A., Lehnert, M., Miller, B. and Sieberer, U. (2002), "The democratic quality of institutional regimes: a conceptual framework", Political Studies, Vol. 50, pp. 313-31.

⁹⁰ Butcher, David and Clarke, Martin. Political leadership in democracies: some lessons for business?; Management Decision, Emerald Group Publishing Limited, Vol. 44 No. 8, 2006; pp. 985-1001q: p 988; quoting Kim, U., Helgesen, G. and ManAhn, M. (2002), "Democracy, trust and political efficacy: comparative analysis of Danish and Korean political culture", Applied Psychology: An International Review, Vol. 51 No. 2, pp. 318-53.

⁹¹ Butcher, David and Clarke, Martin. Political leadership in democracies: some lessons for business?; Management Decision, Emerald Group Publishing Limited, Vol. 44 No. 8, 2006; pp. 985-1001q: p 992;

concept of the common good as such, it deals with the organization as a community of stakeholders. The Stakeholder theory is a modern way of inserting business organizations within society's common good. For instance, Butcher and Clarke's conclude that there is always a 'common end' to which business decisions drive towards. The principle of democratic leadership promotes and legitimizes both the distribution and coalescing of power and the necessary dissent and debate required to reconcile a plurality of interests with the establishment of organizational coherence... Common good can emerge "from chaotic, reciprocal interaction among people with potentially conflicting goals, values and ideals" (Barker, 1997, p. 351)⁹².

Isaiah Berlin saw the common good in a negative perspective. He saw the common good associated with theocratic and egalitarian society. He rejects the government imposing a specific vision of the common good. George Crowder, another 'Berliner', perceives the Common Good purely as a 'liberal political framework'⁹³. Yet, allowing the government on the one hand or allowing the democratic liberal system on the other would still leave us on the same spot given Immanuel Kant's words, that "out of timber so crooked as that of which man is made nothing entirely straight can be built"⁹⁴. Sometimes the common good is simply exchanged for social responsibility or the social good, by which term most refer to the wealth maximization at the benefit of the firm. Epstein⁹⁵ and Koslowski⁹⁶ tend towards this perspective.

quoting Handy, C., "Unimagined futures", *The Organization of the Future*, Jossey Bass, San Francisco, CA, 1997, pp. 377-83; and Handy, C., *The Hungry Spirit: Beyond Capitalism, A Quest for Purpose in the Modern World*, Random House, London, 1998.

⁹² Butcher, David and Clarke, Martin. Political leadership in democracies: some lessons for business?; *Management Decision*, Emerald Group Publishing Limited, Vol. 44 No. 8, 2006; pp. 985-1001q: p 995; quoting Barker, R. (1997), "How can we train leaders if we do not know what leadership is?", *Human Relations*, Vol. 50 No. 4, pp. 343-63.

⁹³ Aarsbergen-Ligtvoet, Connie. Isaiah Berlin, a Value Pluralist View of Human Nature, Rodopi V., Amsterdam: New York, 2006. P 415

⁹⁴ Aarsbergen-Ligtvoet, C. Isaiah Berlin, A Value Pluralist View of Human Nature, Rodopi V., Amsterdam: New York, 2006. Quoting Kant, Immanuel. Berlin, 1912, p12.

⁹⁵ Epstein, Edwin. M. The continuing Quest For the Accountable, Ethical and Humane Corporate Capitalism: An Enduring Challenge for Social Issues in Management in the New Millennium; *Business Ethics Quarterly*, Volume 10, Issue 1. ISSN 1052-150X. pp. 145-157

⁹⁶ Koslowski, Peter. "The Common Good of the Firm as the Fiduciary Duty of the Manager". Pp. 72-75

0.8 Conclusions

In section 2 it is noted that the concept of the common good has its etymology in the works of the Greek philosophers, especially that of Aristotle. This philosopher used two terms to refer almost to the same thing: *sumpheron koinon* and *Agathon Koinon*, translated as ‘common advantage’ and ‘common good’ respectively⁹⁷. The term has been mainly used by Christian philosophers but is now gaining common usage in contemporary philosophy. Common good is the ultimate good, the ontological good and also the highest practical social good according to Millán-Puelles. As ontological the common good is God and as an ultimate practical social common good it is the state of flourishing or self-sufficiency in a state which results in happiness of the citizens and in the state. One observes that for the individual in society, the good life and therefore happiness presupposes life in common. The good life found in the polis is communicated to each and helps each one flourish.

The common good is found when there is tranquillity in order (peace) and it also foresees a dynamic state of cultural and material well-being (Millán-Puelles, 1971). However, caution has been made with regard to those who see in the common good the flourishing of material well being only or simply see it as a nexus of happy individuals each somehow ‘alienated in his or her individualism from the others. Likewise, to apply the term common good to institutions is suspect, for historically the term applies to the polis or nation state as the highest or optimum state of a society.

Finally, one could conclude that the common good rests in virtue or the spiritual good for there is no repose in the material goods. As Aquinas explains, the desire for natural (spiritual and material together) riches is not infinite: because they suffice for nature in a certain measure. But the desire for artificial wealth is infinite, for it is the servant of disordered concupiscence and this is because, we realize more their insufficiency when we

⁹⁷ Smith, Michael. A. *Human Dignity and the Common Good in the Aristotelian-Thomistic tradition*; Edwin Mellen Press: New York, 1995. P 62-3

possess them: and this very fact shows that they are imperfect, and the sovereign good does not consist therein⁹⁸. The firm as an institution towards the perfective polis or state has to adhere to these principles as if to ensure that its objective respects and seeks the common good as described. It is therefore wrong for the firm to merely see its end in ‘artificial wealth’ or ‘profit’. The retrogression of society as a result of seeking profit for the sake of profit has had its evil effects in society as we shall now see.

Diverse Outcomes on the Path to the Common Good

0.9 Development towards the Common Good

With significant hind sight it is reasonable to say that man’s progress in search of the common good has been tremendous. From a savage alienated global human society in the past, whether in the eastern or western hemisphere of the globe, we can almost say that we live in a globalised society⁹⁹. Development in any part of the world is transmitted to other parts of the world relatively quickly. The means of communication have advanced phenomenally. There are considerably fast means of air transportation, sea transport and the effective capacity to transmit information. Human culture has developed to the extent that every human being throughout the world is capable of education in virtue, going to school, of feeding himself, of living in decent housing, of leaving a healthy life, of availing to themselves the gift of technology and so many other cultural goods. We have technologically elaborated the means to effective dialogue among cultures. The wherewithal to organize a sustainable universal society is available. In general, these great human achievements, though capable of permeating every sector of this globe, are still denied millions of people. Parallel to this abundance, we see the indignity of basic

⁹⁸ Aquinas, Thomas. S Th I-II, q2, a1

⁹⁹ Alvira, Rafael D. Bien Común y Justicia Social en las Diferentes Esferas De la Sociedad; Revista Empresa Y Humanismo, Vol. XII, No. 2/09, Pp. 61-79, Universidad de Navarra (Pamplona); Abril, 2009, p 65.

material impoverishment of millions of people and likewise the spiritual alienation of individuals in society. This in essence is the loss of human dignity¹⁰⁰.

0.10 The Paradox of Cultural Development

Very often one finds that there is a battle between human dignity founded on cultural norms and material well-being. In the ensuing search for prioritization there may be a tendency to consider them as mutually exclusive¹⁰¹. Culture includes all the norms and customs that enhance our certainty of human dignity; Religion, ethics, history and traditions, education, philosophy, cultural values, art, artefacts, and entertainment. Alejo Sison defines cultural values as including a broad variety of technical, artistic, intellectual, ethical and spiritual goods¹⁰². Benedict XVI, makes reference to this paradoxical situation when he says, that “we are living in a time of great dangers and great opportunities for man and the world; a time which is also of great responsibility for us all. During the past century man's possibilities and his dominion over resources grew by truly unthinkable measures. However, his power to dispose of the world's resources has been such as to allow his capacity for destruction to reach dimensions which at times horrify us. In this connection, the threat of terrorism comes spontaneously to mind, this new war without boundaries or fronts.”¹⁰³

An important reality slowly taking shape in western culture is that despite the great material-technological advancement, man, especially in Europe, is bent on excluding the Christian religion from the public conscience¹⁰⁴. Religion has been all but consigned to the individual sphere as a result of the philosophy of individualism. Not only is man eager to

¹⁰⁰ Millán-Puelles, Antonio. Bien común, en Gran Enciclopedia Rialp, Vol. 4, Pp 225-230; Rialp: Madrid, 1971. P. 225

¹⁰¹ Ibid.

¹⁰² Sison, Alejo. J. and Fontradona, Joan. The Common Good of the Firm in the Aristotelian-Thomistic Tradition; 1st IESE Conference on, “HUMANIZING THE FIRM AND THE MANAGEMENT PROFESSION”; Barcelona, IESE Business School, June 30, 2008

¹⁰³ Ratzinger, Joseph. On Europe's Crisis of Culture, Part I; Lecture, April 1, 2005; <http://www.zenit.org/article-13675?l=english>

¹⁰⁴ Ibid.

store God in the ‘archive of human history’ but given genetic science man is now almost able “reconstruct human life”¹⁰⁵. This possibility has engendered in man the conviction that he is master of himself which seems to have overshadowed the other conviction that he is the splendidous ‘image of God’. Ratzinger surmises that in Europe a culture has developed that constitutes the absolutely most radical contradiction not only of Christianity, but of the religious and moral traditions of humanity¹⁰⁶. The contradiction lays mainly in the paradoxical growth of human technology on the one hand and on the other an ever increasing ‘alienation’ of man from his inherent dignity as observed above. This paradoxical state of affairs seems to have permeated human institutions which man has engendered to help him improve his material, social-cultural and political life. The person as an individual and the person within institutions have the responsibility of improving this untenable situation. In order to do this one needs to examine the obstacles.

0.11 Institutionalizing Democracy and Free markets

A key development in human society has been the institutionalization of democracy in many nation states. Democracy could be defined as the “institutionalization of citizen’s participation in political organization and governance through permanent intercommunication or dialogue between those who govern and those governed”¹⁰⁷. Between 1975 and 2002 there was a quadrupling in the number of democratic countries¹⁰⁸. Regarding International trade Eichengreen and Leblang were measuring trade openness (as imports plus exports as a percentage of gross domestic product), they found out that countries for which comparable data on international trade exist began with 14 in 1870, doubled by the end of World War I (to 28), doubled again by the end of World War II (to

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

¹⁰⁷ Verdú, P. Lucas. Democracia, Gran Enciclopedia Rialp, Ediciones Rialp, S.A.: Madrid, 1992; Vol. 2, Pp. 375-377.

¹⁰⁸ Eichengreen, Barry and Leblang David. Democracy and Globalization; Economics and Democracy, vol. 20 No. 3, November 2008, Pp 289-334.

56) and reached a maximum of 156 by 1998'¹⁰⁹. Their research augments the idea that 'trade and financial openness continue to affect democracy positively, while democracy continues to affect both trade and financial openness positively'¹¹⁰

Unethical Behaviour in Firms and their Effect on Society

0.12 The Changing Role and Definition of the Firm in Society

Rafael Alvira's definition of the concept of 'institution', in its widest scope, is a concretized and distinct social organization; such as a family, a business, a club, a parish or a state among others¹¹¹. One of the institutions is the business or the firm, which Sison, refers to as a nexus of contracts between principals, contributing capital, and agents, contributing labour, for the purpose of producing goods and services¹¹². However, the firm or the business institution has over time come to be defined merely from its profit objective. Hence, it is not surprising that Sison perceives that, currently, most people define the firm's singular objective as that of creating "profit through efficient production and to distribute this profit among all interested parties; although the capital providers or shareholders have a priority, in accordance with agreed upon corporate governance mechanisms."¹¹³ He points out nevertheless that human society is slowly gaining a new conception of the firm as 'the coming together of various interest groups or stakeholders beyond capital and labour'¹¹⁴.

The firm (the term often used to describe business institutions) as I have argued in paragraph 1.2, has both natural and artificial elements. They are formed as a result of

¹⁰⁹ Eichengreen, Barry and Leblang David. Democracy and Globalization; Economics and Democracy, vol. 20 No. 3, Pp 289-334, November 2008; P 295

¹¹⁰ Ibid., p 315

¹¹¹ Alvira, Rafael D. Bien Común y Justicia Social en las Diferentes Esferas De la Sociedad; Revista Empresa Y Humanismo, Vol. XII, No. 2/09, Pp. 61-79, Universidad de Navarra (Pamplona); Abril, 2009, p 73

¹¹² Sison, Alejo J. and Fontradona, Joan. The Common Good of the Firm in the Aristotelian-Thomistic Tradition; 1st IESE Conference on, "HUMANIZING THE FIRM AND THE MANAGEMENT PROFESSION" June 30, 2008

¹¹³ Ibid.

¹¹⁴ Butcher, David and Clarke, Martin. Political leadership in democracies: some lessons for business?; Management Decision, Emerald Group Publishing Limited, Vol. 44 No. 8, 2006; pp. 985-1001q; p 992

chance, contractual relationships or rational ends such as a company, factory workers and so on¹¹⁵. Unlike Max Scheler, I do not think that the society is necessarily built on the decadence and decomposition of a community. Societies can in fact augment the bond of a community if formed properly. For instance, the employees of a business enterprise will take care of the well being of their families largely because they earn a salary; besides, working within a society, such as a company, can be a channel of contributing and serving to the community. A society, such as a firm, is not self-sufficing or flourishing. The flourishing life for Aristotle depends on the wholesome community of families, other groups and the polis. Rather, like other intermediate bodies, the society's purpose is to supply some of the necessary means for the good life (Pltcs 1280b). Business firms and corporations are intermediate bodies that primarily pursue economic goals. In this case, the management's main objective is no longer to maximize profits but to balance, or optimize profits, for each of the stakeholder groups: investment returns for shareholders, salaries for workers, goods and services for consumers, taxes for the government and so forth. In practice, these groups often have conflicting interests¹¹⁶. There is growing concern therefore that the objective of the firm is not merely doing business so well as to maximize profits. As an example, De Bettignies and Lepineux, refer to the "common good" as a primary objective of firms over the last four decades of the twentieth century and into the twenty first century. However, their concept of the common good is merely one that encompasses the concept of the "triple bottom line". The three-dimensional approach—economic, social, and environmental—lies at the basis of the sustainable development notion popularized by the Brundtland Report in 1987, of the "Triple Bottom Line" concept, and of the "Triple P" (People, Planet, and Profit) policy adopted by some leading companies¹¹⁷. It will suffice here to surmise that the changes in perception of what

¹¹⁵ Strobl, Wolfgang. *Comunidad*; Gran Enciclopedia Rialp, Vol. VI, Ediciones Rialp: Madrid, 1972, p. 125-126

¹¹⁶ Sison, Alejo J. and Fontradona, Joan. *The Common Good of the Firm in the Aristotelian-Thomistic Tradition*; 1st IESE Conference, June 30, 2008.

¹¹⁷ De Bettignies, Henri. C. and Lepineux François. *Can Multinational Corporations Afford to Ignore the Global Common Good?* *Business and Society Review*, Vol. 114, Issue 2, May 2009, Pages 153-182. <http://www3.interscience.wiley.com/cgi-bin/fulltext/122408374/>

a firm's objective is have come about because of far reaching scandals perpetrated by firms.

0.13 The Impact of Firms in Contemporary Society

Institutions have always been crucial to the economic development of nations. Bettignies and Lepineux, demonstrate this idea by showing that in 2009, many international firms grew larger in size than many nations. Their research shows that according to World Bank statistics half of the hundred biggest economies in the world are now corporations, the rest being nation-states. For example, they show that the sales proceeds of Shell (\$268.9 billion) and the gross domestic product of Niger (\$2.7 billion) in 2003 is especially interesting in this respect, as the former is a hundred times greater than the latter; so too is the comparison between the net sales of General Motors (\$185.5 billion) and the GDP of Botswana (\$7.4 billion) in 2003—the ratio in that case is 25 to 1. One could also compare the turnover of Johnson & Johnson (\$41.9 billion) and the gross domestic product of Kazakhstan (\$29.7 billion) that same year or the turnover of Microsoft (\$32.2 billion) and the GDP of Guatemala (\$24.7 billion), still in 2003¹¹⁸. Corporations have become leading players in contemporary society; indeed, they can legitimately be considered as the central value-creation institutions of our time.¹¹⁹ The effect of this is that for some time now corporations are negotiating and demanding concessions at the level of “nation-states”. It is now obvious that nation-states on the other hand wouldn't have the financial power to afford strong negotiating positions. As our authors explain, the large firms can negotiate national regulations, when they deem them too constraining, by transferring their profits to low tax countries and their operations to lower labour cost environments. It goes without saying that governments would be hard put, for the same reasons, to regulate the large

¹¹⁸ De Bettignies, Henri C. and Lepineux François. Can Multinational Corporations Afford to Ignore the Global Common Good? *Business and Society Review*, Vol. 114, Issue 2, May 2009, Pages 153-182; quoting The World Bank Group, *World Development Indicators Series*, and company websites

¹¹⁹ De Bettignies, Henri C. and Lepineux François. Can Multinational Corporations Afford to Ignore the Global Common Good? Quoting K. Mason, "The multinational corporation: Central institution of our age," in R. Dickie and L. Rouner (eds.): *Corporations and the Common Good* (Notre Dame: University of Notre Dame Press, 1986)

multi-national firms. One can then understand the danger posed by multinational firms who have profit as their only motive. It would literally mean that a vast number of nation-states, or for that matter, human society in general is at the behest of “profit” interests of firms.

0.14 Universal Economic Inequality

Probably the greatest effect of this ‘capitalistic’ system is the resultant inequality among nations and peoples as a result of ‘selfish’ economic principles. The Bruntland report mentioned above provides some data¹²⁰. It mentions that there are more hungry people in the world today than ever before in human history, and their numbers are growing. In 1980, there were 340 million people in 87 developing countries not getting enough calories to prevent stunted growth and serious health risks. This total was very slightly below the figure for 1970 in terms of share of the world population, but in terms of sheer numbers, it represented a 14 per cent increase. The World Bank predicts that these numbers are likely to go on growing. It also mentions that people living in slums and shanty towns are rising and that many cannot access clean water and sanitation and is prey to diseases¹²¹. In 2008, the gross national income per capita data (see table 1 below) demonstrated that the average gross national income per capita (GNIPC) is sixteen times that of the lowest GNIPC. On the other hand the highest GNIPC, according to the World Bank statistics in 2008, was approximately 4.5 times more than the average GNIPC. That data illustrates, in effect, that in the lowest GNIPC countries the people were living at an average of USD \$1.4 per day while those in the highest GNIPC countries were living at an average of USD \$107.7 per day. From a productivity perspective that means that the average person in a low income country is worth USD \$1 per day while the one in a high income country is worth USD \$107 per day.

¹²⁰ Bruntland, Gro H. *Our Common Future: The World Commission on Environment and Development*, Oxford: Oxford University Press, 1987. <http://www.un-documents.net/wced-ocf.htm>.

¹²¹ Ibid.

Table 1: World Gross National Income Per Capita

Gross national income per capita (GNIPC) 2008, Atlas method and PPP				Population In thousands	% age
	Atlas method (US dollars)	Economy	Purchasing power parity (international dollars)		
World	8,579	World	10,357	6,692,062	100%
Low income	524	Low income	1,407	972,975	15%
Middle income	3,211	Middle income	6,154	4,650,561	69%
Lower middle income	2,015	Lower middle income	4,592	3,702,108	
Upper middle income	7,878	Upper middle income	12,297	948,453	
Low & middle income	2,748	Low & middle income	5,330	5,623,536	84%
High income	39,345	High income	37,141	1,068,525	16%
East Asia & Pacific	2,515	East Asia & Pacific	5,398	1,931,288	
Europe & Central Asia	7,418	Europe & Central Asia	12,219	441,375	
Latin America & Caribbean	6,780	Latin America & Caribbean	10,309	565,294	
Middle East & North Africa	3,242	Middle East & North Africa	7,308	324,786	
South Asia	986	South Asia	2,734	1,542,836	
Sub-Saharan Africa	1,082	Sub-Saharan Africa	1,991	817,957	
Euro area	38,821	Euro area	33,228	325,947	

Source: *World Development Indicators database, World Bank, 1 July 2009*¹²². <http://www.un-documents.net/wced-ocf.htm>.

0.15 Unethical Profits, Unethical Investments

The terrible effects of unethical behaviour in large firms, and in human society on a global scale can be perceived in the financial crisis that rocked the world in the years 2008-09. The story of the global financial crisis caused by the Sub-prime mortgage financial scandal in 2008-2009 and the way it was handled showed the mismanagement of financial institutions at the turn of the 20th century. Unethical behaviour in many financial firms, especially in the United States of America and Western Europe during this period resulted in a global economic crisis which, as I write this thesis, is still unresolved. A salient feature of the current financial crisis is that it has been incubated by the ‘financialization’ of Western economies, most notably the US economy, which created an abundance of

¹²² World Bank development Indicators, 2009. <http://www.un-documents.net/wced-ocf.htm>.

credit and encouraged excessive risk-taking through complex financial instruments (derivatives, credit default swaps) and corporate structures and ineffective regulatory mechanisms. Banks, hedge funds and insurance companies have been key actors in the financialization of the economy and are estimated to have lost around US\$2.8 trillion¹²³.

0.16 Ineptitude in Managing the Economy

The crisis was blamed on 'a culture of irresponsibility'. The US government closed 22 banks, according to the federal deposit Insurance Corporation, including Lehman Brothers, Washington Mutual and Indymac¹²⁴. It has rescued Freddie Mac, Fannie Mae and Bear Stearns and created a bailout fund of \$700 billion to purchase stakes in troubled banks. Altogether the US government has committed nearly \$8.5 trillion, around 60% of its gross domestic product, to arrest the collapse of its financial system¹²⁵. The European Central Bank has provided around €467 billion to support banks. Germany has set aside over US\$400 billion to bailout ailing banks. So far, Ireland, Iceland, Hungary and Turkey have sought financial assistance from the International Monetary Fund (IMF) to manage the crisis. The social cost of the unfolding crisis is difficult to estimate, but vast amounts of public money are being used to prop-up distressed financial enterprises. For example, in addition to providing huge sums to stimulate banking liquidity, the UK government has set aside £500 billion (about US\$750 billion) to support financial enterprises¹²⁶. According to Sikka¹²⁷, Several of the financial institutions closed, as a result of the financial crisis, had unqualified audit reports. The Table below shows their findings.

¹²³ Sikka, Prem. Financial crisis and the silence of the auditors, *Accounting, Organizations and Society*, 2009, vol. 34, issue 6-7, pages 868-873. p 869

¹²⁴ Ibid. P 871

¹²⁵ Ibid.

¹²⁶ Sikka, Prem. Financial crisis and the silence of the auditors, Volume 34, Issues 6-7, p 870

¹²⁷ Ibid.

Table 2: 2008 Auditors and Distressed Banks

Company	Country	Year end	Auditor	Date of audit report	Audit opinion	Fee (millions)	
						Audit	Non-audit
Abbey National	UK	31.12.2007	D and T	4.3.2008	Unqualified	£2.8	£2.1
Alliance and Leicester	UK	31.12.2007	D and T	19.2.2008	Unqualified	£0.8	£0.8
Barclays	UK	31.12.2007	PwC	7.2.2008	Unqualified	£29	£15
Bear Stearns	USA	30.11.2007	D and T	28.1.2008	Unqualified	\$23.4	\$4.9
Bradford and Bingley	UK	31.12.2007	KPMG	12.2.2008	Unqualified	£0.6	£0.8
Carlyle Capital Corporation	Guernsey	31.12.2007	PwC	27.2.2008	Unqualified	N/A	N/A
Citigroup	USA	31.12.2007	KPMG	22.2.2008	Unqualified	\$81.7	\$6.4
Dexia	France/ Belgium	31.12.2007	PwC/ Mazars and Guérard	28.3.2008	Unqualified	€10.12	€1.48
Fannie Mae	USA	31.12.2007	D and T	26.2.2008	Unqualified	\$49.3	–
Fortis	Holland	31.12.2007	KPMG/ PwC	6.3.2008	Unqualified	€20	€17
Freddie Mac	USA	31.12.2007	PwC	27.2.2008	Unqualified	\$73.4	–
Glitnir	Iceland	31.12.2007	PwC	31.1.2008	Unqualified	ISK146	ISK218
HBOS	UK	31.12.2007	KPMG	26.2.2008	Unqualified	£9.0	£2.4
Hypo Real Estate	Germany	31.12.2007	KPMG	25.3.2008	Unqualified	€5.4	€5.7
Indymac	USA	31.12.2007	E and Y	28.2.2008	Unqualified	\$5.7	\$0.5
ING	Holland	31.12.2007	E and Y	17.3.2008	Unqualified	€68	€7
Kaupthing Bank	Iceland	31.12.2007	KPMG	30.1.2008	Unqualified	ISK421	ISK74
Landsbanki	Iceland	31.12.2007	PwC	28.1.2008	Unqualified	ISK259	ISK46
Lehman Brothers	USA	30.11.2007	E and Y	28.1.2008	Unqualified	\$27.8	\$3.5
Lloyds TSB	UK	31.12.2007	PwC	21.02.2008	Unqualified	£13.1	£1.5

Company	Country	Year end	Auditor	Date of audit report	Audit opinion	Fee (millions)	
						Audit	Non-audit
Northern Rock	UK	31.12.2006	PwC	27.02.2008	Unqualified	£1.3	£0.7
Royal Bank of Scotland	UK	31.12.2007	D and T	27.2.2008	Unqualified	£17	£14.4
TCF Financial Corp	USA	31.12.2007	KPMG	14.2.2008	Unqualified	\$0.97	\$0.05
Thornburg Mortgage	USA	31.12.2007	KPMG	27.2.2008	Unqualified	\$2.1	\$0.4
UBS	Switzerland	31.12.2007	E and Y	6.3.2008	Unqualified	CHF 61.7	CHF 13.4
US Bancorp	USA	31.12.2007	E and Y	20.2.2008	Unqualified	\$7.5	\$9.6
Wachovia	USA	31.12.2007	KPMG	25.2.2008	Unqualified	\$29.2	\$4.1
Washington Mutual	USA	31.12.2007	D and T	28.2.2008	Unqualified	\$10.7	\$4.3

Source: Sikka, Prem. *Financial crisis and the silence of the auditors, Accounting, Organizations and Society*, 2009, vol. 34, issue 6-7, pages 868-873. p 870

Sikka's research found out that in the Auditing Practices Board, 2004a, adverse "key financial ratios" are considered to be an indicator of going concern problems and major institutions acquired leverage ratios in the range of 11:1–83:1. Excessive leverage has the potential to increase liquidity risk and jeopardize bank survival. For example, a report by the US Securities and Exchange Commission (SEC) noted that Bear Stearns "was highly leveraged, with a gross leverage ratio of approximately 33 to 1 prior to its collapse". One expert informed the US House of Representatives Committee on Oversight and Government Reform that Lehman Brothers, the fourth largest investment bank, "had a leverage of more than 30 to 1. With this leverage, a mere 3.3% drop in the value of assets wipes out the entire value of equity and makes the company insolvent"¹²⁸. This is a manifestation that the check systems in the financial institutions concerned and in the governments where the series disinvestments were committed are not effective.

In addition to the sub-prime mortgages financial crisis at the beginning of the 21st century, there was also the financial scam perpetrated by the former NASDAQ chairman, Bernard

¹²⁸ Sikka, Prem. *Financial crisis and the silence of the auditors* Volume 34, Issues 6-7, p 874

Madoff. When he was arrested for swindling investors off approximately \$50 billion, Bernard Madoff confessed, "There is no innocent explanation." Observers believed that the Securities and Exchange Commission (SEC) of the United States of America would have been spurred into action against the alleged mastermind of a \$50 billion fraud sooner if more people had come forward¹²⁹. The overall judgment is that there is a widely accepted artificial separation between economic activity and morality. It is this that has led man to develop economic life, and processes in institutions in a destructive manner, leading to the loss of economic, social and political systems that trample upon personal and social freedom, and are therefore unable to deliver the justice that they promise¹³⁰.

0.17 Unemployment and Economic Suffering

The effects of such unethical action in business institutions breed uncertainty over working conditions caused by mobility and deregulation. When such practices become endemic, they tend to create new forms of psychological instability, making it difficult to forge coherent life-plans, including marriage. This leads to 'wastage' of human and social capital in labour and social resources. Human beings suffer unemployment and economic uncertainties which in turn provoke economic marginalization¹³¹. Benedict XVI says to the governments engaged in boosting the world's economic and social assets, that the primary capital to be safeguarded and valued is man, the human person in his or her integrity: "Man is the source, the focus and the aim of all economic and social life"¹³².

0.18 Conclusions

Tables 1 and 2 shows the dismal efforts of Man's progress towards achieving the material well-being (which has become somewhat synonymous with an empirical measurable, i.e.

¹²⁹ The Business Week, Madoff Investment Securities, June 23, 2009, Bernard L., <http://investing.businessweek.com/research/stocks>

¹³⁰ Benedict XVI, Encyclical Letter Caritas in Veritate, 34. 2009

¹³¹ Benedict XVI, Encyclical Letter Caritas in Veritate, para. 25.

¹³² Ibid., para. 25

economics has become more or less a quantitative measurable reality) and high level prevalence of unethical conduct. The 2008 Gross National Productivity figures show that 84% of the world's population lives in the low and middle income group while 16% are those who live above in the high income group. The global competitive rankings of the world economic forum demonstrate in a more detailed analysis this general inequality in the distribution of the world's riches. They at least consider new parameters that try to measure the qualitative aspects.

There has been an improvement over the last two decades in analyzing nation-state performance from an economic perspective. Based on the World's Economic Forum (WEF) global competitiveness structure analysis one sees an increasing recognition of the important role education and culture play besides pure material productivity analysis. Global Competitiveness is defined as, the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the sustainable level of prosperity that can be earned by an economy. For instance, the 2008-09 report on global competitiveness¹³³ shows twelve pillars of assessments, divided into three types of economies. Factor Driven economies are still heavily dependent on factor resources. The pillars of assessment for this level of economy include institutions, infrastructure, macroeconomic stability, health and primary education. Efficiency driven economies are measured according to their efficiency enhancers, higher education and training, goods market efficiency, labour market efficiency, financial market sophistication, technological readiness and market size. The highly developed group of nations is measured according to their capacity of innovation. They are measured by their business sophistication and levels of innovation¹³⁴. The rankings indicate that there are grave inequalities in the world. The inequalities are a result of unethical behaviour that range from pure ignorance, theft, greed, to sabotage, irresponsibility on the governments

¹³³ Schwab, Klaus, The Global Competitiveness Report (GCR) 2009-2010, World Economic Forum, 2009; Geneva. P 16

¹³⁴ Ibid. P 21

assessment and management of institutions and other ills. Next is to consider in-depth the roots of this unethical behaviour in firms and institutions.

The Roots of Unethical Behaviour in Firms

0.19 Commercialization of Culture

The spirit of capitalism has engendered a propensity to the spirit of ‘commercialization’. This means that a significant number of business persons have acquired utilitarian and ‘consequentialist’ ethos¹³⁵. As Sison explains, entrepreneurs ignore the inviolable dignity of the human person and the transcendent value of the natural moral norms. Accordingly, the ultimate justification of business practice would be found in the foreseen or consequential utility of actions and decisions. The consequence of this way of thinking is the generally accepted business principle that there is actually no such thing as inviolable dignity of human beings. The latter only exists to serve the decisions of the institutions. Neither is it reasonable to assign any transcendent value to moral norms in institutions, given no ethical norm exists save utility¹³⁶.

There has also been a general tendency of devaluing cultures which arises from the stripping of ethical and religious norms that provide the inherent dignity of man and society. Instead, cultures have been juxtaposed as essentially equal at the altar of commerce. Thus the bonding, beautiful, perfective and truthful values are not communicated to the new neighbours and new generations. The result is a loss of dialogue between and within cultures. Positive cultural enrichment among fellow men is at its lowest ebb. This in turn has led to what Benedict XVI calls cultural eclecticism and levelling, manifested by the ‘equating of cultures’ or cultural ‘relativism’ and the avoidance of a well thought out dialogue¹³⁷ between cultures that encourages the sharing of true cultural values and at the same identifying divergent cultural issues that need to be

¹³⁵ Sison, Alejo J.G., *Reflotar la ética económica*, Aceprensa, No. 53/09, Agosto 2009, P 1.

¹³⁶ Sison, Alejo J.G., *Reflotar la ética económica*, Aceprensa, No. 53/09, Agosto 2009, P 1

¹³⁷ *Ibid.*, para. 26

studied. Cultural relativism may lead to the loss of key societal values that have been cultivated throughout the history of a society. Hence, a certain alienation of culture from human life arises leading to the risk of new types of enslavement. While the complexity arising from the pervasive globalization of cultures is difficult to decipher and manage, and the egalitarian sentiment among all men is strong, historical experiences are different and have granted to each culture both some good and some evil. It is of essence that there arise dialogue among cultures to help man divine the good and eliminate the evil tendencies contrary to social unity. The presence of organizations that transcend national boundaries, in which people from many cultural backgrounds work together in common is very important and it is necessary that organizations undertake responsibility of cultural dialogue at every level. Common economic benefit cannot be the sole foundation of cultural unity in diversity.

Take for instance the case of different religious cultures among men. The religions of the earth do not obey a unique principle from which all religion form a genre. There are different species of religion but not of the same genre. They form distinct beliefs with distinct customs, rites or rituals, codes of administration and therefore also different ways of understanding the reality of man and God and their relationship. Reality presents to us a clear distinction between different religions. However, one cannot completely deny that there is a common principle among them which is the desire for man to relate to the Divine and to define the human being from that perspective for the sake of the good of man. This is an expression of an age old principle prevalent throughout the history of man which indicates or shows man in search of the Divine truth.

All men of all time have had to confront this question of the divine deriving from both the perception of man as an inadequate author of his own reality and divine revelation. This is known through the channels available throughout history which can be observed and understood from right human reason. Is there truth in all religions? One could say that there are fragments of truth in each religion and it behoves man, through the light of right reason, to look for these truths to accomplish their understanding of man's relationship

with God and God's relationship with nature. One could also say that, in as much as there are truths in religions, the adherents will always have a channel to reach the true reality of their destiny and live in truth. In as much as there isn't truth in the religions, man has to use faith and reason to arrive at the truth and change or accept the new revelation. These fragments of truth are found in the doctrines, rituals or cults, customs in their generality and in the religious and profane realities of tradition and human wisdom. There are also reflections of teachings of nature, philosophical and rational in nature, which can be known and understood.

Dialogue is essential because man's nature always leads him to seek the fundamental truth underlying 'his' reality. Hence, pretending that ethical norms founded on religion and the dignity of man are irrelevant, not only would it be courting a lie about human nature but one could also be rejecting the profound reality. This can only demean human kind. Yet, while the contrary is true and one must dialogue in order to enrich his 'truth' about God, man and society and its environment, it should also be understood that the objective of this dialogue transcends human capability and therefore requires the help of a transcendent reality. Human reason can understand the end but only imperfectly etching the path towards that perfect universal society. If one should stop at mere respect of cultural plurality, and fear the arduous task of dialogue and change, he risks the impoverishment of human kind through cowardice and irrationality. That is the sign of a people without hope and destitute of values save that of demeaning mankind to the level of mere instinct or material beneficence, which is the lot of lower animals. Institutions need to salvage this hope in mankind and in his rationality to reach his perfective nature and life.

0.20 The All Pervasive Culture of the Organization

In business institutions culture in organizations has taken a special place within organizational theory and behaviour. Calvin Morrill expresses this very well in his research work on culture and organizational theory. Quoting two authors, Barley and Kunda, he says that although earlier generations of organizational researchers referred to aspects of

culture, scholars did not systematically apply the term "culture" to organizations until the late 1970s and early 1980s, when they began to refer to organizations as "socially constructed systems of meaning"¹³⁸. The theory of organizations as instruments of culture is therefore a most recent perception from a scholarly perspective. Nevertheless, the recent discovery among scholars in organizational behaviour does not nullify its critical role within the cultural context throughout history. Morrill identifies the fact that as the cause for free markets and capitalist gain became both the utopian ends and grand motives underlying most social institutions, the rational organization, de-contextualized from local customs, came to be seen as the linchpin for realizing and sustaining market society.

As markets and capitalist enterprises thrived, early organizational researchers... produced "hybrids" of theory and "applied practical discipline," [which] often viewed culture as superfluous to rational organizations, if not regarding it with outright hostility. Organization theory was about the hard edge of rationality, means-end thinking, and goals. Cultural arguments, by which most theorists meant non-rational "noise," were relegated to the study of custom and local social practice. Given the antipathy it received, culture ironically played important yet unacknowledged roles in early organization theory.¹³⁹ As Ouchi testifies in his work, building organizational cultures became akin to building communities and tight-knit "clans," with their attendant images of mutual support, solidarity, and commitment (Ouchi 1980)¹⁴⁰.

Neo-institutional scholars such as Meyer and Rowan (1977), came to discover that business institutions (rational institutions) tended to dominate all other institutions when they discovered "the pervasive diffusion of cultural-cognitive models that emerged out of the Western European cultural watersheds of the Enlightenment, the Industrial and French Revolutions, and "market" projects of the eighteenth and nineteenth centuries. These models privileged Western rationalist, means-end assumptions about reality and social

¹³⁸ Morrill, Calvin. Culture and Organization Theory, *The Annals of The American Academy of Political and Social Science*; Annals 15, 619, September 2008.

¹³⁹ Ibid. P 619

¹⁴⁰ Ibid.

organization at all levels of analysis, thus creating a world culture dominated by the "Western cultural account" (Meyer et al. 1997)"¹⁴¹. Thus their conclusion that rational instrumental organizations dominate and persist on the contemporary scene not because they are technically superior on some universal [aspect]... but because they conform to a social reality and are deemed legitimate as defined by pervasively shared cultural assumptions¹⁴².

To consider the cultural dimension of organizations is important because research has shown that, although complex in analysis, there is such a thing as social inequality and deviance, sacred rationalist concepts such as rationality and efficiency are interrogated, and their limitations and possibilities are revealed. What is emerging ...is a realignment of organization theory that is bringing together theoretical approaches to power, culture, and agency into a useful analytic nexus and allowing sociologists to reassess the theory of society¹⁴³.

Having said that, it is necessary to emphasize that culture is something which human beings and society positively introduce into society. It is therefore the prerogative of man and his institutions to create an informed culture which fosters the flourishing of man and society. In building culture one ought to be aware of its content. This includes the culture of work (*homo faber*), of transmitting knowledge effectively to the present and future generations, of the artistic culture of creating (such as music), the culture of contemplation, the culture of peaceful common life (*homo societus*), of games (*homo ludens*), of understanding and loving suffering, and last of all but most important of all, of religiosity. It can be summarized as building a culture of work, education, art and artefacts, rest and entertainment, human virtues (ethics of practical life), and religion. These aspects are intertwined, each part playing its crucial role in building up a more perfect man and his society.

¹⁴¹ Ibid.

¹⁴² Ibid.

¹⁴³ Ibid.

0.21 Scandal in Society

These elements together provide the objective spirit of society as a consequence of the principles cultivated in people through the educational process. Historically, the ‘Woman’ has been profoundly responsible for carrying out this responsibility. Without her there is no particular family, this or that family, there is no growth of the family and culture. Children are the sign of hope in the future. If the children are not brought up within the family culture of Love there arise a lack of trust which breaks up the family harmony, peace and beauty of society. Constancy in education is necessary in order for values to inhere and culture to emerge. With a profound internal enrichment of people in a society, externally an enriching culture emerges as the product of that society. This beautiful expression of what individuals believe in is what institutions need to respect and to develop. It is lamentable that the enriching culture of many societies has almost died as a result of the dominance of unethical behaviour in business or ‘coercion’ through the business ‘educative’ processes.

José María Barrio, quoting Jungmann, says that education is the process of inserting someone into reality¹⁴⁴. Sometimes it is a process and sometimes the result of a process, as Antonio Livi says; which could be defined as the help which a person or group of people, or institution, lends to another person or group of persons in order to develop and perfect their being in diverse aspects (material and spiritual, individual and social)¹⁴⁵. It comes from the Latin word e-ducare, which means to lead another from one place to another¹⁴⁶. Education also consists of forming in courtesy, mannerisms, sciences, religion, physical well-being, human virtues, aesthetics or arts and in general social living¹⁴⁷. Education, of whatever nature it may be, prepares one for life. However, all kinds of scandals in

¹⁴⁴ Barrio, José María. *El Balcón de Sócrates*, Ediciones Rialp, S.A.: Madrid, 2004, P 101

¹⁴⁵ Livi, Antonio. *Educación*, Gran Enciclopedia Rialp, Vol. VIII, 1993, 325-330; P 325

¹⁴⁶ *Ibid.*

¹⁴⁷ *Ibid.* Pp 325-341

business institutions make nurturing children complex (at times seemingly insuperable as the case of city slum dwellers is) because of what the reality really is¹⁴⁸.

0.22 Commercializing Human Dignity

Upon prevailing over our infancy, and successfully arriving at ‘adulthood’, wherein we reach the capacity of alienating ourselves from the ‘sentimental life of the family’ and proffering our own reasons to the reality we see before us, the only thing we are sure off is the monetary value or cost of things. Most people measure the value of things according to the price bestowed upon them by the market forces¹⁴⁹. All pre-mercantile relationships and realities, such as the family, the church and the social relationships, are devalued in favour of dedicating our lives to the search for money. The focus is singularly in acquiring the technical competencies necessary for us to earn money. Important as working and earning money may be, one cannot lose what bestows value upon our work, which is family and society. In the second level, art, contemplation (rest), religion, music, humanistic education and entertainment enrich lives. It is these things that make one creative on the one hand and enriches the intellect and life in general on the other. Life is made worth living. The perfection of life should not be relegated to the abysmal path or ‘rat race’ of making more and more money in view of institutional competitiveness and economic benefit. When an institution considers these dimensions of the person and inculcates this perspective in itself, it becomes a humanistic organization. Business institutions therefore participate in the education of persons and societies, both from an internal and external perspective. Having considered the internal perspective in the paragraph above we ought to mull over the external educative function of the business institution.

From childhood we live and learn using products provided by business institutions and whose prices are determined in the market environment. They range from food, water and other drinks, clothe, houses, books, entertainment, games, art and all sorts of amenities

¹⁴⁸ Barrio, José María., El Balcón de Sócrates, p 104

¹⁴⁹ Ibid., p 105

that satisfy human needs. Even formal education has become largely commercialized. An example is Britain. Sally Tomlinson in-depth research into education in Britain says that since 1945, there has been a shift from a relatively decentralized education system to a centralized system, in which funding, teaching and curriculum are centrally controlled, and the subjection of schools to market forces has increased social and academic divisions¹⁵⁰. The resultant effect is that business institutions are playing a crucial educative role in society through these ‘commercialised’ services. While they serve a very important role in society, they also have commercialized even what can be considered outside the zone of commercialization.

Referring to norms and values of society, businesses have created needs that are suspect and have sometimes resulted in profound harm to society such as the sub-prime mortgage scandal mentioned earlier. Advertisements have profoundly affected the value system; especially the values regarding sex and marital life. In some societies, sexual morality is entirely upside down. Worse still, the market environment is nourished by triviality and indifference leading the social education systems to renounce anything that would not be strategic to the principal mission of economic benefit. Societies have become what Spaemann calls ‘hypothetical societies’ in which the value of reality is essentially defined by the exchange value. Hence, one buys cars because they are cheaper and have the latest gadget or technology. One changes clothes merely because businesses have created a ‘new fashion’¹⁵¹. Where everything is on sale convictions and values of life are expendable and are to be eliminated when human instinct calls for it. As Spaemann (2007, 40) sees it, what apportions value to the social system becomes the market place¹⁵².

Human life has also run into grave risk of being commercialized as a result of the contraceptive mentality, human trafficking and commercialization of human organs, abortion and euthanasia. All these malpractices are allowed as measures of ‘improving

¹⁵⁰ Tomlinson, Sally. *Education in a Post Welfare Society*; Berkshire, GBR: McGrawHill Education, 2005. p 22. <http://site.ebrary.com/lib/bibliotecaunav/Doc?id=10175249&ppg=22>

¹⁵¹ Barrio, José Maía. *El Balcón de Sócrates*, p 109

¹⁵² *Ibid.* p 110

economic life'. As Benedict XVI notes, some non-governmental organizations work actively to spread abortion, at times promoting the practice of sterilization in poor countries, in some cases not even informing the women concerned¹⁵³. As Coleman et al, find out after an empirical research on the effects of abortion in Chicago, for men and women, the experience of an abortion in a previous relationship was related to negative outcomes in the current relationship; perceptions of improved quality of life if the current relationship also ended and intimate partner violence. Experience of an abortion within a current relationship was associated with 116% and 196% increased risk of arguing about children for women and men, respectively. Among females, experience of an abortion within a current relationship was associated with increased risk for various forms of sexual dysfunction (122–182%), increased risk of arguments about money (75%), increased risk of conflict about the partner's relatives (80%), and increased risk of arguing about the respondent's relatives (99%). Men whose current partners had experienced an abortion were more likely to report jealousy (96% greater risk) and conflict about drugs (385% greater risk)¹⁵⁴.

0.23 Commoditizing Truth, Empty Sophistication

Observing western societies from a general historical perspective there are complex social 'pathologies' that have left human beings in our time rather perplexed. The work of an illustrious 'humanist', Alejandro Llano¹⁵⁵, serves to enlighten the nature of this complexity. In a society where the traditional institutions (in the general sense of the word), which offer certainty on norms of action and application, have been replaced largely by institutions whose purposes intend economic benefit, the firm ground of truth and trust disappears and what is left is a profound relativism in judging what is right and wrong. The same relativism shrouds the mind with regard to morally prudent actions and

¹⁵³ Benedict XVI, Encyclical Letter *Caritas in Veritate*, para. 28, 2009

¹⁵⁴ Coleman, P.K., V.M. Rue and Coyle, C.T.: Induced abortion and intimate relationship quality in the Chicago Health and Social Life Survey, *Public health*, 2009 vol:123 iss:4 pg:331 -338

¹⁵⁵ Llano, Alejandro. *La Empresa ante la nueva complejidad, El humanismo en la Empresa*; Ediciones Rialp, S.A.: Madrid, 1992. PP. 18-20.

applications. Society then faces segmentation, perversity, anomia, and implosion. In the end, as Ortega and Gasset quip, ‘what is happening to us is that we do not know what is happening to us’.

Segmentation¹⁵⁶ refers to the increasing fragmentation in the ambit of social processes. It is principally manifested by the presence of a complex of scientific perspectives and social institutions each purporting to deal with social problems from its own perspective, quite distinct from the others. Hence, social development is seen from the different dimensions of the environmentalist, sociologist, the physicist, the politician, the businessman, the clergy, the economist, the doctor, the teacher, the poor and the rich among many others. What complicates the issue more is that the different protagonists rarely synergise one with the others. With great frequency therefore one starts solving a problem and ends up forgetting the objective in question only to end up spending so much money, time and effort in the dispersion created. The effect of this complexity is resolving the immediate practical obstacles and keeping things together. The ultimate solution is often left in suspense. For Novak what matters is pragmatism. He refers to this state of affairs as the success of democracy, liberalism, and market economies, where man glories in “divergence, dissent, and singularity” and invents “practical principles embodied in institutions... jealously guarded by rival interests, each of considerable power, by which social cooperation may be achieved without prior agreement on metaphysical, philosophical, or religious presuppositions”¹⁵⁷. Yet, it seems probable that a combination of democracy, liberalism, free markets; - the ‘practical’ religion – leaves one with the lack of inviolable norms (anomia), in a state of ‘flux’ in every aspect of his mental state; a man emptied of any internal values and in a state of self implosion.

Perversion¹⁵⁸ refers to the state in which personal and social action experience a process of distortion for the lack of firm principles to adhere to, except of course the seeking of

¹⁵⁶ Ibid., P 19

¹⁵⁷ Novak, Michael. *The Spirit of Democratic Capitalism*, P 65

¹⁵⁸ Llano, Alejandro. *La Empresa ante la nueva complejidad, El humanismo en la Empresa*, 1992. PP. 19

economic benefits. The only true realities are life, death and money, and power and pleasure in between. The rest is relative. Whatever ‘right’ action one takes may turn into a ‘boomerang’ and therefore any action is in the same measure.

As mentioned before, Llano sees many in western societies in a state of anomia¹⁵⁹ (without norms). This means a state in which there is a general lack of sound and inviolable norms which persons and society adhere to or identify with. Although freedom from government regulation, and for that matter, from any other institution may neutralise tyranny, deregulation could, on the other hand, result in loss of trust in others. When someone is not certain of a good outcome from good actions or the error arising from bad actions, experience shows that that person ends up in a state of confusion and indecisiveness. Speculation and short-term gains become attractive. Hence, Mac Iver explains that ‘Anomia is the spiritual state of a person who has lost his moral roots, who has no rules or regulations save isolated stimulus deficient of any sense of continuity of groups and obligations. The anomic man is spiritually sterile, egotistic, and responsible to no one, save himself. He is cynical of the values demonstrated by other persons. His only faith is in the philosophy of negation. His life is walking the tenuous line of instincts, blind to the past or the future. The state of anomia is akin to a spiritual situation in which the individual shuts his sense of societal cooperation, which is the fundamental source of moral certitude¹⁶⁰. Ironically in this situation a person ends up much like a ‘statue’ demonstrating its liberty; a mere symbol of his own individuality.

Ultimately that person suffers a state of implosion¹⁶¹. The vacuous emptiness of such a person is transmitted to the social institutions as Llano predicts. These institutions experience a ‘dry implosion’ produced by the ‘emptiness’ or lack of new ‘vigorous’ ideas. Considering the many business or financial institutions listed above, one observes that they are institutions of great renown in society, where for example, many seek

¹⁵⁹ Ibid.

¹⁶⁰ Llano, Alejandro. *El humanismo en la Empresa*; PP. 19-20; quoting Mac Iver, R.M., *The Ramparts we guard*, New York, 1950.

¹⁶¹ Llano, Alejandro. *La Empresa ante la nueva complejidad, El humanismo en la Empresa*; P 20

employment: Enron, Freddie Mac, Fannie Mae, Barclays U.K. or inept governments among others. However, the same is experienced in other institutions of a primordial nature such as families, cultural institutions and Universities. The pain in all these is that the latter institutions are actually dying a ‘real death’: That is, they rarely seem to recover from their lack of creativity. The former somehow mutate into new well ‘capitalized’ firms as a result of ‘new’ funding from financial institutions and governments. Business institutions in a capitalist world have only one ultimate moral norm, which is to make money as Milton Friedman had suggested.

0.24 Conclusions

This paragraph demonstrates that, in part, the root cause of unethical behaviour in firms is a loss of the principles that confer human dignity. Human dignity is frequently measured according to material wealth. Secondly, the pursuit for natural material wealth indispensable to the common good of society has been substituted with the desire to ‘possess material goods’ as an end not a means to a higher goal. Goods of an immaterial nature (spiritual) are ignored in favour of a ‘commercialization’ of culture which measures most things in financial terms. Development is purely seen as a matter of the level of material possessions. Yet, as Benedict XVI advises, this only creates an illusion built on a negative principle, which is the denial of man’s transcendent dimension. [Man] becomes a means to development rather than the goal of development. Besides requiring freedom, integral human development as a vocation demands respect for its truth. “Authentic” development must be “integral, that is, it has to promote the good of every man and of the whole man”¹⁶².

Material possessions and reason alone cannot furnish the true nature of social coexistence. A lot has already been written, in Aristotle and Aquinas, about friendship, the source of

¹⁶² Benedict XVI, Encyclical Letter *Caritas in Veritate*, 18

this fraternal *communicatio*¹⁶³. In addition, the firm is to be organised as a type of ‘community’. However, with the loss of the transcendental dimension of man it is evident that the evils of, tyranny, oligarchy and populism (distortion of timocracy)¹⁶⁴ are re-emerging in our global society. The firm has become an instrument of many evils mentioned. In order to reassert the true role of business and other institutions a new way of assessing it has to be found; a methodology and theory that will take into account the transcendental dimensions of society and man.

¹⁶³ Smith, Michael A. *Human Dignity and the Common Good in the Aristotelian-Thomistic tradition*; Edwin Mellen Press: New York, 1995. P 124

¹⁶⁴ *Ibid.*, p 134

Chapter II

Proposing a Common Good Evaluation of the Firm

Smithian Capitalism and Market Economies

1.1 Basis for Disillusionment in liberal democratic capitalism

It is necessary to study the overarching spirit of liberalism, democratic capitalism and free ‘mercantilism’ in western society. These structures inform virtually every institutional framework and are used as diagnostic principles of both ailing economies and successful livelihoods. To these principles have been attributed the phenomenal growth of economies over the last century. One can almost say that we are experiencing the ‘wealth of the nations’. On the other hand, there is an incessant perpetration of injustice on man and a destruction of the moral fabric of societies. Much literature in business ethics attribute injustices in capitalistic societies to unbridled self-interest manifested in the selfish pursuit of material wealth (profits) among business institutions, owners and managers of businesses at the expense of the common good of society. Although part of “the business of business is to make profits for the shareholders” it is clear that a business is formed in partnership with many other people other than the owners. All these ‘stakeholders’ require the business to act in their interest. Businesses are institutions needed by society to enable it achieve the common good. Therefore, a business should contribute to the good of the immediate stakeholders first and secondly enable the society it operates in achieve the common good.

In questioning the thought processes or theory of ‘capitalism’ as a system, it turns out rather appropriate to associate it with Adam Smith. Many consider him the founder of the classical school of modern capitalistic thought¹⁶⁵. Over the years, firms have grown in size and nature. They have evolved from the prevalence of the cottage industry to large multi-national firms many times larger than national economies. Many people, such as Michael

¹⁶⁵ Martínez-Echevarría, M. A. *Evolución del pensamiento económico*. Espasa-Calpe, Madrid, 1983

Novak, Isaiah Berlin, John Rawls, perceive this to have been the result of democratic capitalism and free market systems. Novak alludes to the watershed of democratic capitalism in 1776 (the year of Independence of the United States of America) as coinciding almost simultaneously with Adam Smith's "An Inquiry into the Nature and Causes of the Wealth of Nations"¹⁶⁶. Novak characterizes the world economic environment before this watershed as a general 'disaster'. Historically for him, the political economy was mainly mercantilist, steeped in famines, plagues and general malaise. Novak notes that in 1780, 90 percent of the economies devoted themselves in supplying bread to stay alive. Life expectancy in 1795 France was 27.3 years for women and 23.4 years for men. Income earnings in Germany were so low that fewer than 1000 people enjoyed a salary above USD \$1,000¹⁶⁷. Novak's diagnosis is that at the onset of democratic capitalism, the concept of development only existed in 'Adam Smith's book'¹⁶⁸. It was a 'mostly torpid world' then.

Besides poor economic structures in 1800, self-government was also uncommon and only existed in Great Britain and the United States of America. Novak proposes that the invention of the market economy in Great Britain and the United States of America 'more profoundly revolutionized the world between 1800 and the present than any other single force before. Real wages quadrupled between 1800 and 1900 and since at the same time population in Great Britain quadrupled, it means that the economic growth within a century was 1600%. In addition, there was a considerable increase in the liberty of personal choice, 'in a varied diet, new skills, and new vocations'. All the while, according to Novak, the powers in the Christian church did not understand the foundations of the new economic order and chose instead 'to douse the new fire'¹⁶⁹.

¹⁶⁶ Novak, Michael. *The Spirit of Democratic Capitalism*, Simon and Schuster: New York, 1982, p 16.

¹⁶⁷ *Ibid.*

¹⁶⁸ *Ibid.*, p 17

¹⁶⁹ *Ibid.*

Milton Friedman, a proponent of the free market system, suggested that “to speak of social responsibility is subversive”¹⁷⁰. Others, such as Enrique de Sendagorta Aramburu, (a renowned Spanish naval engineer, businessman of vast exploits and a leader), contend that an entrepreneur’s work is arduous. It involves choosing, renouncing, sacrifice, battle, taking risks, commitment to one’s word, and every action in which man exercises his values, vital principles and freedom. The entrepreneur therefore cannot turn away from ethics nor narrow his interests to the unique objective of measurable economic parameters. Sendagorta is convinced that man in society is not purely the ‘homo economicus’ of Adam Smith¹⁷¹. Man is also called to ‘virtue’ or ethical action and this dimension of man in society is not necessarily ‘measurable’ in purely economic parameters used in today’s economic predisposition. This is because the firm impacts several aspects of society. Among the interested parties of a business are, employees, investors, financiers, suppliers, insurance companies, employees’ families, customers, interested groups, governments, communities, cultural institutes, ecologists, schools, universities, means of communication, the world of art, religious institutions, foundations and others. The interested parties can either directly or indirectly impact or be impacted upon by businesses. Hence, the business of business cannot be purely business as Friedman says. There is a common good or universal good to which it is called to serve. Business qua business is not an end in itself, least of all the objective of maximizing economic benefits regardless of the consequences.

1.2 The ‘Civic Faith’

There are those who try to sanctify ‘capitalism’ in its classical sense. That is, they try to correct the misunderstanding over the nature of capitalism. According to Novak, Smith’s system called for nations as well as individuals to seek the development of their own wealth. It awakens, he says, individuals and nations to their own capacities for

¹⁷⁰ De Sendagorta, Enrique A. *El afecto a la empresa*; Ediciones Internacionales Universitarias: Madrid, 2004. P 18

¹⁷¹ *Ibid.*,

imagination, self-improvement and growth. Hence, the ‘prudence’ of ‘selfishness’, of solely seeking one’s own benefit in economic activity ultimately results in the economic development of nations. How? Michael Novak identifies the breeding of cooperation from selfishness to Jacques Maritain’s concept of civic or practical faith. This should happen because Capitalism glories in divergence, dissent, and singularity. It invents practical principles embodied in institutions and jealously guarded by rival interests, each of considerable power, by which social cooperation is achieved without prior agreement on metaphysical, philosophical, or religious presuppositions¹⁷². This is the novel concept of ‘secular faith or civic faith’ used by Jacques Maritain¹⁷³ and interpreted by Michael Novak. According to Maritain, “Secular faith” or “Civic faith” is the practical principle of cooperation among citizens such as is found in the United States of America. It consists in the ‘convergence’ of people with different or even opposite metaphysical or religious outlook (Novak, 1982). Convergence arises from an analogical similitude in practical principles and in the sharing the same practical secular faith, founded in truth and intelligence, human dignity, freedom, brotherly love and absolute value for the moral good¹⁷⁴. It is to be distinguished from ...theoretical justifications... or philosophical or religious creeds which propose these practical conclusions through the use of reason¹⁷⁵.

1.3 The Foundations of Liberal Capitalism Ethics

Adam Smith’s expounded the ‘market place’ morality in his “Theory of Moral Sentiments” published in 1759. Moral science in Adam Smith has nothing to do with good or evil as may be indicated by the intellect through speculative or theoretical reason. Man’s life is a conjunction of various primary passions and reason is not an important part of it. Smith explains that “whatever may be the cause of sympathy, or however it may be excited, nothing pleases us more than to observe in other men a fellow-feeling with all the

¹⁷² Novak, Michael. *The Spirit of Democratic Capitalism*, P 65

¹⁷³ *Ibid.*, P 65

¹⁷⁴ *Ibid.*, P66

¹⁷⁵ Novak, Michael. *The Spirit of Democratic Capitalism*, P 66, quoting Jacques Maritain, *Man and the State*; University of Chicago Press: Chicago, 1951. P 111

emotions of our own breast; nor are we ever so much shocked as by the appearance of the contrary... We should have indulged, we say; perhaps, have approved of the violence of his emotion, had the cause been in any respect proportioned to it”¹⁷⁶.

Smith latter on explains that, “It is thus that man, who can subsist only in society, was fitted by nature to that situation for which he was made. All the members of human society stand in need of each other’s assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship, and esteem, the society flourishes and is happy. All the different members of it are bound together by the agreeable bands of love and affection, and are, as it were, drawn to one common centre of mutual good offices”¹⁷⁷. Man at the mercy of passions was a very wide-spread doctrine by the end of the 17th century. We see it in David Hume, Roschefoucauld, Maneville, Bentham and Helvetius among others. For Adam Smith, the word sympathy is used to denote that “fellow feeling with any passion whatsoever”; a feeling of both pity and Joy; and it is “only by the imagination that we can form any conception of what are his sensations”¹⁷⁸.

Adam Smith was preoccupied with the concept of man as a social being¹⁷⁹. However, his preoccupation was to observe the laws that give rise to human actions in society much like Newton searched for the laws of physics. This idea forms the underlying principle in all his works both specific and general. Since economics presupposes man as the protagonist in economic activities and as the end objective of economic actions¹⁸⁰, man’s protagonism in the market place, for Smith, is primarily as a ‘spectator and sympathizer’. As a spectator, man imagines (makes an ‘impression of his own senses’) the agent. Thus, Smith

¹⁷⁶ Smith, Adam. *The Theory of Moral Sentiments*; 1759.

¹⁷⁷ Ibid.

¹⁷⁸ Smith, Adam. *Theory of Moral Sentiments*; p1, s1, Chap. 1 <http://www.adamsmith.org/smith/tms/tms-p1-s1-c1.htm>

¹⁷⁹ Berry, Ch. J., *Social Theory of the Scottish Enlightenment*. Edimburgh University Press, Edimburgh, 1997.

¹⁸⁰ Lázaro, Rachel. *El capitalismo de Adam Smith: las ideas antropológicas que articulan sus planteamientos económicos y políticos*: Work to be published in *Revista Portuguesa de Filosofia*, 2009

explains that, “we enter as it were into his body, and become in some measure the same person with the agent”¹⁸¹. When “we feel with the other”, what we do is to approve or disapprove of the other’s situation. This over time forms the basis of our moral judgment, because in time we realize we are judging an action when we ‘sympathize’ with the other.

This principle of ‘empathy’ (empathy, describes more perfectly the nature of Smith’s sympathy) is inscribed in our human nature, and therefore men unfailingly socialize. From Imagination, one derives the principle of analogy. The principle upon which one is able to judge the situation of the other objectively, taking into account the context and therefore approving or disapproving of the situation. Smith had two typologies of man; the first being men who show themselves as virtuous (the benevolent) and secondly those who form the gross mass of humanity.

The virtuous or benevolent people are very few in society. They aspire to perfection and aim at the divine model. This for him is proper to God and not to men. The second group, by far the greatest majority of men, simply tries to reach “correctness” in their actions; so that they are approved by the others by not being too outstanding or on the other hand too bad. They are not searching for divine wisdom or virtue. They just want to reach the level of social acceptance and seek no more¹⁸². This is Smith’s prudence. The greater masses of society have to practice Prudence. It is the care and effort made in achieving our self-interest; above all fortune, health, fame, and career progress. The greater majority of men are occupied, in fact, in trying to fulfil their own self-interest.

In Smith the virtue of justice limits us by enabling us not to do anything prejudicial to others. He understands justice in a negative way. It is not a virtue which helps us to serve others actively, but rather one that “watches” over us not to do harm to others. It is not defined by our effort to be good to others but rather it is observed in our avoiding doing

¹⁸¹ Broadie, Alexander, "Scottish Philosophy in the 18th Century", The Stanford Encyclopedia of Philosophy (Fall 2009 Edition), Edward N. Zalta (ed.), forthcoming URL = <<http://plato.stanford.edu/archives/fall2009/entries/scottish-18th/>>.

¹⁸² Ibid.

evil to others. From here one can deduce that the principle motive that guides most men in Society is self-interest. This self-interest acts as the motor regulating social harmony. When everyone is concerned with achieving their own self-interest (prudence) and they do not injure others (justice), then social conflicts are avoided.

Smith, much like our contemporary capitalist, was disillusioned by the ill beneficence and practicality of religious institutions. His theory of moral sentiments emphasizes that Justice is the key virtue to be lived in society in order to have peace. Putting it another way, when the principle of universal Christian Love, “love others as I have loved you”, is stowed away as impracticable, it has to be replaced by another which is “love others as they love you”. Universal love is therefore substituted by an egoistic, calculating love. In general man is motivated only by his self-interest and very rarely motivated for the good of the other. Moral measurement, that is, the knowledge that one is or is not being approved by the others, serves to limit his self interest. This is necessary since man is primarily a dependent being and thus needs the others in society in order to be able to count on their help and not to be excluded from their dealings.

Unlike Hobbes, who sees man as a ‘victim’ of society and who requires the moral figure of the absolute sovereign, as the only way to overcome that irremediable egoism, Smith esteems man as able to coexist with the others because of this self interest. He only needs to learn how to use it in favour of another and of his society. Rosanvallon insists that the science that Adam Smith produces is a science of “the civil society and from the civil society”¹⁸³.

¹⁸³ Lázaro, Rachel. El capitalismo de Adam Smith: las ideas antropológicas que articulan sus planteamientos económicos y políticos: Work to be published in Revista Portuguesa de Filosofía, 2009; quoting Rosanvallon, P. Le libéralisme économique. Histoire de l’idée de marché. Seuil, Paris, 1989, p. 138.

1.4 The Foundations of Free Markets in Adam Smith

Civil society is a market society (*homo economicus*) where everyone is interested in the exchange of goods and services for self-profit and utility. Man is principally a social being who acquires and owns property through commerce and the true society for him is the market economy. The regulating mechanism of the market is prudence and justice as Smith construes them. If there is an excellent or benevolent man, his benevolence is something gratuitous. Smith is not a theoretical founder of an independent economic science. He is a philosopher imbued in his own Scottish tradition in the ‘enlightenment’ period which understood that human peaceful socialization is not obtained by religion. The Europe of his time was no longer understood in terms of a Christian unity or a political unit. Rosanvallon is once more on target: “the science of wealth is understood as a science of the administration of modern civil society in the context of a state of law”¹⁸⁴. The Smithian economy is a philosophical solution based on the anthropological categories and the society he lived in. For society to work it is enough that man uses his enlightened pride. This system is also Smith’s solution for the distribution of wealth among people. If wealth is not properly distributed, there will not be peace in society.

For distribution to take place Smith makes use of the principle of the division of labour. This occurs when man’s work becomes increasingly specialized. Man becomes much like a machine and therefore more efficient. Specialization at the work place breeds the need for more labour and therefore most people find themselves employed. As Rachel Lázaro¹⁸⁵ puts it, Smith’s division of labour presupposes that there is a great amount of work to be done such that it is impossible for one man or a few to do it. Hence, man will always desire to work among his ilk, otherwise he cannot be efficient and highly productive. Secondly, the vast majority of workers are simply workers who follow orders; thirdly, there will be some, distinct from the ordinary workers, who will innovate new machines to

¹⁸⁴ *Ibid.*, p. 138.

¹⁸⁵ Lázaro, Rachel. “Adam Smith. En torno a la división del trabajo y La Riqueza de las Naciones”, en Agustín González Enciso (ed.), *Más allá de la división del trabajo*, Eunsa, Pamplona, 2007, pp. 37-50.

improve work efficiency and accelerate productivity. Finally, every man in society, in one way or the other, buys from or sells goods or merchandise to the others. This results in the distribution of wealth since one prince cannot own all the merchandise¹⁸⁶.

Man dedicates long hours to work in exchange for a wage and he hardly has time to himself. Nor do demands on him to cultivate his mind prosper. This continues until a point when he becomes clumsy and susceptible to numerous superstitions due to his lack of education. This last idea makes Smith provide new solutions. The first is a standard public education to ensure a minimum technical and cultural formation. Secondly, men should have some form of religion, not for its supernatural or salvific content, but because religion in principle always contributes to a certain moral code of behaviour that favours good social order. Finally, he suggests entertainment as one more means to avoid superstition and to occupy the little time man has away from work. All these form the roles which government should undertake; that is besides its role in ensuring the success of the law of self-interest in the market place.

1.5 Adam Smith's Theology

From the foregoing it can be concluded that Adam Smith is 'pessimistic' of a moral ethic based on reason and religious principles. He was critical of 'great religions' which enjoyed state support. He prefers a nation where there are many 'sects' in the market place so that their teachings are rendered rather ineffective and therefore do not trouble public tranquillity. In the 5th chapter of the 'Wealth of Nations' his statement is rather clear. "if we consider the matter more closely, we shall find, that this interested diligence of the clergy is what every wise legislator will study to prevent; because, in every religion except the true, it is highly pernicious, and it has even a natural tendency to pervert the true, by infusing into it a strong mixture of superstition, folly, and delusion." He further says that, "the interested and active zeal of religious teachers can be dangerous and troublesome

¹⁸⁶ Smith, Adam. Wealth of Nations, p. 43.

only where there is, either but one sect tolerated in the society, or where the whole of a large society is divided into two or three great sects... But that zeal must be altogether innocent where the society is divided into two or three hundred, or perhaps into as many thousand small sects, of which no one could be considerable enough to disturb the public tranquillity. The teachers of each sect, seeing themselves surrounded on all sides with more adversaries than friends, would be obliged to learn that candour and moderation which is so seldom to be found among the teachers of those great sects, whose tenets, being supported by the civil magistrate, are held in veneration by almost all the inhabitants of extensive kingdoms and empires, and who therefore see nothing round them but followers, disciples, and humble admirers.”¹⁸⁷

Actually, Smith’s ideas on religion are significantly affected by the philosophy of David Hume, whom he refers to as ‘by far the most illustrious philosopher and historian of the present age’. He teaches that there should be a free market place for religion where everyone chooses as they wish, and in the end... prove advantageous to the political interests of society.” [David Hume, *History of England*, ch. 29.]¹⁸⁸ For Smith, religion is to be equated with superstition and it is only useful to encourage suitable human conduct in social life. It is irrelevant that this belief is true or false. In every religion, and in every superstition that the world has ever beheld, accordingly, there has been a Tartarus as well as an Elysium; a place provided for the punishment of the wicked, as well as one for the reward of the just.”¹⁸⁹

James Alvey analyses Smith’s concept of teleology and proposes that one can infer in Smith’s Theory of Moral Sentiments¹⁹⁰, that God’s wisdom (design) is demonstrated

¹⁸⁷ Smith, Adam. *Wealth of Nations*, 1759, bk. 5, CH. 1, PT. 3, ART. 3

¹⁸⁸ *Ibid.*

¹⁸⁹ Smith, Adam. *Theory of Moral Sentiments*, book II, part ii, Article 3.12, p 91

¹⁹⁰ Alvey, James E. *The Secret, Natural, Theological Foundation of Adam Smith's Work*, *Journal of Markets and Morality*, Vol. 7, No. 2, pp. 335-61, 2004; referring to Smith’s teleology, that the “two great purposes of nature, the support of the individual [self-preservation] and the propagation of the species.” Smith, A., *Theory of Moral Sentiments*, 87 (II.ii.3.5); cf. also Adam Smith, “Early Draft of Part of the *Wealth of Nations*,” in *Lectures on Jurisprudence*, by Adam Smith, ed. R. L. Meek, D. D. Raphael, and P. G. Stein (Oxford: Oxford University Press, 1978), 571 (ii.23).

throughout the universe and the means being nicely adjusted to produce self preservation and procreation. Smith confirms that the human constitution also follows this design.¹⁹¹ Alvey's argument is confirmed by Lisa Hill¹⁹². The uniformity of the design suggests that there was a single designer who drew up a grand blueprint of the universe before creating it in accordance with the plan¹⁹³. Human beings have been provided with the means of survival and self propagation gratuitously by nature. These are the instincts of drinking, eating, having sex, and so on. Smith sees these means fulfilling the instincts of the passions; "hunger, thirst, the passion which unites the sexes, the love of pleasure, and the dread of pain..." Therefore, the instincts drive us to adopt the appropriate means "without any consideration of their tendency to those beneficent ends, which the director of nature [God] intended to produce by them."¹⁹⁴ Thus, God is the designer and only that. Having designed the world, God left it to be guided by human actions primarily driven by instincts or passions.

1.6 Applying Smith's Religious Principles in the Market Place

Alvey adds three other ends of man's nature according to Smith; the order of the world, and the perfection and happiness of human nature...and to some extent human freedom¹⁹⁵. For instance, Smith says that, "[Without trade restrictions] the obvious and simple system of natural liberty establishes itself of its own accord. Every man...is left perfectly free to pursue his own interest in his own way.... The sovereign is completely discharged from... the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society."¹⁹⁶ Although the ends of man are only known rationally, that rationality is inherent in our instincts which direct us to these

¹⁹¹ Smith, Adam. *Theory of Moral Sentiments*, P 77

¹⁹² Hill, Lisa. *The Hidden Theology of Adam Smith*, *European Journal of the History of Economic Thought* 8:1 1–29 Spring 2001

¹⁹³ Alvey, James E. *The Secret, Natural, Theological Foundation of Adam Smith's Work*, *Journal of Markets and Morality*, Vol. 7, No. 2, pp. 335-61, 2004.

¹⁹⁴ Smith, Adam. *Theory of Moral Sentiments*, 78 (II.i.5.10)

¹⁹⁵ Alvey, James E. *The Secret, Natural, Theological Foundation of Adam Smith's Work*, P 3

¹⁹⁶ Smith, Adam. *The Wealth Of Nations*, Book IV, Chapter IX, p. 687, para. 51

ends. Man's reason has little or no role to play since the design is God's and not that of man. As Alvey explains, it seems that nature was wisely created by the director of nature, God, to achieve these ends. Teleology is immanent in the human constitution...¹⁹⁷ Lisa Hill, asserts that Smith's hidden theology can be "made evident by examining and disclosing the workings of his spontaneous generation or 'invisible hand' arrangement and by exploring its most important constituent elements; a "faculty psychology and natural theology"¹⁹⁸. Jacob Viner on the other hand has contested this claim holding that, owing to the secularization of the disciplines of economics and ethics, Smith's system has been stripped of its 'integral' Providentialism (Viner 1972: 81–2)¹⁹⁹. That be as it may, does not dissolve the inherent mind and 'secret' religion of Smith qua Smith and his works.

1.7 Synthesis of Smith's Concept of Person and Society

Summarizing Smith's philosophy of society, one can say that, human ethics is the ethics of human instincts as modified by natural justice. Natural justice, as previously alluded to, is the justice of respecting others and 'sympathizing' with their good or sorrow. What renders a human being social, and consequently gives the rationale to society, is this natural, a priori, capacity in our instincts to 'feel with the other' (sympathy). The highest level of achievement for the gross masses in society is to arrive at being acceptable and respected in society'. Virtuous people, who act according to the virtue of beneficence, are few and are an exception and therefore do not fall within the gross mass of humanity. One therefore has to find a genuine law or solution for the general masses; and this according to Smith is prudence, to act according to their selfish needs, and justice, respecting other's rights through the medium of 'sympathy'. That system has come to be known as "capitalism", or "laissez faire" system, in which natural human passions are left to moderate and develop market place.

¹⁹⁷ Alvey, James E. *The Secret, Natural, Theological Foundation of Adam Smith's Work*, P 4

¹⁹⁸ Hill, Lisa. *The Hidden Theology of Adam Smith*, *European Journal of the History of Economic Thought* 8:1 1–29 Spring 2001

¹⁹⁹ *Ibid.*, p 1

Further, human beings have to be prudent; which means freely acting according to the instinct of self preservation and self-propagation. Man's instincts or passions simply and naturally aim at the perfection of the individual man himself and alone; not society. However, the society is no worse for it since Man, is "led by an invisible hand to promote an end which was no part of his intention...By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it."²⁰⁰ The outcome is self-perfection, social order and happiness in society without the medium of reason. The government is there to ensure the freedom of each individual to do exactly as his ego dictates and to ensure that anyone who contravenes this mode of practical behaviour is punished to serve as an example for others. The government, in addition, has to provide for education to ensure that the great masses of workers are trained; this in turn should increase efficiency in the work place. The little time spent away from work should be sprinkled with planned entertainment spots to keep the stress of the working class under control. As for the religious foundation of this mode of behaviour, Adam Smith leaves us the 'profound' insight that there is an author of the Universe, God, and that this creator has inserted the teleology of the world he created embedded in human instincts, which are to help man reach his natural end, individual happiness, self preservation, propagation and therefore order, perfection and happiness in society. If Paul Russell²⁰¹ sees Adam Smith's most eloquent tutor, David Hume, as '*irreligious*' then given the religious interpretation above, Smith has similar inclinations, save that he seems to believe in one 'supreme architect' rather than the polytheistic inclination of Hume²⁰².

All these lead us to the conclusion that man is the sole steward of his destiny. In reality, how should man exercise this capitalist economic formula? From Smith's perspective, man acquires his rights in his individual 'pre-society' state, before entering into a contractual agreement with the society. In the logic of capitalism, man is inserted into

²⁰⁰ Smith, Adam. *The Wealth Of Nations*, Book IV, Chapter II.

²⁰¹ Russell, Paul, "Hume on Religion", *The Stanford Encyclopedia of Philosophy* (Winter 2008 Edition), Edward N. Zalta (ed.), URL = <<http://plato.stanford.edu/archives/win2008/entries/hume-religion/>>.

²⁰² *Ibid.*

society through the social contract. Salvador Giner expounds this idea lucidly; the spine of social convivence is the social contract in the sense that each one, from the 'time' so to speak, becomes a member of society he or she is obliged to fulfil their part of the contracts entered between them and the state and with other citizens. This is what is important. Failure to do so would prompt the juridical arm of government to take corrective measures. The entrepreneur is not interested nor is he or she to be preoccupied with the actions of his colleagues at work outside working hours in the firm. He does not have a right to even interfere²⁰³. That in short is to say that individualism reigns supreme above every norm of social life.

The 'Third way'

1.8 The Common Good in Aristotelian-Thomistic Thought

There seems to be a third way different from capitalism and communism. It is my opinion that the principles of the person and the society espoused by Adam Smith should be revised by turning towards the principle of the common good. In order to understand what society is, I plan to use Alvira's '*conceptography*' of the nature of society. Alvira locates the firm under the ambit of social institutions. It is inherent in the way he uses the term social justice that he refers to the way a society provides for and respects the rights and responsibilities of each person. Hence, the common good is the object of social justice and justice is a privileged example of the common advantage²⁰⁴. Institutions form the third conceptual level of society²⁰⁵. But what is the common good?

The term 'common good' may refer to three things; the good of a nation or of a people; the good of the entire political community; and at times to the good of the entire

²⁰³ Giner, Salvador. *El destino de la libertad. Una reflexión frente al milenio*, Madrid, Espasa-Calpe, 1987, pp 33-39. Quoted in, Llano, Alejandro. *La Nueva Sensibilidad*, Madrid, Espasa-Calpe, 1989; p 147.

²⁰⁴ Smith, Michael A. *Human Dignity and the Common Good in the Aristotelian-Thomistic tradition*; Edwin Mellen Press: New York, 1995. P 64

²⁰⁵ Alvira, Rafael D. *Bien Común y Justicia Social en las Diferentes Esferas De la Sociedad*; Revista Empresa Y Humanismo, Vol. XII, No. 2/09, Pp. 61-79, Universidad de Navarra (Pamplona); Abril, 2009, p 75

community of human beings in this world²⁰⁶. This arises from the manner in which the terms common advantage in Aristotle and common good in Aquinas are used. The common good (common advantage in Aristotle) often refers to the self sufficient political unit called the polis (city), in which all the community and each individual in the political community enjoy peace and friendship²⁰⁷. Aristotle says that the final good is thought to be self-sufficiency (or happiness – *eudaimonia*)...and by self-sufficient one does not mean that which is sufficient for a man by himself; one who lives a solitary life, but also for parents, children, wife, and in general for his friends and fellow citizens, since man is born for citizenship²⁰⁸. According to Aristotle the highest human action is the rational action and this has its term in Virtue. And if there is more than one virtue then the highest is the best and most complete 'in a complete life.'²⁰⁹ This common good of the whole political community is a final cause to which each citizen may have a part, and as a member of the political community can play a role to ensure that this tranquillity-in-order is achieved²¹⁰. However, there is a common good (*in Causando*) that pertains to the whole 'city' (the world) and shared by each individual person while remaining a unity²¹¹. This is usually said of the ontological common good, which Aquinas states is God. In order to show the different manners in which the terms common good have been used and understood, I would like to use Michael Smith's Schema of the term 'Common Good'²¹².

²⁰⁶ Smith, Michael A. Human Dignity and the Common Good in the Aristotelian-Thomistic tradition; p 72

²⁰⁷ Smith, Michael A. Human Dignity and the Common Good in the Aristotelian-Thomistic tradition; p 81

²⁰⁸ Aristotle, Nicomachean Ethics, Book 1, 7, 30

²⁰⁹ Aristotle, Nicomachean Ethics, Book 1, 7, 30

²¹⁰ Smith, Michael A., Human Dignity and the Common Good in the Aristotelian-Thomistic tradition; p 82

²¹¹ Aquinas, Thomas. De perfectione vitae spiritualis, c.13, n. 634, Opuscula Theologica, vol II, Raimundus Spiazi, 1954; in Smith, M. A., Human Dignity and the Common Good in the Aristotelian-Thomistic tradition; p 75

²¹² Smith, Michael A. Human Dignity and the Common Good in the Aristotelian-Thomistic tradition; p 79

Table 3: Schema of the Common Good Concept

Common (De Veritate 7, 6, ad 7)	By predication (<i>in predicando</i>): when some one thing is found in many according to one explanation
	By mode of cause (<i>in causando</i>); as remaining one in number, it extends to several effects.
The Good (Aristotle, NE, 1, 2, 30)	The good of one person as the term of individual action.
	The common good: 1.8.1.1 The common good of the whole political community 1.8.1.2 The preservation of the Family
The Common Good (With reference to the end; NE, 1,7, 95)	1.8.1.3 Prior: Preservation of the political community 1.8.1.4 Posterior: Related to what is owing to the end (bona communia: means)
The Common Good (Analogy of one portion to diverse subjects; NE, 1,7, 95)	1.8.1.5 The good of the whole political community 1.8.1.6 Preservation of the Family

Source: Smith, Michael A. *Human Dignity and the Common Good in the Aristotelian-Thomistic tradition*; p 79

When explaining fundamental concepts one is simply explaining explicitly what is already implicit in us²¹³. In this sense, Alvira proposes that ‘Common’ means that which is prior to men in everything and that unites us as a whole. On the other hand the term ‘particular’ refers to the part each person participates in within the whole. The ‘common’ is therefore what each one aspires to and is indispensable; but since man is free, he can choose to deny it²¹⁴. Everyone aspires naturally to the common good and it is greater than the individual since the whole cannot be subjected to the individual part. For instance, as Alvira says, one cannot subject friendship or truth to himself denying it to the rest²¹⁵. Denying the common good on the other hand eliminates the possibility of adhering to the good. It

²¹³ Alvira, Rafael. *Social Justice and the Common Good*: p 612

²¹⁴ *Ibid.*, p 606

²¹⁵ Alvira, Rafael. *Business and the Common Good*, 6th Annual Ethics Conference, Strathmore University, October 29-30th, 2009.

would be good to emphasise that the common good is at the same time the good of the whole and of each individual and the two go together analogously as a coin having two sides by nature.

It is concluded in paragraph 1.4 above that according to Aristotle one can delineate some types of common goods. There are external goods, Internal goods and Aristotle adds an intermediate category between internal and external goods comprising of ‘goods of the body’, health, beauty, and strength. External goods preserve and protect internal goods. They are instrumental, and therefore their measure is the good specific and internal to human beings and their activity²¹⁶. In conclusion, “Material well-being signifies, in as much as we are refereeing to the subject (subjectively speaking), ‘the self-expression of the human spirit in its bodily nature’²¹⁷. Therefore, material well-being is meant to be a gift to everyone and it cannot be reduced to the individual as opposed to the others. It is the material things that should be reduced to the spirit rather than the spirit to matter.

1.9 The Manner of the Common Good

Peace is a fundamental gift of the common good to everyone. When there is a ‘state of peace’ there is freedom, acknowledgment, communication and sharing with each other, and finally men live in order and tranquillity. They are able to share the ‘common good’ among themselves (Justice), but they also share their own ‘particular goods’ with each other (Love). Love is a desire and therefore to love is to desire the good of the other as Aquinas says. Love remains sterile if there are no contiguous deeds to actualise it.

Justice, on the other hand, is the lowest dimension of love because it is merely fulfilled by respecting the rights of the other within the common good. It is opposed to discord. Aquinas sees discord as something opposed to love, for he says, concord results from

²¹⁶ Ibid. P 26

²¹⁷ Millán-Puelles, Antonio. De Economía y Libertad; 4 biblioteca breve de temas actuales, Universidad de Piura: Piura, 1985. P 104

charity, in as much as charity directs many hearts together to one thing; chiefly the Divine good and secondarily, the good of our society²¹⁸. The Divine good is the ontological common good and the good of our neighbour is the practical common good of society. Where there is peace there is concord; but not the other way round since “peace is concord...through one man agreeing with another in respect of something befitting to both of them. Peace is not ordinarily reinforced through coercion, “because the order of each concordant is not observed, but is disturbed by some fear-inspiring cause. For this reason Augustine premises that "peace is tranquillity of order," which tranquillity consists in all the appetitive movements in one man being set at rest together.”²¹⁹

When there is peace in order there is unity. Unity is the effect of charity that peace seeks. Anything contrary to peace such as, Schism, strife, sedition and war, are contrary to unity. As the philosopher says, the sin of schism is one that is directly and essentially opposed to unity. For in the moral, as in the physical order, the species is not constituted by that which is accidental. Now, in the moral order, the essential is that which is intended, and that which results beside the intention, is, as it were, accidental. Hence, the sin of schism is, properly speaking, a special sin, for the reason that the schismatic intends to sever himself from that unity which is the effect of charity²²⁰.

When there is order and tranquillity, there is also beauty. Aquinas explains that beauty relates to the cognitive faculty; for beautiful things are those which please when seen. Hence, beauty consists in due proportion; for the senses delight in things duly proportioned, as in what is after their own kind--because even sense is a sort of reason, just as is every cognitive faculty. Since knowledge is by assimilation, and similarity relates to form, beauty properly belongs to the nature of a formal cause²²¹. This implies that since

²¹⁸ Aquinas, Thomas. S Th. II-II, q37, a1

²¹⁹ Aquinas, Thomas. S Th II-II, q29, a1

²²⁰ Aquinas, Thomas. S Th. II-II, q39, a1

²²¹ Aquinas, Thomas. S Th. I, q5, a4

a society by nature is inclined to order and unity and there is goodness arising from this perfection. In addition, something perfect in this manner is also beautiful.

Common life, bound in justice and charity, allows each individual to pursue his or her particular good. This dynamic state is reinforced by the persistence of virtuous habits in the citizens. As we will see shortly in the ‘elect’ society, these virtuous habits must be grounded on the truth of man and society. Alvira says, changing truth or friendship whimsically, or trying to *instrumentalize* (subject) them to someone’s particular interests is to destroy them. One may, under certain circumstances, subjectively use what belongs to the public sphere without taking it away from public possession, but this cannot happen with Truth and Friendship²²². Virtue in this framework is taught from one generation to another; transmitted primarily through family education; for it is in a ‘family environment’ that the virtue of charity is present in its most sublime state. The result is a universal social culture founded on the common good.

1.10 Applying the Common Good to the firm

Firms are analogously a type of society and have so many shapes and nuances and therefore it is very difficult to divine. Gonzalez’ seems in agreement with the thesis that defines a society as “the moral and stable union of a plurality which, with its actions, cooperates to the objectives or ends of a community”²²³. In this sense he explains, there are several elements that make up a society.

- a) First it is an organized multiplicity of members merely juxtaposed,
- b) secondly, there is a relationship within the plurality of persons,

²²² Alvira, Rafael. Business and the Common Good, 6th Annual Ethics Conference, Strathmore University, October 29-30th, 2009.

²²³ Impuesto, J.L. De La Mata., Sociedad; Gran Enciclopedia Rialp, Vol. XXI, Ediciones Rialp: Madrid, 1992, p. 502, quoting, Gonzalez, I., Ethica, en Philosophiae Scholasticae Summa, III, 2 ed. Madrid, 1959, p. 743.

- c) thirdly, that the organization or ordering of the persons has a specific moral foundation,
- d) fourthly, that this moral union rests upon the cooperation of the members of the society towards a common end, freely instituted by conventional means, in such a way that the society is free and contingent or at times founded on a superior law necessary for the community, and
- e) fifthly, that the union of the persons should be stable, without necessarily being perpetual in nature, but having a sense of permanence²²⁴.

From these one can surmise that in a firm there should be: 1) a plurality of individuals; b) who have an interpersonal relationship; c) based on a moral union (or a juridical bond), ordered to a common moral end, instituted by convention or law; d) stable in character without necessarily being perpetual, and e) ordered to the service of communities. Given the above attempt at the definition of the firm, the common end to which the firm intends is the practical common good of the political society as such. It manifests a state of peace, founded on justice, in which everyone member of the firm enjoys the external material goods acquired through virtuous activity. When the ends of the body and of the soul in a person attain their ends there is happiness. This is happiness is not a complete perfect happiness but it should drive us towards the most perfect happiness in the ontological common good.

The firm in this case would be a means in which human beings cooperate in a virtuous life of work to enable them at the same time produce material goods necessary for such a virtuous life. This virtuous life in a firm should have as its highest point of reference, the ultimate good. The firm is therefore a means for participating in the common good of the polis and, in general, the totality of human society; the universal common good. This is

²²⁴ Cf. Sison, Alejo.J.G. and Fontrodona, Joan. The Common Good of the Firm in the Aristotelian-Thomistic Tradition; June, 2008

complicated since the society and the world are an extensive reality and obviously the firm cannot concern itself with every aspect of society. However, it still remains true that the firm does not have its beginning and end in itself. It has a reason for 'being' and that reason is the common good of society²²⁵. To take a stand for the common good is on the one hand to be solicitous for, and on the other hand to avail oneself of a complex of institutions that give structure to the life of society; juridical, civil, political, business and cultural, which make it the *pólis*. This is achieved by striving, through competence and cooperation,²²⁶ to provide for real needs of our society. The more they do this effectively the more they are loved²²⁷.

1.11 On the Profit Motive of the Firm

In a liberal free market environment an institution is required to maximize shareholder wealth or optimize stakeholder wealth. Hence, at the level of the firm, the most informative principle is profit and at the national level it is the productivity of the state or (per person) per capita income. It is most commonly found in western society, that the performance of the firm or any institution is judged by profit and wealth productivity. All other aspects of human actions and relationships within the firm seem to be subservient to this one. We may conclude that the highest good of any firm is widely seen as material wealth and more so money. Making money therefore becomes the bonding factor of relationships between human beings working in an organisation and with the instruments they use in doing their work. We can also conclude that the value of a person or tool is commonly measured by 'its' capacity to make profit or money. There arises a certain equalisation of everything in a capitalist firm; man, beast and material things are equally measured. The morality of all human actions is informed or underpinned by the desire for

²²⁵ Duarte, Juan C.F. El bien común como la finalidad de la Empresa; Cuadernos Empresa y Humanismo, Vol. 110, June 2009, 1-105: p 66

²²⁶ Alvira, Rafael. Social Justice and the Common Good; Eds. Margaret Archer et al.; The pontifical Academy of Social Sciences, Acta 14, Vatican City, May 2008. P 611

²²⁷ Benedict XVI, Encyclical Letter Charity in Truth, 7 referring to John XXIII, Encyclical Letter [*Pacem in Terris*](#) (11 April 1963): AAS 55 (1963), 268-270.

money (profit) as the ultimate measure of good performance. Finally, it is evident that the firm is seen as contributing to the common good when it makes profits as an end and not a means. The relationships in the capitalist firm are represented in figure 3 below.

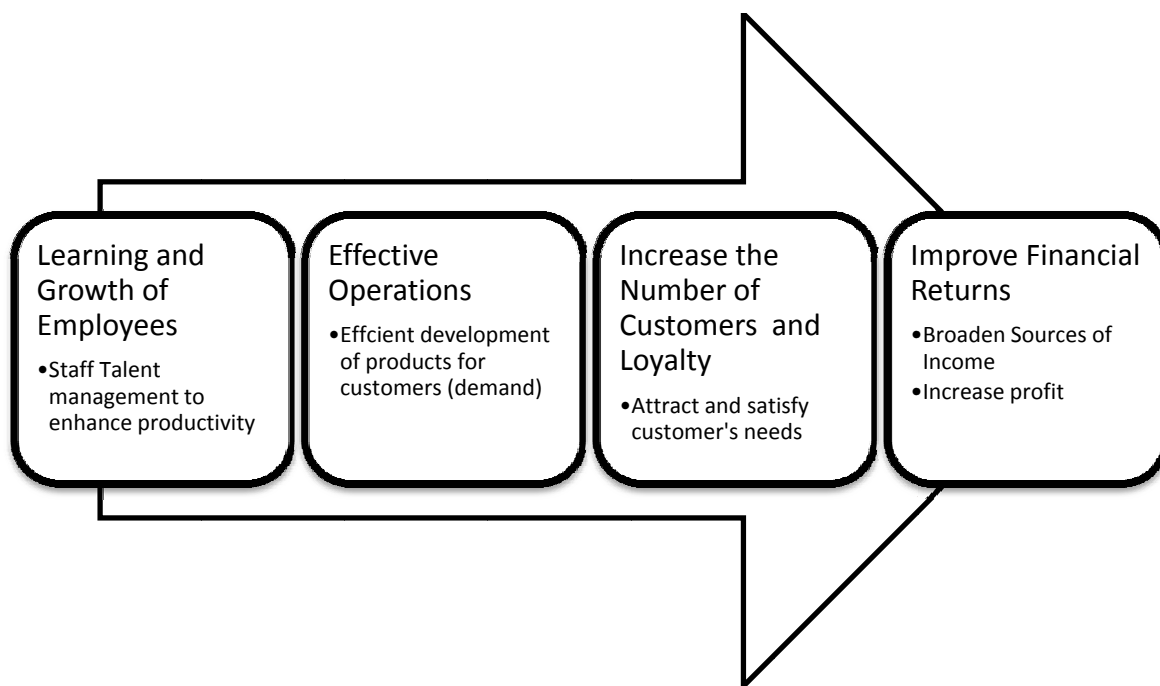


Figure 2: Objectives of a Capitalist Firm. The terminology is borrowed from the Balance Scorecard Institute. See Rohm, H., A Balancing Act; Performance Measurement in Action, Performance Magazine, Vol. 2, Issue 2, May, 2002. <http://www.balancedscorecard.org/>

Figure 3 is a framework for developing a firm’s or organization’s strategy. Strategy is the term used to describe the firm’s idea of its objectives and the means towards those objectives as shown above. If the objective is right and the means are right then the firm will ideally be competitive and bring in good returns or profit. Rohm Howard²²⁸ uses the phrase doing the right things and doing things right as the method towards achieving this good performance.

²²⁸ Rohm, Howard. A Balancing Act; Performance Measurement in Action, Performance Magazine, Vol. 2, Issue 2, May, 2002. <http://www.balancedscorecard.org/>

However, since we measure a thing according to its true ends, the firm should be measured according to its adherence, sharing and preservation of the common good of the society where it operates. Although there is nothing intrinsically wrong with measuring monetary or financial performance from the point of view of profit or natural or artificial wealth produced, it would be a narrow way to comprehend a firm's performance; it is a reductionism of all social values to monetary measures. Further, to reduce the common good to profit is in a sense to perceive what is 'common' only from the perspective of the individual. Therefore, in addition to this and in order to get a better picture of performance one also needs to measure whether the common is truly common. Other measures that may subscribe to this perspective include evaluating;

- a) technical, artistic and moral virtues, entrepreneurial initiative, creativity and cooperation among members of the firm.
- b) the usefulness of the goods and services as a legitimate service to the common good needs of society (not merely subjective satisfaction, although this is presupposed).
- c) discipline in upholding superior virtues for the common good such as justice.
- d) how well the firm represents its members in political debate to achieve higher levels of the common good; leisure, democratic deliberation and contemplation. This can be summarized as dialogue with society.
- e) the effectiveness of the common advantage enjoyed by the employees and indeed by all members of the firm.
- f) the goodness of the entire educational structure of the firm within itself and towards society.
- g) the leadership model and history of leadership effectiveness in the firm.

- h) the effectiveness of the representation of all membership and general governance structures of the firm.
- i) Innovation as a dynamic principle of development in the firm.
- j) wholly and in general how subsidiarity and solidarity are lived within the firm.

In effect, to make an ethical decision on whether to licence, invest or support a firm's development or even allowing a firm to continue in existence for the benefit of society requires more than just monetary statistics. The ineffectiveness of the over dependence on quantitative data is evidenced from the fact that, for example, all firms which were involved in the 2008 financial mismanagement had been audited and given a 'clean bill of health contrary' to truth and justice.

1.12 The 'Elect Society'

For the purposes of this paper I call the society that lives in the dynamic state of seeking and preserving the common good the 'elect' society. Figure 3, below illustrates a possible structure of the elect society. The transcendental concepts, the categories and the social institutions are taken from Alvira's conceptography²²⁹. For Aristotle, unity of the 'elect society' is wrought by the one who makes the constitution of a country. The constitution is not a written document, but an innate organizing principle, analogous to the soul of an organism. Hence, the constitution is also "the way of life" of the citizens²³⁰. Although unity is wrought by the first principle of being, who is God; man has the challenge of cooperating through his freedom.

According to Alvira, for there to be a society (what I have personally termed, elect society), there must be at the same time and in the same measure several transcendent

²²⁹ Alvira, Rafael. Social Justice and the Common Good; p 612

²³⁰ Aristotle, Politics, book IV, part 1 and Book VII, part 8

aspects: a) a history reflecting the time within which the society comes into being; b) a civilization signifying the people constituting the society; c) a subjective foundational knowledge (education) in each of the members which gives them a common perception of life; and d) an objective manifestation of this common education which he calls culture. Alvira also proposes elements or categories of society. They are; habitat, economics, law, politics, ethics and religion. These categories are the explicit principles which manifest the implicit transcendental aspects of society. For our purposes, the firm is an institution founded within the ‘economics’ category.

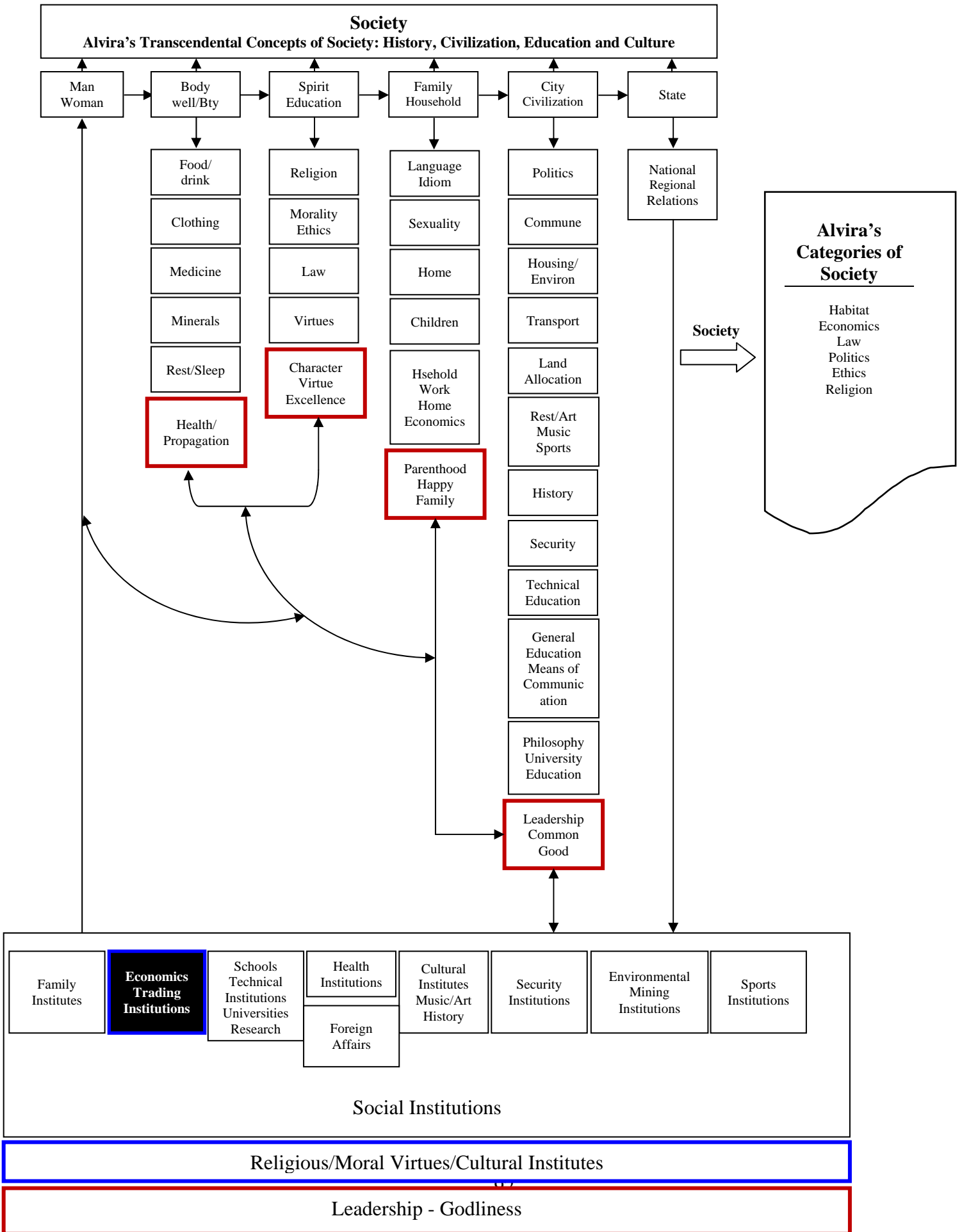
The family is a primary institution of society which functions as the source and foundation for unity. Just like a person does not bring himself into existence but comes because of the action of another, a society comes into being not immediately from the will of the citizens themselves but rather from a principle beyond the mere individual choice to form society or the so called ‘social contract with society’. This foundation of the family is parenthood (or paternity) through which a creature is born and is called to a life in ‘common’. The society comes about as population augments, in time. Hence, for there to be a society, there must be a history and a culture (including a subjective education principle) of that society. As population augments the principles of parenthood and family remain at the foundation of society. Hence in turn, society gives the family possibilities of union with ‘many’. It provides the source of relationships for the future couples, fostering life, love, education and development and finally the culture that develops reinforces the licitness and validity of society. A person cannot be without the gift of paternity. Neither is he useful without the family who provide him his primordial rights and responsibilities.

‘Sociologically’, chronologically and ontologically it is the family first and then the nation and therefore any social institutions that emerges is the result of the family’s search for its own well-being. Seeing it from another perspective and analogically, one cannot be individuated in species (individuals) and at the same time the uniting principle of the genus (man designing the ‘genus’ of society – mankind). Hence, social reality demands something transcendental that gives it a unifying principle; and this is parenthood in the

widest sense of the term. This is what gives credence to the 'unitiveness' in the common good. The conclusion is that the unifying principle of society is not economics, but a flourishing life in common which derives from the first, formal and teleological principle of parenthood.

Human parenthood does not merely act as the genesis of humankind (procreation). Parenthood is also solicitous for the intellectual and virtuous formation of its offspring. Education of children is made up of religion, morality and human virtues/ethics, the art of work and philosophy of life. Education proffers, in time, a common way of life or convivence in the society. From this principle comes the general notion of a nation made up of 'brothers' or a 'tribe'; whereby brotherhood takes its nature from 'patria', the homeland. The notion of citizen in Aristotle and Aquinas does not include that of a slave. This terminology is rather oblique from our ordinary understanding of the words today. However, in trying to understand these words in Aristotle and Aquinas, one finds out

Figure 3: The Common Good Structure of Society



that the slave has no rights to participate in governance of the polis, while the citizens have this right 'equally'. Aristotle says that 'a constitutional state implies that the nature of the citizens are equal, and do not differ at all'²³¹. Aquinas on the other hand says that in every people a fourfold order is to be found: one, of the people's sovereign to his subjects; a second of the subjects among themselves; a third, of the citizens to foreigners; a fourth, of members of the same household, such as the order of the father to his son; of the wife to her husband; of the master to his servant: and according to these four orders we may distinguish different kinds of judicial precepts in the Old Law²³². Aquinas therefore does not seem to permit the concept of slave in 'a people' since a power is called despotic whereby a man rules his slaves, who have not the right to resist in any way the orders of the one that commands them, since they have nothing of their own. But that power is called politic and royal by which a man rules over free subjects, who, though subject to the government of the ruler, have nevertheless something of their own, by reason of which they can resist the orders of him who commands²³³. It seems clear that citizenship derives from being born in a family in a particular society from whence every citizen is equal to the other. One may acquire citizenship in a state outside this premise, but ultimately the rights he acquires are similar to those of the 'child' belonging to that society. The foreigner or slave (in Aristotle) in a society has no right because he is not born in that society or he has been 'removed' from the society by law.

Normally, man goes to work and to play in the city or polis away from home. Someone can also leave for a foreign country in order to return home or to make a home where he goes. Work is the measure or channel of love an individual can offer in response to the good he has received in society. Work is always a way of going to get something for the home. This may either be food, drink and medicine for health, or to bring a wife home (to make a family), or to buy things for the home and many other things. It belongs to parenthood to provide the habitat (home) for the family. The home at times refers to

²³¹ Aristotle, *Politics*, Book 1, part XII, 9

²³² Aquinas, Thomas. *S Th. I-II*, q104, a4

²³³ *Ibid.*, *S Th. I*, q81, a3

‘returning to one’s home country’; that is the place where my home is and which safeguards my right to the home. As Alvira explains, habitat comes from the Latin word, *habitare*, which is the continuous or frequentative tense of the word, *habere*, which means to have. Hence, to inhabit a place signifies possessing something continuously. As Alvira astutely points out, continuously having something is also to prevail over the passage of time with regard to the possession of something and therefore it is the best place; it is the only place to ‘return to’; it is my home where I inhabit.²³⁴

Hence, going out to work is in a sense an extension of the home, of one’s interiority, of one’s intimacy, found in the home²³⁵. This gives work one of its most profound senses. From this analysis it results that the virtuous citizen can expose himself to the danger of death for the public good; and if man were a natural part of the city, then such inclination would be natural to him.²³⁶ Going to work has other meanings. While in one sense someone builds his home and looks after the well-being of the family, work also enables an individual share in common life with the others. Together a people build and preserve the common good of the nation through work.

From this one derives the right to govern with the sovereign since one is born in, inhabits and works with others for the good of the nation. It is therefore proper to say that the principle of society precedes man and calls him - giving to him a vocation to work in the Family's abundance. One becomes valuable because of another. The other is family (dependents) first and then society. The vocation (or calling) to live in the ‘elect’ society comes freely and calls for a free response. It is freely given because it comes from parenthood which beckons for a free response in filiation. Hence, gratuitousness comes before justice as Benedict XVI says; the earthly city is promoted not merely by relationships of rights and duties, but to an even greater and more fundamental extent by

²³⁴ Alvira, Rafael D. *Habitar, Trabajar, Vivir*; Conferencia pronunciada en el C.M. Somosierra, Madrid, Nov. 1989. p 4

²³⁵ *Ibid.*, p 4

²³⁶ Aquinas, Thomas. *S Th. I, q60, a5*

relationships of gratuitousness, mercy and communion²³⁷. The principle of gratuitousness is an expression of fraternity²³⁸, owing from the principle of paternity, from which all come to 'be' as a *gift* to the others²³⁹.

How does one measure or 'know' or judge that another is contributing to the common good? Human work may be evaluated in two ways; by judging the morality of a person's work (derived from family education) and by the contribution (a collaboration with others in doing something specific) made towards seeking and preserving the common good. Morality primarily contributes to the common good through social virtues. This is in reference to the object, intention and circumstances of one's work or work ethic. All three aspects by which the ethical action is judged should be good with respect to oneself, the family and the society. As mentioned above with reference to Aquinas, the intention is the most important while the object and the circumstances are somewhat accidental in relation to the intention. When someone is constant in adhering to the good in this manner he is said to be virtuous. When someone is virtuous he edifies and educates the others thereby contributing to the common good.

The object of work, that is, the product or service is valuable based of the subjective happiness it grants to the individual and the contribution it makes to the happiness of the others who enjoy the object of one's labour. The object of one's labour enables us to measure the value of one's moral action in a quantitative manner. It is therefore necessary to remember that monetary value cannot value the entire human effort or action. The moral intention and the circumstances are difficult to specify and hence are not measured. However, the goodness of the explicit object somehow manifests the implicit goodness of the interiority (the intention). Thus, it can be said that the fruits (off-spring) of a tree manifest its goodness or badness. The product or service is often measured monetarily for the purposes of exchange in the market place.

²³⁷ Benedict XVI, Encyclical Letter *Caritas in Veritate*, 6

²³⁸ Benedict XVI, Encyclical Letter *Caritas in Veritate*, 36

²³⁹ Benedict XVI, Encyclical Letter *Caritas in Veritate*, 34

The market place as previously considered is that condition in society which allows for the exchange of goods and services. It is the economic complex that man in the *polis* goes to in order to fend for himself and for his family needs; and is manifested in complex modes. Aristotle, just as many other philosophers such as Albert the great (1200-1280), thought that the exchange of goods and services is a necessity for the existence of society²⁴⁰. In this sense the firm is an effective instrument for the production and exchange of goods and services in the market place. Albert the Great thought that the market exchange has to be just and that if it were not so, not only would it be unethical, but that social economic activity perishes, and so does society; since the exchange of material goods and services is necessary for the life of free citizens²⁴¹.

It belongs to our nature to possess. Human beings try to possess for the sake of their subjective needs and at the same time for others. Never can the two be separated at any level. That means, even when an individual possesses - I possess – it is always in order to make use of myself for the others. To possess material goods is not an end in itself, but a means to a more perfect end. This is a natural disposition and one cannot do without it, but one can freely reject it, although rejecting it means that the good that one is meant to be for the others is not there, and that is the definition of 'evil'. Evil is a deprivation of one sort or the other or is something lacking in a thing that it ought to have²⁴². Aristotle, Aquinas, John Paul II, Benedict XVI, Alvira, Michael Smith, Sison, Martínez-Echevarría, Prados, Lázaro, Jacques Maritain, De Koninck, Alfredo Cruz Prados and many others in the Aristotelian-Thomistic tradition have agreed on this point; expressing it from different perspectives. It remains very true therefore that the greatest good of society is man working for the good others and himself. All the material goods are only good to one and to the others when they serve the one and the one serves the others.

²⁴⁰ Martínez-Echevarría, Miguel A. *Evolución del Pensamiento Económico*, Espasa-Calpe, S.A.; Madrid, 1983. p 16

²⁴¹ Martínez-Echevarría, Miguel A. *Evolución del Pensamiento Económico*, Espasa-Calpe, S.A.; Madrid, 1983. p 16

²⁴² Aquinas, S Th. 1, q5, a5

Man's perfection in being, as it appears from the authors, can therefore never be solely subjective (freedom). It is also objective for only then can he seek for it. If it were in himself man would be supposedly need very little and work very little and really there would be no development since he would not need woman, with whom paternity is perfected. The subjective and the objective good (perfection) that man seeks for the self and the others is given to him freely by paternity, but temporarily – *in tempus* – with regard to his state in a temporal a world. The particular common good can only be temporal, with regard to the earthly state, and therefore imperfect. In addition, the perfect means necessary to achieve the subjective and objective perfection should also be perfect in order to terminate in perfection. The means should be perfect because they have their formal and final cause in the perfect principle and final end. From whence man comes, there he too shall find his means and his ends. All the while in this world the means and the participatory perfections are temporal. The perfection of the temporal is in the eternal. While one seeks the good temporarily, it remains temporal and therefore imperfectly participative of the eternal. The eternal principle, formal and final end is the ontological common good as Aquinas and Millán-Puelles show.

What is therefore needed in the world, as Benedict XVI proposes, is an effective shift in mentality which can lead to the adoption of new life-styles in which the quest for truth, beauty, goodness and communion with others for the sake of common good is re-invigorated. This should affect the economy in every aspect including, factors which determine production, services, consumer choices, savings and investments²⁴³ and consumer behaviour. The structures of the firm which aid the common good are many and varied depending on the circumstances of society. Firms are advised of the need to embrace the principle of the temporal common good as a path towards the most perfect subjective and objective common good. From the foregoing analysis the firm should strive

²⁴³ John Paul II, Encyclical Letter *Centesimus Annus*, 36: loc. cit., 838-840. See also Benedict XVI, Encyclical Letter *Charity in Truth*, 2009, 4 – “Because it is filled with truth, charity can be understood in the abundance of its values; it can be shared and communicated. Truth, in fact, is *lógos* which creates *diá-logos*, and hence communication and communion.

for its own subjective good but this subjective good (its particular good) is found in serving the objective good (the common good). In seeking the middle path between these two goods, the firm discovers its 'virtuous' life.

Civilization of the polis is derived from the orderly configuration of the community of people within a given and particular land space (*topos*)²⁴⁴. From these one derives the norm of society; of living together (habitat). Alfredo Cruz Prados explains this reality efficaciously when considering Aristotle's dimensions of the polis²⁴⁵. Human beings convert the wilderness (nature without man) for the family to live on and then ultimately the whole community of the polis (*spatial ethos*). The political community is so called because of life in the polis. This happens when the land is allocated to each according to his or her needs. This could be considered the allocation of individual rights of inhabiting, allocated by the person chosen to lead the primordial society. The leader is often the household head who governs royally²⁴⁶ according to Aristotle and Aquinas. As Alfredo Cruz points out, political life in common receives its form from the ordering of the space in which the community is settled. This political life once nurtured gives form to common life. If someone is not bound to this physical space then ordinarily one loses the formal capacity of political common life. He also adds that in the polis the family law is substituted with the law of the land in the polis²⁴⁷ (*Ius sanguinis for the ius solis*).

That is not to say that the family law is forsaken; but rather, since in the polis there is a community (or communion with others strictly outside the bonds of close consanguinity), it is governed with the *ius solis* and the *ius solis* presupposes the *ius sanguinis* from whence it is derived. It is thus that the relationship of fraternity in the polis takes the nature of the family relationships – *Confraternity*. Every social institution of the polis is in

²⁴⁴ Prados, Alfredo C., *Ethos y Polis; Basas para una reconstrucción de la filosofía política*: 2ª ed. Eunsa: Pamplona, 2006. P. 256

²⁴⁵ Prados, Alfredo C., *Ethos y Polis; Basas para una reconstrucción de la filosofía política*, 2006, P. 252

²⁴⁶ Aquinas, S Th. I, q81, a3

²⁴⁷ *Ibid.*, 257

turn formed according to the nature of the law of the land. It is the responsibility of the government to arbitrate or administrate justice for the whole of the polis.

The polis has to be organised and the *space* that belongs to the whole community needs to be taken care of. It is the responsibility of government judiciary system to organise ownership and distribution of land, housing, communication channels, environmental care and relationships with another foreign nations and similar responsibilities. It does this on behalf of the citizens and keeping in mind the common good. More often than not, due to mankind's defectiveness, there are always people who do not have the capacity to fulfil the responsibilities that derive from the rights granted to them in the polis or sometimes misuse them so that they lose their rights. The government of the polis has a responsibility to give consideration, educate and provide for them. Hence there are three arms of government; viz, the executive, the judiciary, and those who promulgate the law, the legislature. Leadership in the polis cannot confound the three arms because that would breed a propensity to tyranny.

Civilization in the polis is not a mere convivence among men made up of a sum total of individuals living together. Rather the unity and perfection deriving from convivence is far greater than the sum-total of each individual's good or right. This is the perfection arising from enjoying the common good. For example, if before each individual or family, in so far as they remained individuals or families, did not have bodily strength or intellectual knowledge, to carry out a task, it remained undone. But convivence, living together for one another in friendship, enables them carry out that greater task which each could not do individually. Another name for it is synergy and it is simply defined by the phrase; the whole is greater than the sum total of its individual parts. In society, each part, if living within the spirit of the common good, is like a joint that is fitted into the whole making the whole stronger, by each adding its own strength. The peace that the common good provides binds everything together. Each on its part has, in addition, the responsibility of guarding that peace. Anything to the contrary would be the destruction of the whole and

therefore of the parts in the long run. Thus man collaborates with and preserves the common good.

Administration of justice and order for the common good is arduous and requires both virtuous and material well-being. It requires virtuous leaders and strong men. It needs money and such other devices necessary for obtaining and preserving the common good just as a household, or much more so; hence some public men devote themselves entirely to finance²⁴⁸. The firm has helped realise this outcome. The firm should do this freely in so far as it respects the common good.

Other social institutions not mentioned above include, technical and university education, security, history, cultural, moral and religious institutions. The institutions as organized by Alvira seem to take their order and *raison d'être* according to the distinct perfective ends or goods of man; each part contributing to the whole rather than working separately. It is fundamental that all institutions, including the firm collaborate for the common good and the universal good always in reference to the family. As Alvira explains, each institution contains all the social categories²⁴⁹ and a business is not a mere economic entity, but one which has an implicit religion, ethics, polity, law, economy and habitat. The highest of the institutions is the state or government; and in every structure, institution and individual there is a leader or head so there is a leader of the state.

The leader may derive his or her mandate in many ways but the true leader must above all be legitimate, that is, one whose authority is recognised as such by the citizens. Since the ordering of the polis has its term in the common good of the citizens, the leader is legitimate when he or she is apt and can enhance the common good. Legitimacy gives credence to the power exercised by the leader otherwise it is despotic. Although there are bad people and hence the need of using legitimate violence to restore order and peace, this 'monopoly' of violence is not what grants leaders legitimacy, as Hobbes thought.

²⁴⁸ Aristotle, *Politics*, Book I, Part XI, Lines 58-60

²⁴⁹ Alvira, Rafael. *Social Justice and the Common Good*; p 613

When a person with power acknowledges and is persuaded (that is, he accepts the right of power to rule, called upon him by the people), he has authority over the people, but he should not confuse this legitimacy with the authority he has although they arise from the same fountain, his capacity to power. Suffice it to say that when a leader or potent confuses his legitimacy with his authority it often results in despotism. Legitimacy has to be continually renewed²⁵⁰. There is an old dictum that says “power corrupts, and absolute power corrupts absolutely”. The root cause of corruption arises when a leader confounds his authority with his legitimacy. We can now proceed to the specific conclusions of what a firm in an elect society should be.

²⁵⁰ d’Ors, Álvaro. *Ensayos de Teoría Política*, Eunsa: Pamplona, 1979, p. 111-2

Conclusions - the Firm in an 'Elect Society'

1.13 The firm as a nexus of the person and society

1.13.1 The Firm

The firm or the business is a type of the social institution, a community, which enables persons work together and thereby participate in and preserve the common good. It is part of those institutions that provide the stable bond subsisting between communities and persons, where communities arise primarily from the family institution and its extension in the 'household'. All social institutions share in this nature. The complexity of operating large enterprises by individuals or families is prohibitive, especially because the size of the firm is the result of the cooperation between many constituents. The "firm" provides the optimum structure that can enable persons adhere to justice – that is, recognise others rights and be a stock of multiple rights respecting each distinct right²⁵¹. The law in different states is specific and to a large extent formulates the just operation of simple or complex firms; it defines the rights and duties of those operating under the umbrella of the firm. The legal instruments that provide this law range from, company law, accounting and auditing professional laws, the general contract law, the law of tort as it affects these institutions and ultimately, every law of the land that is applicable to the firm. The professional frameworks for the financial operation of the firm are provided by legal professional associations such as the International Financial Reporting Standards (IFRS), the General Accounting and Auditing Professional Standards (GAAP) and similar institutions in most countries. The firm is also subservient to the laws and regulations stipulated in various labour institutions belonging to the government, the employers and the workers unions, and international trading rules. It is therefore, completely inserted in the complex of universal social structures that try to ensure justice and peaceful universal social convivence. Nevertheless, the laws which address the norm of justice in society are

²⁵¹ Garvey, George E., The Theory of the Firm, Managerial Responsibility, and Catholic Social Teaching; Journal of Markets & Morality, Volume 6, Number 2 (Fall 2003): 525–540; p 525

not enough. Man's gratuitousness is necessary for as Benedict XVI points out justice is not possible without gratuitousness. The earthly city is promoted not merely by relationships of rights and duties, but to an even greater and more fundamental extent by relationships of gratuitousness, mercy and communion²⁵².

1.13.2 Distinctiveness of the Firm in the 'Elect' Society

Based on the discussion above, the common good firm may be distinguished as shown below;

1.13.2.1 It is an institution that bridges or provides a stable bond between different communities and families, where communities arise primarily from the family institution and its extension into the 'household'. If it provides the well-being of many families in society then it is (from a common good perspective) more important than any one of the individual families. However, it is as important as the families it serves in societies, made up of both internal associative members and external collaborative relationships; all within a just system.

1.13.2.2 The firm generally takes its exemplariness from the household management in structure and operations and the 'parenthood' relationships of Justice and gratuitousness. The firm qua firm and its constituents (or members)²⁵³ are subjects of the law since they have real rights and responsibilities (gratuitousness presupposes the concept of Love). With regard to distributive justice, the role of the firm is to equitably distribute rights and duties, rewards and punishments within the internal forum. The Chief Executive Officer's role (the leader) is much like that of the leader of a household in uniting

²⁵² Benedict XVI, Encyclical Letter *Caritas in Veritate*, 6.

²⁵³ Sison, Alejo J.G. and Fontrodona, Joan. *The Common Good of the Firm in the Aristotelian-Thomistic Tradition*; June, 2008

members and distributing justice. With regard to commutative justice, the firm has to fulfil its explicit contractual obligations internally to its constituents and externally to the society. This presupposes the fulfilment of implicit contractual obligations which are indispensable if it is to fulfil the explicit obligations. Fulfilling implicit obligations is a sign that the explicit ones are in good order. It operates as a concrete social institution made up of owners, managers and workers who have a stable relationship of co-operation in ends and means.

1.13.2.3 It has a habitat²⁵⁴ (home) just like a family although at the service of the family. This refers to its locus or domicile where it receives its ‘being’ and identity²⁵⁵.

1.13.2.4 It has its own material ‘rights’ or assets and duties (obligations) of a material and immaterial nature (they are also referred to as economic resources and there are many types depending on the object of the firm – This is primarily in reference to the internal constitutive nature of a firm);

1.13.2.5 It can be a ‘public’ or ‘private’ institution, but is always at the service of its constituents and the public, just as any family or person. Public and private here are defined by variation in number. Public refers to that which belongs to or is said of a greater or lesser group of persons. Private refers to that which is sequestered or set aside for a particular person, family or association of persons²⁵⁶;

1.13.2.6 Its explicit nature is specified in its articles and memorandum of association, but it also has implicit responsibilities to society which arise from the

²⁵⁴ Sison, Alejo J.G. and Fontrodona, Joan. The Common Good of the Firm in the Aristotelian-Thomistic Tradition; June, 2008

²⁵⁵ Alvira, Rafael. Social Justice and the Common Good; p 612

²⁵⁶ Alvira, Rafael. Social Justice and the Common Good; p 612

dynamic relationship with its environment – (This is an internal constitutive final end similar to the concept of ‘vocational dimension’). From the common good perspective, the objectives of the firm embedded in the articles and memorandum of association should strive to satisfy two primary principles: First, is that the ends and the means should be perfective of society, that is, they should be serving a need in society, which would enhance and preserve the common good of society. Secondly, and although implicit in the first, its ends and means should be universally accepted as good moral actions. Hence, the principle of the common good foresees both the good of the firm’s domicile state and the global or universal common good. Common good is a universal principle and applies to the universal society of humankind as well as to subsidiary states.

1.13.2.7 The dynamic and stable cooperation among the members or constituents in working towards a particular service to society requires education in all its dimensions; moral education and technical development through human resource development. In the firm, a good and fruitful life in common is primarily realised through education in moral actions (ethics), since only in true ethical actions can justice and gratuitousness prevail. The late John Paul II, saw civil society as the most natural setting for an *economy of gratuitousness* and fraternity²⁵⁷. Benedict XVI reiterates that “economic life must be understood as a multi-layered phenomenon: in every one of these layers, to varying degrees and in ways specifically suited to each, the aspect of fraternal reciprocity must be present. In the global era, economic activity cannot rescind from gratuitousness, which fosters and disseminates solidarity

²⁵⁷ John Paul II, Encyclical Letter *Centesimus Annus*, 1991, 28; quoted in Benedict XVI, Encyclical Letter *Caritas in Veritate*, 2009, 38

and responsibility for justice and the common good among the different economic players”²⁵⁸.

1.13.2.8 However, any relationships that arise externally in society are also informed by this transcendent principle of education. Education in its widest meaning is the entirety of learning and knowledge in society. It can build or destroy a society. Every human interaction and dialog between persons in a society has an educative dimension. Constancy in right education is necessary in order for values to inhere and the right culture to emerge. Therefore any communication internally and externally needs to be informed and cognizant of the fundamental principles of morality. There should also be a system of moral appraisal within a just structure. This forms the foundations of ‘business ethics’.

1.13.2.9 Good education systems within firms engender innovation and continuous learning in the widest meaning of the term. It is also the foundation of a learning organization; that is, firms in which members internally and externally, continuously improve their moral actions (including technical ones, because these are not indifferent to morality).

1.13.2.10 Fundamental to moral education (ethics) inherent in every communication between persons within and outside the organization, is ‘religion’. Religion is here defined as the principle measure of moral actions. Although its role is not to teach religion, but it is nevertheless true that a ‘religion’ is presupposed in moral actions. Moral actions cannot do without a religion – or the mother principle from which all actions find their merit or demerits. Sadly, the religion in many firms, though ‘unspoken’ explicitly, is loudly implied. For instance, when a firm educates its members that the fundamental principle is

²⁵⁸ Benedict XVI, Encyclical Letter *Caritas in Veritate*, 2009, 38

profit, or productivity, or market growth, or any such means, then it is implicit that this is the religion and all other principles are subservient to this one. Hence, harsh working conditions, disrespect of other religions, implicit disdain of the true dignity of man at the altar of profits, anti-family policies, inequality in the distribution of resources, and so on are a very eloquent proof of what the religion really is.

1.13.2.11 What if one were to submit to the Smithian principle of allowing instincts or passions to be the judges devoid of the use of right reason? Automatically the religion is ‘pleasure’ (even irascible passions presuppose the passions of the concupiscible faculty²⁵⁹) as these are the objects of human passions or instincts; much like those of an irrational animal. Pleasure, properly speaking, is perfectly in line with the Smithian principle of prudent action as explained earlier. From the common good perspective on the other hand, right reason, and not instinct or passions, must prevail as the ‘motor’ of human actions. The instincts or passions should be informed by or serve right reason.

1.13.2.12 The broader the ‘community’ of the firm is, the greater the need for applying the principle of subsidiarity. Subsidiarity enhances bonding in the firm. The effectiveness of these bonds is for the good of the individual, the family and as a result the firm qua firm. The bond is organic rather than static as Antonio Argrandoña points out²⁶⁰. According to George Garvey, subsidiarity encourages decisions to be made at the lowest appropriate level within the enterprise thereby enhancing individual dignity or sense of freedom and independence throughout the enterprise. It imposes responsibility for decisions on those who should best understand the consequences, economic

²⁵⁹ Aquinas, Thomas. S Th. I-II, q40, a1

²⁶⁰ Argrandoña, Antonio. The Stake Holder theory and the Common good; Journal of Business Ethics, Vol. 17, Pp. 1092-1103. P 1

and moral, of their choices. While subsidiarity should touch every level of the organization, be it one of ownership, hiring, management, or labour; it should provide for the necessary unity of operations²⁶¹. Subsidiarity also reduces the chances of developing an insensitive bureaucratic system.

1.13.2.13 Solidarity should be the consequence of subsidiarity. Well organized and effective subsidiarity enhances a sense of responsibility for the whole organization. Quoting John Paul II, Garvey points out that “Solidarity helps us to see the ‘other’—whether a person, people, or nation, not just as some kind of instrument... discarded when no longer useful, but rather as a sharer and collaborator²⁶². Solidarity is therefore cognizant of the human dignity of every person and comprehends that efficiency in a firm’s operations takes into account legitimate participation in the common good of society. In its widest meaning, solidarity also encourages the wise use of earth’s resources for the common good of society. Laura and Schmidpeter have found out that both subsidiarity and solidarity help build up the local networks for organizations in the Small and Medium Enterprise (SME) sectors²⁶³.

1.13.2.14 Organisational culture crystallizes over time given the underlying continuous moral or ethical education provided by the firm and when solidarity and subsidiarity are effectively enhanced. As mentioned in paragraph 3.2 of this document there is a battle between human dignity, founded on cultural norms, and material well-being since there is a tendency to consider them as mutually exclusive. Building a culture that enhances human dignity calls one to consider the entire frame work of religion, ethics, history and traditions,

²⁶¹ Garvey, George E., The Theory of the Firm, Managerial Responsibility, and Catholic Social Teaching; Journal of Markets & Morality, Volume 6, Number 2 (Fall 2003): 525–540: P 533

²⁶² Garvey, George E., The Theory of the Firm, Managerial Responsibility, and Catholic Social Teaching; p 534

²⁶³ Spence, Laura and Schmidpeter, René. Social Capital and the Common Good; Journal of Business Ethics, Vol. 45, No. 1/2, 15th Annual Eben Conference: "Sustaining Humanity Beyond Humanism" (Jun., 2003), pp. 93-108: p 106

education, philosophy, values, art, artefacts, and entertainment. There is already a sense among some rational organizational behaviour theorist that there needs to be developed a realignment of organization theory bringing together theoretical approaches to power, culture, and agency²⁶⁴. The conclusion is that in order to have a culture truly responsive to the social common good the most important pillar is effective and consistent moral education founded on the perfect ontological common good on the one hand and human dignity on the part of the practical social common good. That means that organizational culture should not merely support the company's sources of financial strength, strategic fit, market position, industry rank and product rankings and, adapting its core human competencies to market conditions as understood by the capitalist firm. This would be one sided according to the principle of the common good. Organizational culture must ultimately fit the common good of the society in which it operates in every of its facets; human dignity, family dignity, social concordance, environmental responsibility and the preservation of the common good.

1.13.2.15 According to Alvira, civilization signifies the convivence of people constituting the society. Hence, the firm is part of the civilization of a society which enables human beings as individuals and as a whole flourish within a framework of justice, order, material and cultural well-being. The firm should provide useful and decent working conditions for the citizenry; it fits into and enhances the good cultural context of the society it is situated and it enhances the material well-being of that society. In summary, the firm has to be in society as a protagonist for human development and social cohesion. The core elements that enable this reality are the development of competence in the organization and cooperation; subsidiarity and solidarity. A civilized

²⁶⁴ Morrill, Calvin. Culture and Organization Theory, The Annals of The American Academy of Political and Social Science; Annals 15, 619, September 2008. P 13

society is necessarily unitary; it has cohesion. It does not exist in any other way. Considering it from another perspective, competency is the means of developing society while cooperation is its term or end or objective. The means are as necessary as the ends. Competency is in the first place but should not be an end. When cooperation in society is the goal then competency is good for humanity. Cooperation is an act of solidarity and subsidiarity at once and the same time and therefore seeks the good of the other not destruction²⁶⁵. To take a stand for the common good is on the one hand to be solicitous for, and on the other hand to avail oneself of, that complex of institutions that give structure to the life of society, juridical, civil, political and cultural, making it the pólis, or “city”. The more one strives to secure a common good corresponding to the real needs of his neighbours, the more effectively he loves them²⁶⁶.

1.14 Measuring a Firm’s Performance

From the common good perspective of the firm the performance of a firm has to be measured from the perspective of the social common good and the particular good it helps to accomplish. Profit is only a measure of artificial wealth and therefore is a measure of one aspect of the goods man desires. It is not even wealth but the potential representation of natural wealth. To reduce the entire structure of human good to a measure of artificial wealth is a reductionism that leaves man rather hollow and bereft of his core fundamental values. The firm, in so far as it is a social instrument for the common good, could to take into consideration in addition such measures as;

- a) Its contribution to both staff and social education/knowledge

²⁶⁵ Alvira, Rafael. Social Justice and the Common Good; Eds. Margaret Archer et al; p 611

²⁶⁶ Benedict XVI, Encyclical Letter Caritas in Veritate, 7; quoting, Cf. Second Vatican Ecumenical Council, Pastoral Constitution on the Church in the Modern World *Gaudium et Spes*, 7

- b) Its objective common good contribution of individual and social cultural goods
- c) Its contribution to good civilization and convivence
- d) Its contribution to the material just well-being of staff and citizens within and order of relationships.
- e) Its contribution to justice and peace in the firm and in society. *Ubi societas, ibi ius*: every society draws up its own system of justice. If there is charity, then there is justice. Not only is justice not extraneous to charity, not only is it not an alternative or parallel path to charity: justice is inseparable from charity²⁶⁷. Justice is the primary way of charity or, in Paul VI's words, “the minimum measure” of it. To desire the common good and strive towards it is a requirement of justice and charity²⁶⁸.
- f) Its cooperation and collaboration with government initiatives. It is not enough to pay taxes because this is measured from the profit generated; the profit on the other hand could be made from very subversive actions against the common good of the citizens.
- g) Its productivity of goods and services, their development and innovation in accord with the common good. Customer satisfaction is not broad enough to capture the nature of alignment with the common good.
- h) Its dialogue with society from the perspective of politics; especially in its capacity as a representative of the members who form the company.

²⁶⁷ Cf. Paul VI, Encyclical Letter *Populorum Progressio* (26 March 1967), 22: AAS 59 (1967), 268; Second Vatican Ecumenical Council, Pastoral Constitution on the Church in the Modern World *Gaudium et Spes*, 69

²⁶⁸ Benedict XVI. Encyclical Letter *Caritas in Veritate*, 7; quoting, Cf. Second Vatican Ecumenical Council, Pastoral Constitution on the Church in the Modern World *Gaudium et Spes*, 26

New methods of assessing the performance of the firm and indeed the state need to be generated in order to be more specific and accurate about a firm's contribution to the common good of society and its efforts to sustain this common good. With regard to the firm, Llano and Cifuentes' work on the currently dominant values and the transcendental values of the firm or corporation is appropriate as a starting point. Llano mentions that the parameters of assessing the contemporary firm are; The Mission or ultimate objective of the firm, basic employee aptitudes, a firm's strategic vision, business objectives, human resource development and environmental forces²⁶⁹. The firm's response to these dominant parameters is replete with what Llano calls 'Taylorism', that is, they are based on the scientific management theory of Frederic Winslow Taylor. The modern capitalist responses are what Llano calls the dominant values of the contemporary corporation; they are respectively, given the parameters above; Maximisation of profit, the desire to acquire and to possess, strategic results orientation, achieving primary strategic objectives, career growth and Satisfaction. On the contrary, based on the perspective of the common good, the responses should be, again respectively; service to society, creativity and sharing, discovering new principles of action, foreseeing secondary effects, inclusion, and self domination²⁷⁰. The underlying impetus of the organisation as a whole and the individual members within should ultimately be subsidiarity and solidarity with the whole organisation and with the society according to Llano's responses above.

1.15 Summary

It is complex for business institutions to strive for and preserve the common good. If one confines his vision to what the history of mankind portrays, then there is reason to be pessimistic. It may be that as Seneca once said, "It isn't that we don't dare because things are difficult; it is that we don't dare that they are difficult." Nevertheless, when institutions are enclosed within their own past, present and future, they will obscure an objective end

²⁶⁹ Llano, Alejandro. *La Nueva Sensibilidad*, Madrid, Espasa-Calpe, 1989; p 153-167

²⁷⁰ *Ibid.* p 154

which must serve as its measure and goal. The very tools for achieving this seemingly insurmountable goal are human reason and human instinct informed by right reason, and prudent action, which have been present throughout history. What new capacity do these gifts to mankind have in order to achieve the universal good of society that they did not have in history? This thesis points to a certain urgent and necessary change in the way firms are set-up and evaluated.

The firm as a community of persons has always tried to play a fundamental role in construction of effective and efficient markets in society for the common good. The true battle in history has always been fought between the healthy optimism and ‘pathological’ pessimism of achieving that perfection within the universal good of human society. History is full of both mankind’s divisive attitude (individualism as an end) and his undying effort to develop the person and the society in solidarity. It is necessary to be optimistic in the pursuit of the universal common good; by the constant and perennial dynamic of reason informed by truth (right reason); and by concrete actions in business informed by that truth.

Capitalism, much like communism, has not constructed the peaceful and just society as the state of the world today indicates. It may be that while human wisdom has tried to destroy any kind of tyranny in society, it has swung to the other extreme and forgotten that not all authority is tyranny. Adam Smith’s vision is yet to be proven. Mankind cannot perfect himself and his society solely with institutions or on the foundations of his free instinct or passions or what Smith called ‘sympathy’; devoid of any ordering. To seek that which our reason and will manifest as perfect and therefore ‘beyond’ us; that perfection which one sees with the light of his informed soul, is the true path that reason should continue following. It is an exciting objective because one is usually happy when the ‘other’ is happy. The society is flourishing when one and the ‘other’ is flourishing. One is satisfied when he goes beyond his own good to contribute to the good of the other. The society is wholesome when all collaborate loyally to a common objective for the common good. Society enjoys *eudaimonia* when all tend to be happy and the whole body is healthy.

Hence, leadership in the common good urgently needs wise leaders engaging the wisest counsellors to advice and administrate; not those with the greatest monetary wealth or popularity. Neither can the wisdom of organizing society be left to large impersonalized bureaucratic systems so that decisions are never made on time. For firms to go forward they are better of respecting the variety in unity of society, by adhering to the transcendent true principles of man and society. The ultimate happiness is that which, if any person attains, one can desire nothing further. It is that highest of all good things, and it embraces in itself all good things. Therefore happiness is a state which is made perfect by the union of all good things²⁷¹.

²⁷¹ Boethius, *Consolation of Philosophy*, I, p. 18.

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