

Corporate Social Responsibility in Light of Laudato Si*

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- Corporate social responsibility
- Catholic Social Teaching
- Laudato Si
- Social justice
- Solidarity
- Subsidiarity

This paper explores what Laudato Si teaches about corporate social responsibility. First, I highlight three key and interrelated themes in Laudato Si, namely that all of creation is a gift from a loving God, that “everything in the world is connected”, and a call for a change in our personal response to God’s gifts. Second, I relate these three themes to corporate social responsibility, considering the social purpose and nature of the corporation, the importance of cooperative relationships in solidarity for value creation in corporations, and our responsibility to others as a response to the gifts that we have received by practising subsidiarity. Third, I briefly discuss the practical implications using impact investing as an illustration.

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LAUDATO SI, THE RECENT ENCYCLICAL written by Pope Francis (2015), challenges us to reconsider our relationships with the environment, with each other, and ultimately with God. In this document, Pope Francis addresses “every person living on this planet” (LS, 3), calling for an inclusive dialogue. This paper explores what light this encyclical can shed on the concept of corporate social responsibility, and attempts to enter into a dialogue between corporate citizenship and this latest document of Catholic Social Teaching.

My focus will be on the view from Catholic Social Teaching (CST), a body of formal teachings of the Catholic Church of which *Laudato Si* is a part. In CST, our foremost responsibility is to act with justice, in the sense of giving others what they are due. Specifically, I primarily consider our corporate social responsibility towards giving others what they are due in *social* justice (which is sometimes also referred to as legal, general, common or contributive justice) in the corporate setting. Social justice pertains to what we owe to others in the community arising from their unconditional, fundamental dignity as human persons, irrespective of their particular or potential contributions to the community.¹ A major theme in *Laudato Si* is to expand social justice more explicitly to the whole natural environment of which we are a part. However, CST recognizes two other forms of justice as well, distributive and commutative, which are related to social justice and which *Laudato Si* also speaks to, but are left out of my discussion due to space constraints.²

I proceed in three parts. In the first part, I discuss three central themes that Pope Francis raises in *Laudato Si*, which are closely related.

The first theme is that all of creation is a *gift* from God arising from God’s loving plan for His creation. These gifts include the gift of the natural environment, the gift of our very selves (who are creatures and thus part of nature but are also spiritual and thus able to transcend nature), and the gift of our relationships to all of creation, with other persons and especially with God the Creator. *Laudato Si* emphasizes the social or *shared purpose* of God’s gifts, arguing that “the world is a gift which we have freely received and must share with others, [such that] ... solidarity is not optional but is rather a basic question of justice” (LS, 159).

The second theme is that “everything in the world is *connected*” (LS, 16). Pope Francis argues that “human life is grounded in three fundamental and closely intertwined relationships: with God, with our neighbor, and with the earth itself” (LS, 66), where the main problem is that each of “these three vital relationships have been broken” (LS, 66). Due to the intertwined nature of these relationships, Pope Francis argues that each of these three broken relationships

1 See the Catechism of the Catholic Church (CCC), 1928–1933.

2 Distributive justice pertains to what the community (especially those in positions of authority, wealth and power) owes all members of the community in proportion to their contribution and needs (CCC, 2411). Further, “[c]ontracts are subject to commutative justice, which regulates exchanges between persons and between institutions in accordance with a strict respect for their rights. Commutative justice obliges strictly; it requires safeguarding property rights, paying debts, and fulfilling obligations freely contracted. Without commutative justice, no other form of justice is possible” (CCC, 2411).

needs to be healed simultaneously, rejecting various reductionist solutions and instead explaining that “strategies for a solution [to our complex crisis] demand an integrated approach to combating poverty, restoring dignity to the excluded and at the same time protecting nature” (LS, 139).

The third theme in *Laudato Si* is such healing has to start with ourselves, i.e. with our *personal response*. In particular, Pope Francis writes that “it is we human beings above all who need to change” (LS, 202), arguing that “the ecological crisis is also a summons to profound interior conversion” (LS, 217). The encyclical explores in considerable detail what such change would look like in terms of the kinds of “new habits” or virtues of personal and social responsibility we need to develop.

In the second part, I explore what these three themes in *Laudato Si*—also in the context of Catholic Social Teaching (CST) more generally of which *Laudato Si* is a part (LS, 15)—teach about the purpose, priority and practice of the business corporation.

First, exactly because everything is a gift—and inherently social—CST argues that business corporations have a social purpose, such that those who control and own a corporation have a duty towards others and the natural environment. Such social responsibility means that “[b]usiness is a noble vocation, directed to producing wealth and improving our world” (LS, 129). This teaching that business corporations have a social purpose does not negate the right to private ownership of corporations, which is strongly defended in CST, but imposes limits on the just *use* of such ownership such that the benefits are shared rather than only accrue to those who own or control the corporation. As Pope Francis notes in *Laudato Si*, “God rejects every claim to absolute ownership” (LS, 67). *Laudato Si* warns against unjust situations where corporations impose negative externalities on the natural and social environment and care only about increasing productivity and profits but do not bring about “an integrally higher quality of life” (LS, 194) for everyone, especially those with least material wealth.

Second, because everything is connected, businesses can only achieve their social purpose through the just cooperation with all stakeholders, such that *Laudato Si* emphasizes the critical importance of “social capital: the network of relationships of trust, dependability, and respect for rules, all of which are indispensable for any form of civil coexistence” (LS, 128). I argue that corporations create value through the creation of “shared goods” with social, economic and environmental value, i.e. goods that can only be achieved through cooperation, including the products and services offered for sale, the human relationships among everyone involved, and the integral development of the persons working in the corporation. As a result, the priority of business is cooperation in *solidarity* as any value will only be created through connections: i.e. in cooperative relationships, where people recognize their mutual responsibilities and are willing to share their priorities in solidarity with others.

Third, the personal response required of each of us in turn requires that each person has the necessary freedom, opportunity, and help from others in order to develop one’s ability to respond to each person’s full potential. Accordingly, CST teaches that the practice of business should be characterized by *subsidiarity*,

which is based on the centrality of genuine human freedom. Practising subsidiarity means that each person has room for personal initiative and creativity, and receives help from others to develop their particular skills and moral character, which comes with a corresponding duty to help others towards the same end. Subsidiarity supports cooperation in solidarity, allowing everyone to better contribute to the shared purpose of the corporation.

The third and final part concludes by summarizing what this understanding of the purpose, priority and practice of business implies for corporate social responsibility. Once again, the main implications are threefold.

First, we have a personal responsibility to respect others and our natural environment, i.e. our personal responsibility cannot be separated from our social responsibility. In other words, our duties towards others are not just up to us, because—in the understanding of *Laudato Si*—“everything is a gift, that we did not create ourselves nor nature, that we ourselves do not have the final word, that everything is not simply our property that we can use for ourselves alone or according to our wishes alone (LS, 6)”. Corporate social responsibility thus entails a duty to ensure that the corporate strategy and the cooperation with all stakeholders contribute to human and environmental flourishing “in line with God’s original gift of all that is” (LS, 5). As *Laudato Si* explains, this starts with respecting first and foremost the fundamental dignity of all human persons, and also, as the encyclical emphasizes, very much includes respecting the worth of all other creatures and all of creation as well.

Second, corporate social responsibility requires that a certain priority is given to “solidarity and a preferential option for the poorest of our brothers and sisters” (LS, 158), whom *Laudato Si* notes are particularly vulnerable to environmental, social, economic and political degradation. This is required in order to ensure justice, as those who

... have benefited from a high degree of industrialization ... have a greater responsibility for providing a solution to the problems they have caused (LS, 170)

and

only when the economic and social costs of using up shared environmental resources are recognized with transparency and fully borne by those who incur them, not by other peoples or future generations can [business] actions be considered ethical (LS, 195).

Third, the most practical consequence for corporate social responsibility, beyond ensuring that any pollution or negative environmental impact is minimized, is to create a corporate environment that practices subsidiarity towards “integral human development and social inclusion” (LS, 109). This means that those in positions of authority, with superior power, information and control, have a responsibility to serve others, not just only “one’s own immediate interests” (LS, 122). In particular, Pope Francis argues that “the current model, with its emphasis on success and self-reliance, does not appear to favor an investment in efforts to help the slow, the weak or the less talented to find opportunities in life” (LS, 196). *Laudato Si* challenges all of us to allow God and

others to help us to change first and foremost ourselves and to grow in virtue both personally and socially in relationship with others. The encyclical calls us to “instill good habits” in ourselves and others, as “[o]nly by cultivating sound virtues will people be able to make a selfless ecological commitment” (LS, 211).

In my conclusion, I briefly discuss how “impact investing”—investing in businesses that create value through fulfilling neglected social or environmental needs, monitor the impact of everyone involved and operate in a competitive market environment—serves as a practical illustration of how corporate management and investors can implement these implications for corporate social responsibility.

Part 1: The three interrelated themes in *Laudato Si*

All is gift, arising from God’s love

In *Laudato Si*, Pope Francis raises three central and interrelated themes. The first theme is essentially *theological*, namely that everything that exists is a gift from God, who created all out of love. As the document is addressed to “all people of good will” (LS, 62), the Pope’s use of theological reflection is particularly challenging, as many to whom the letter is addressed may not be believers. He writes that “science and religion, with their distinctive approaches to understanding reality, can enter into an intense dialogue fruitful for both” (LS, 62), arguing that theological arguments have an important contribution to make:

Given the complexity of the ecological crisis and its multiple causes, we need to realize that the solutions will not emerge from just one way of interpreting and transforming reality ... If we are truly concerned to develop an ecology capable of remedying the damage we have done, no branch of the sciences and no form of wisdom can be left out, and that includes religion and the language particular to it (LS, 63).

In the Judeo-Christian tradition, all of creation—including the natural environment and our own lives—is a wonderful *gift* from God arising from God’s loving plan:

Creation is of the order of love. God’s love is the fundamental moving force in all created things: “For you love all things that exist, and detest none of the things that you have made; for you would not have made anything if you had hated it (*Wis* 11:24)” (LS, 77).

This idea is an appropriate starting point for understanding *Laudato Si*, as the natural first response to receiving wonderful gifts is to praise and thank the giver, which gives rise to the name of the encyclical (as *Laudato Si* means “Praise Be to You [my Lord]”, referring to the hymn attributed to Saint Francis of Assisi, see LS, 87). The theological perspective that all of creation is a wonderful gift is also Pope Francis’s starting point, influencing his subsequent approach to

environmental and social problems and each person's responsibility towards solving these problems.

The idea that all of creation is a gift from God who loves us has the three following corollaries. First and foremost, it means that God has a "loving plan in which every creature has its own value and significance" (LS, 76), in which plan all gifts have a social or shared purpose, as "the world is a gift which we have freely received and must share with others, [such that] ... solidarity is not optional but is rather a basic question of justice" (LS, 159).

Second, the realization that God is the gift-giver and thus the Creator implies that we are creatures and ourselves part of the natural environment, and thus we need to recognize with humility our limits and our dependence on nature, on each other and on God. In particular, our happiness and flourishing are only realized within God's loving plan, neither independent of nor in opposition to it. Accordingly, Pope Francis warns against any "claim to absolute dominion", against "try[ing] to impose their own laws and interests on reality" (LS, 75).

Third, God's loving plan involves a particular role for human persons, who possess a "uniqueness which transcends the sphere of physics and biology" (LS, 81), as "each of us has his or her own personal identity and is capable of entering into dialogue with others and with God himself" (LS, 81), giving each human person a certain "pre-eminence" in creation, with a basic and fundamental dignity "which all human beings share in equal measure" (LS, 90). However, our unique role given to us by God is primarily that as stewards rather than owners (see LS, 67), where each person is given freedom that comes with a responsibility (i.e. a duty) of "caring, protecting, overseeing and preserving" (LS, 67).

All is connected

The second theme is that "everything in the world is *connected*" (LS, 16), which emphasizes co-dependence, relationality and co-responsibility. This means that we are not self-sufficient, but as creatures are dependent on nature, on each other and on God. Our connectedness is closely related to the first theme that everything is a gift from God arising from God's loving plan, as our connections are inherent in God's creation where "creatures exist only in dependence on each other, to complete each other, in the service of each other" (LS, 86).

Pope Francis identifies the main cause of our social and environmental problems as our lack of living according to this connectedness, arguing that "human life is grounded in three fundamental and closely intertwined relationships: with God, with our neighbor, and with the earth itself, [where each of] these three vital relationships have been broken, both outwardly and within us" (LS, 66), due to our presumption "to take the place of God and refusing to acknowledge our creaturely limitations", and the "false belief ... that there are no indisputable truths to guide our lives, and hence human freedom is limitless" (LS, 6). Quoting his predecessor, Pope Benedict XVI (2008), he argues that we need to "realize that creation is harmed where we ourselves have the final word, where everything is simply our property and we use it for ourselves alone. The

misuse of creation begins when we no longer recognize any higher instance than ourselves, when we see nothing else but ourselves” (LS, 6).³

Due to their connectedness, Pope Francis argues that these three broken relationships need to be healed simultaneously, and thus he rejects reductionist solutions that focus on *only* technology, on *only* market-based solutions, or on *only* politics or regulation. This does not mean that he rejects solutions that involve technology, markets or politics, but rather argues that none of these alone suffices and that each of these is connected, writing that “strategies for a solution [to our complex crisis] demand an integrated approach to combating poverty, restoring dignity to the excluded and at the same time protecting nature” (LS, 139). The necessity of such an integrated approach becomes clear once we realize “how inseparable the bond is between concern for nature, justice for the poor, commitment to society, and interior peace” (LS, 10).

A call for our personal response to change ourselves

The third theme is that the healing of our broken relationships with nature, with each other and with God has to start with ourselves, i.e. with our *personal response*, where Pope Francis argues that “it is we human beings above all who need to change” (LS, 202), arguing that “the ecological crisis is also a summons to profound interior conversion” (LS, 217). Such summons to change involves all of our relationships, i.e. to nature, to others and to God. As these are all inherently connected (the second theme), the pope concludes that “[t]here can be renewal of our relationship with nature without a renewal of humanity itself” (LS, 118).

The starting point of such renewal of all of our relationships is “an adequate anthropology” (LS, 118) that recognizes the special dignity of the human person, the importance of interpersonal relationships with others and God as well as our connections to the natural environment, and thus our responsibilities and duties towards others and nature. Importantly, the personal response that Pope Francis is advocating is not diminishing our dignity or freedom, but rather should help to heal our broken relationships with nature, each other and God, and should thus very much contribute to our overall flourishing and genuine freedom. As Pope Francis explains, “[h]uman beings cannot be expected to feel responsibility for the world unless, at the same time, their unique capacities of knowledge, will, freedom and responsibility are recognized and valued” (LS, 118).

Next, the renewal towards which Pope Francis invites us has both an individual-personal and a social aspect, both of which reflect our need for help (or to

³ This also echoes the conclusion of John Paul II (1995), who argued that:

“[w]hen God is forgotten the creature itself grows unintelligible. Man is no longer able to see himself as mysteriously different from other earthly creatures; he regards himself merely as one more living being ... Enclosed in the narrow horizon of his physical nature, he is somehow reduced to being a thing, and no longer grasps the transcendent character of his existence as man. He no longer considers life as a splendid gift of God, something sacred entrusted to his responsibility and thus also to his loving care and veneration (Centesimus Annus, 22).”

receive gifts) and our call to use our gifts to help others, and thus directly relates to the first theme that all is gift. On the individual-personal level, Laudato Si call Christians to experience “an ‘ecological conversion’, whereby the effects of their encounter with Jesus Christ become evident in their relationship with the world around them” (LS, 217), namely “living our vocation to be protectors of God’s handiwork (LS, 217)” as one example of living our social responsibility. On the social level, the encyclical argues that personal change alone is insufficient, especially because everything is connected, such that what is required is also a social change or “community conversion” (LS, 219), in order to facilitate a different social awareness that can only be achieved within a likeminded community.

In other words, the personal response that Laudato Si invites us towards is one that recognizes our social responsibility, and that in turn requires a social environment in which such recognition is widely shared. Pope Francis argues that it is difficult if not impossible to do this by ourselves, as “[i]solated individuals can lose their ability and freedom to escape the utilitarian mindset and end up prey to an unethical consumerism bereft of social or ecological awareness” (LS, 219). The encyclical explores in considerable detail what such change would look like in terms of the kind of “new habits” or virtues of personal responsibility we need to develop, starting with “an awareness of our common origin, of our mutual belonging, and of a future to be shared with everyone [enabling] ... the development of new convictions, attitudes and forms of life” (LS, 202). Therefore, this call for our personal response is also directly related to the second theme that all is connected.

Part 2: The social purpose, priority and practice of the business corporation

In this part, we consider how the three themes in Laudato Si can inform the social purpose, social priority and social practice of business corporations. The main development in Laudato Si, relative to the previous encyclicals, is to include greater concern for the natural environment, expanding but not contradicting the teachings in earlier encyclicals.

Social purpose

Business corporations have a *social purpose*, according to Catholic Social Teaching, exactly because everything is a gift with an inherently social nature and thus social purpose. Stating that business corporations have a social purpose does not negate the right to private ownership of corporations, which is strongly defended in CST, but rather argues for limits on the just *use* of such ownership. As Pope Francis writes in Laudato Si, “Christian tradition has never recognized the right to private property as absolute or inviolable, and has stressed the social purpose of all forms of private property” (LS, 93).

For example, John Paul II (1987) explained that

[i]t is necessary to state once more the characteristic principle of Christian social doctrine: the goods of this world are originally meant for all. The right to private property is valid and necessary, but it does not nullify the value of this principle. Private property, in fact, is under a “social mortgage,” which means that it has an intrinsically social function, based upon and justified precisely by the principle of the universal destination of material goods (*Sollicitudo Rei Socialis*, 42).

Pope Francis notes that

[t]he principle of the subordination of private property to the universal destination of goods, and thus the right of everyone to their use, is a golden rule of social conduct and “the first principle of the whole ethical and social order” [involving] a social perspective which takes into account the fundamental rights of the poor and the underprivileged (*LS*, 93).⁴

The teaching that all is a gift with a social purpose, including business, naturally means that business has a social responsibility towards its social purpose. This challenges the view, famously articulated by Friedman (1970), that the *only* social responsibility of those who control corporations is to maximize the value for the investors, which Pope Francis calls a “misunderstanding of the very concept of the economy” (*LS*, 195), as this view seems based on an instrumental, reductionist and static approach to business: treating people and the environment as *only* means towards a financial end, reducing the attention to corporate impact to what can be measured in financial terms, and not accounting for the dynamic of wealth creation in a social organization within a diverse society with great inequalities.⁵

To start with the latter, the recognition of a social purpose is particularly important in situations where corporations can impose negative externalities on the natural and social environment, which may increase productivity and profits but do not bring about “an integrally higher quality of life” (*LS*, 194) for

4 John Paul II (1991) explains the meaning of the social purpose of corporations in more detail, writing that

“ownership ... is [only] just and legitimate if it serves useful work, [which is work that] ... (i) provides for the needs of his family, his community, his nation, and ultimately all humanity, (ii) ... collaborates in the work of his fellow employees, as well as in the work of suppliers and in the customers’ use of goods, in a progressively expanding chain of solidarity, (iii) ... where man fulfils himself by using his intelligence and freedom (43).”

On the other hand, he warns that

“it becomes illegitimate, however, when it is not utilized [towards useful work] or when it serve to impede the work of others, in an effort to gain a profit which is not the result of the overall expansion of work and the wealth of society, but rather is the results of curbing them or of illicit exploitation, speculation or the breaking of solidarity among working people. Ownership of this kind has no justification, and represents an abuse in the sight of God and man (*Centesimus Annus*, 43).”

5 For a recent, extensive discussion on the various views on corporate social responsibility, see Williams (2014).

everyone, especially those with least material wealth and opportunity. Arguing that there are many examples of negative externalities that are not reflected in market prices, Pope Francis writes that

... it should always be kept in mind that environmental protection cannot be assured solely on the basis of financial calculations of costs and benefits. The environment is one of those goods that cannot be adequately safeguarded or promoted by market forces.⁶ Once more, we need to reject a magical conception of the market, which would suggest that problems can be solved simply by an increase in the profits of companies or individuals. Is it realistic to hope that those who are obsessed with maximizing profits will stop to reflect on the environmental damage which they will leave behind for future generations? Where profits alone count, there can be no thinking about ... the complexity of ecosystems which may be gravely upset by human intervention, [and] ... biodiversity is considered at most a deposit of economic resources available for exploitation, with no serious thought for the real value of things, their significance for persons and cultures, or the concerns and needs of the poor (LS, 190).

Therefore, *Laudato Si* also challenges the view that maximizing shareholder wealth is generally the best approach to ensure benefits to all stakeholders, as often argued by finance and management scholars (Sundaram and Inkpen, 2004).

More generally, CST views the corporation as a social organization in which we can responsibly use and develop our gifts in freedom, in relationship with others, and contribute to others in a way that we couldn't individually—i.e. the corporation is a community of persons who get together for the sake of satisfying both individual and social purposes (Melé, 2011). The understanding of the corporation as a community of persons that has a shared purpose (i.e. a “common good”) contrasts with both of the most prevalent views of the corporation, namely shareholder wealth maximization and stakeholder theory (see, e.g. Abela, 2001; Cortright and Naughton, 2002; Garvey, 2003; Cremers, 2016). On the one hand, the typical finance view sees the corporation as a “nexus of contracting” that is owned by shareholders (Jensen and Meckling, 1978), with the primary or sole responsibility to maximize shareholder value (Sundaram and Inkpen, 2004) and denying the existence of social responsibility that is unrelated to shareholder value (Friedman, 1970), even if a focus on shareholder value implies an instrumental (but *only* instrumental) interest in stakeholder welfare (Dobson, 1999). On the other hand, stakeholder theory tends to focus on the legitimate and intrinsic interests of each of the different stakeholders (Donaldson and Preston, 1995), rather than on their shared, social purpose that brings them together in order to create “shared value” (Porter and Kramer, 2011).

However, the idea that a corporation has a social purpose—and thus that those in positions of authority at corporations have a corresponding social responsibility—does not mean that corporations should not give shareholders a just return on their investment as a compensation for their risk-taking,

⁶ Quoting the Pontifical Council for Justice and Peace's (2005) “Compendium of the Social Doctrine of the Church”.

let alone that profits do not matter, as firms that lose too much money will go bankrupt. Rather, Abela (2001, p. 111) explains that, in e.g. John Paul II (1991), Catholic Social Teaching “endorses the importance of profit as one aspect of the purpose of business” (Centesimus Annus, 34-35). However, this endorsement is clearly qualified, so that profit is not the most important aspect of the firm’s purpose; in fact at most it is only equal to the other aspects of the purpose of the firm. John Paul II (1991) states that “other human and moral factors must also be considered [besides profit] which, in the long term, are at least equally important for the life of a business” (Centesimus Annus, 35).

The social purpose of corporations can also be understood economically. Corporations create value through the creation of “shared goods” with social, economic and environmental value, where shared goods are goods that can only be achieved through cooperation in a social organization such as a corporation. These shared goods include the products and services offered for sale, the human relationships among everyone involved with the corporation, and the integral development of the persons working in the corporation. This means that the process of value creation in corporations—through hierarchical coordination towards socially beneficial cooperation (Rajan and Zingales, 1998)—is different from the process of value creation in markets. Markets create value through a process of competitive bargaining about individual transactions, giving rise to not just individual but also social (potential) benefits, such as allowing information to be shared across the market, risk-sharing or co-insurance among all market participants and creating more opportunities to participate and better allocation of resources and capital. While markets require institutions and regulations, the market mechanism can create these social benefits even if market participants, institutions and regulations are only concerned with—and are responsible for—the particular transaction. The distinctive process of value creation in corporations versus markets means that corporations can both benefit from the disciplinary pressure of operating in a market environment and suffer from a “race to the bottom” in the face of short-term market pressure (Phelps, 2010).

Shared goods are thus created primarily through cooperation rather than competition. Cooperation takes place within social connections, i.e. in cooperative relationships. Therefore, in order to achieve their social purpose, the important social priority in firms is having just relationships of *solidarity* with all of the corporate stakeholders, i.e. generating “social capital: the network of relationships of trust, dependability, and respect for rules, all of which are indispensable for any form of civil coexistence” (LS, 128). The centrality of social capital brings in the second theme of the encyclical, of connectedness, and is more broadly discussed by Benedict XVI (2009), who writes that

traditional principles of social ethics like transparency, honesty and responsibility cannot be ignored or attenuated ... [I]n commercial relationships the principle of gratuitousness and the logic of gift as an expression of fraternity can and must find their place within normal economic activity. This is a human demand at the present time, but it is also demanded by economic logic. It is a demand both of charity and of truth (Caritas in Veritate, 36).

The Church's social doctrine has always maintained that justice must be applied to every phase of economic activity, because this is always concerned with man and his needs. Locating resources, financing, production, consumption and all the other phases in the economic cycle inevitably have moral implications. Thus every economic decision has a moral consequence (CiV, 37).

[E]conomic 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 and responsibility for justice and the common good among the different economic players. It is clearly a specific and profound form of economic democracy. Solidarity is first and foremost a sense of responsibility on the part of everyone with regard to everyone, and it cannot therefore be merely delegated to the State (CiV, 38).

Building on this earlier teaching, Pope Francis also argues that solidarity is both a moral and an economic imperative, as “human costs always include economic costs, and economic dysfunctions always involve human costs” (LS, 128). At the same time, however, Pope Francis warns repeatedly against a purely instrumental approach, warning against “the technocratic paradigm” in which one “accepts every advance in technology with a view to profit, without concern for its potentially negative impact on human beings” (LS, 109). As an example that solidarity is first a moral demand, Laudato Si argues that “only when the economic and social costs of using up shared environmental resources are recognized with transparency and fully borne by those who incur them, not by other peoples or future generations can [business] actions be considered ethical” (LS, 195).

In an instrumental approach, where solidarity is only practised to the extent that it does not adversely affect financial wealth, “economic interests easily end up trumping the common good and manipulating information so that their own plans will not be affected” (LS, 54). In the end, Pope Francis warns us that there are no “purely” instrumental approaches, as there is a moral consequence to every market-based or technological decision:

We have to accept that technological products are not neutral, for they create a framework which ends up conditioning lifestyles and shaping social possibilities along the lines dictated by the interests of certain powerful groups. Decisions which may seem purely instrumental are in reality decisions about the kind of society we want to build (LS, 107).

Solidarity involves sharing in both the fruits and the risks of the corporation, and it entails avoiding situations where some stakeholders benefit at the cost of other stakeholders or to the exclusion of other stakeholders. More generally, solidarity implies that people recognize their social responsibilities, i.e. their mutual and reciprocal duties, and are willing to actually share priorities, and thus serve each other. This in turn means that all stakeholders—and especially those with superior information, power and control in the corporation—need to have a long-term *commitment* towards the social purpose of the firm and the good of the other stakeholders (Mayer, 2013). This is both a moral and an economic issue (see Cremers and Sepe, 2016).

Finally, in order to achieve the particular social purpose of a corporation, and arising within cooperative relationships of solidarity that constitute the corporation's social priority, each person needs in practice to contribute in their specific capacity and to their best individual ability to the shared goods. This requires that each person involved in the corporation can participate in genuine freedom, has opportunity to learn and grow, and receives help towards developing their abilities. Pope Francis underlines in *Laudato Si* that work "should be the setting for this rich personal growth, where many aspects of life enter into play: creativity, planning for the future, developing our talents, living out our values, relating to others, giving glory to God" (LS, 127). As he writes, "[w]e were created with a vocation to work, [which] ... is a necessity, part of the meaning of life on this earth, a path to growth, human development and personal fulfilment" (LS, 128). This is consonant with the third theme in *Laudato Si* that calls for our personal change towards social responsibility, which asserts that change should be made in genuine freedom in order to be consistent with our dignity (i.e. genuine freedom for all stakeholders, see further *Laudato Si*, 182-183, which emphasizes free exchange of views, transparency, lack of economic or political pressure, consensus building, etc.).

Given the fundamental importance of freedom, opportunity and receiving help for personal growth and fulfilment, CST proposes subsidiarity as the basic social practice in business. Subsidiarity, based on the centrality of human freedom, was defined by Pope Pius XI (1931) in *Quadragesimo Anno* as the principle that

[j]ust as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them (*Quadragesimo Anno*, 79).

As result, practising subsidiarity means that each person has room for personal initiative and creativity, and receives help from others in developing their particular skills and moral character, and that particular care is taken to avoid harm (including, as *Laudato Si* emphasizes, environmental harm) to the stakeholders with least economic power. Inherently related to solidarity, subsidiarity implies that all interested stakeholders have not only a "negative" freedom not to be harmed, but also have a right to genuine "positive" freedom to participate and to receive help (at the appropriate levels), which comes with a reciprocal duty to give others that freedom and help. Subsidiarity is also dependent on what *Laudato Si* calls, for example, "personal qualities of self-control and willingness to learn from one another" (LS, 214) and "a spirit of generous care" (LS, 220). The encyclical argues that these are threatened by "the 'myths' of a modernity grounded in a utilitarian mindset (individualism, unlimited progress, competition, consumerism, the unregulated market)" (see LS, 210), which is a disposition that requires a personal and social conversion to be overcome.

Part 3: Implications for corporate social responsibility

This part concludes, with a summary of what this understanding from CST of the social purpose, the social priority and the social practice of business implies for corporate social responsibility. Once again, the main implications are threefold.

The first implication is that our personal responsibility includes a social responsibility, that we have a duty towards others that is not just up to us, which includes a duty to respect others and our natural environment. Therefore, corporate social responsibility entails a duty to ensure that the corporate strategy and the cooperation with all stakeholders contribute to human and environmental flourishing “in line with God’s original gift of all that is” (LS, 5). As the encyclical explains, the starting point is the recognition of the fundamental dignity of all human persons, which *Laudato Si* argues cannot be separated from respecting the worth of all other creatures and all of creation as well.

Laudato Si argues that “our irresponsible behavior” has damaged both the natural and social environments, which Pope Francis argues are both

... ultimately due to the same evil: the notion that there are no indisputable truths to guide our lives, and hence human freedom is limitless. We have forgotten that “man is not only a freedom which he creates for himself. Man does not create himself. He is spirit and will, but also nature”.

In effect, *Laudato Si* forcefully rejects a relativistic stance and argues that the starting point for corporate social responsibility is to recognize that everything is a gift with an inherently social dimension, that we did not create ourselves nor nature, that we ourselves do not have the final word, that everything is not simply our property that we can use for ourselves alone or according to our wishes alone (LS, 6): we have a social responsibility or duties towards others, whether or not we are willing or able to recognize it. “Man must respect the particular goodness of every creature, to avoid any disordered use of things” (LS, 69).

The second implication for corporate social responsibility is that, while “everything is connected” and all stakeholders should benefit from the involvement in the corporation, a real priority should be given to “solidarity and a preferential option for the poorest of our brothers and sisters” (LS, 158), whom *Laudato Si* notes are particularly vulnerable to environmental, social, economic and political degradation. Given the vast inequalities among persons, Pope Francis argues that what is necessary is “before all else an appreciation of the immense dignity of the poor in the light of our deepest convictions as believers”. Therefore, solidarity with those who are most vulnerable is required in justice because of their fundamental dignity, while those who “have benefited from a high degree of industrialization ... have a greater responsibility for providing a solution to the problems they have caused” (LS, 170).

The third and most practical implication for corporate social responsibility, beyond ensuring that any pollution or negative environmental impact is minimized, is to create a corporate environment that practises subsidiarity towards “integral human development and social inclusion” (LS, 109). This is based on the fundamental importance of genuine human freedom, including in the

economic realm. Subsidiarity means that those in positions of authority, with superior power, information and control, have a responsibility to serve others, not only “one’s own immediate interests” (LS, 122). In particular, Pope Francis argues that “the current model, with its emphasis on [individualist] success and self-reliance, does not appear to favor an investment in efforts to help the slow, the weak or the less talented to find opportunities in life” (LS, 196).

Practising subsidiarity also implies an openness to receive and learn oneself. In particular, *Laudato Si* challenges all of us to allow God and others to help us to change first and foremost ourselves, to grow in virtue both personally and socially in relationships with others. The encyclical thus calls us to “instill good habits” (LS, 211) in ourselves and others, as “[o]nly by cultivating sound virtues will people be able to make a selfless ecological commitment” (LS, 211).

Conclusion

Three central themes in *Laudato Si*—all of creation is a gift from a loving God with a social purpose, that “everything in the world is connected”, and a call for our personal response to God’s connected gifts, i.e. a conversion—suggest a particular view of corporate social responsibility. In particular, Pope Francis concludes in *Laudato Si* that corporate social responsibility is not optional but a moral duty. This implies that corporations have a social purpose, or “common good”, to contribute to human flourishing in a thriving natural environment. As a result, corporate social responsibility entails a duty towards ensuring that the strategy, human talent and corporate resources contribute to the social purpose of the corporation, in such a way that all stakeholders benefit in cooperative relationships of solidarity and subsidiarity.

A specific way in which this can be implemented is “impact investing”—investing in businesses that create value through fulfilling neglected social or environmental needs, monitor the impact of everyone involved and operate in a competitive market environment, see e.g. Bugg-Levine and Emerson (2011) and Rodin and Brandenburg (2014).⁷ In my view, “impact investments” have three key characteristics. First, their corporate strategy directly links social and environmental needs to the creation of financial wealth, such that achieving positive social or environmental impact is an inherent part of the corporate strategy that drives financial success. Therefore, the corporate strategy is explicitly focused on contributing to the firm’s social purpose. Second, these businesses collect and monitor data on how all stakeholders are impacted, including investors, employees, customers and the natural environment. This data is used to hold

7 Further, impact investing seems broadly consistent with the Principles for Responsible Investment (PRI, see <http://www.unpri.org>) and the sustainable development goals adopted by the United Nations in 2015 (see <http://www.unglobalcompact.org/what-is-gc/our-work/sustainable-development>).

internal managers accountable and to increase transparency towards external investors. While such data will always be inherently incomplete and its use does not guarantee solidarity, my hope is that increased transparency and accountability regarding social and environmental impact facilitate solidarity. Third, these firms operate in a competitive market environment, which may increase discipline and efficiency and thereby facilitate economic sustainability as well.

Laudato Si effectively invites all corporate executives to ensure that social and environmental impact assessment “should not come after the drawing up of a business proposition”, but rather “be part of the process from the beginning” (LS, 183), and in my view invites all investors to behave like impact investors.

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