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# Implications of *Caritas in Veritate* for Marketing and Business Ethics

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**Abstract:** In an effort to assess the latest thinking in the Roman Catholic Church on economic matters, we examine the newest encyclical by Pope Benedict XVI, *Caritas in Veritate* (Charity in Truth) for guidance concerning marketing and business strategy. Core ethical values, consistent with historical Catholic Social Teachings (CST), are retained. However, some important nuances are added to previous treatments, and, reflecting the mind of the current Pontiff, certain points of emphasis are shifted to account for recent global developments. Key areas of consistency and differences (as we perceive them) are spelled out along with some brief commentary on the evolution of the CST position on matters of importance to business decision makers. We close our analysis with a brief discussion of how the lessons of the encyclical can be applied to selected marketing problems embedded with ethical issues, including some criteria for evaluating marketing programs.

Finally, we note some editorial commentary published in the wake of the letter's release along with our own summation.

**Keywords:** Catholic social teaching, Marketing ethics, Business ethics, Global economy, Socio-economic inequality

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## Introduction

The objective of this article is to bring the light of the most recent papal encyclical on economic affairs, *Caritas in Veritate* (Charity in Truth), on several representative ethical issues in business. We have previously applied Catholic Social Teachings (CST) to these issues (Klein and Laczniak [2009](#)). In that article, our objective was to provide a perspective on ethical issues in marketing, consumption, and public policy that, while rooted in the moral theology of the Roman Catholic Church, could be derived from moral philosophy. *Thus, by having roots in a secular rather than religious tradition, the validity and appeal of application for all business managers would be enhanced.* Accordingly, while also aligned with a more general understanding of Christian thought (see Bay et al. [2010](#)), CST could be seen as a useful principle-based theory of business ethics rather than a niche in sectarian moral theology.

Our previous article was organized around key themes in CST juxtaposed against major areas of ethical concern in marketing, such that the intersection of principle and problem provided guidance for action. The key principles discussed were human dignity, the common good, subsidiarity, preferential option for the poor and vulnerable, the dignity of work and workers, solidarity, and care for creation. The marketing issues identified for discussion were product design and

management, promotion and pricing, consumer ethics, public policy and regulation, and globalization. The point of our exposition was to show how one or the other of these key principles could guide action authored by managers, consumers, or policymakers. For example, the principle of human dignity guides product designers to "... place a high priority on safety ...." A complete review of this guidance is contained in Klein and Laczniak (2009).

Soon after that article went to press, on June 29th, 2009 in Vatican City, Pope Benedict XVI released *Caritas in Veritate* (Charity in Truth), the encyclical to be examined here. Many eagerly awaited this Papal Letter because Church officials had hinted for some months prior to publication that aspects of the communication would address the global financial recession. As will be discussed below, the response to the various elements of the letter was quick and ranged across the spectrum from support to skepticism.

At over 30,000 words—divided into 6 chapters and 79 organizing paragraphs—the final document is extensive even by standards of previous encyclicals. The Letter is certainly sweeping in its scope, touching not only on the publicized topic of the great world recession but also upon the role of human solidarity in economic development, the benefits and detriments of new technologies, and the responsibilities of humanity to the planet's environment.

The overall theme of the Letter is hinted in the title and explicated in the opening chapters. The current communication is clearly a tribute to and elaboration upon an earlier encyclical, *Populorum Progressio* (On the progress of humanity), authored by Pope Paul VI in 1967. The specific title-theme of the Letter stems, in part, from the centrality of the Christian virtue of Charity in motivating authentic human development. Charity is portrayed as the uniting force behind CST because humanity is a brotherhood created in the image of God; love of neighbor (broadly speaking) is part of the greatest commandment because it reinforces the importance of the key CST principles referred to earlier: human dignity, common good, etc. Benedict writes [at 2], "Charity is at the heart of the Church's Social Doctrine. Every responsibility and every commitment spelt out by that doctrine is derived from Charity which, according to the teaching of Jesus, is the synthesis of the entire Law...." Drawing on this

inspiration, Charity “in Truth” (i.e., charity as seen in its purest, most objective form [3–4]) mandates the primacy of human dignity in evaluating economic affairs, the quest for the common good, the recognition of solidarity (the fraternity of all peoples, communities and nations), and subsidiarity (the right to self-direction whenever possible [6–7]).

As noted in our introduction, we previously explained these principles and their application to business and marketing. Since this Papal Letter speaks explicitly to some of the events and precipitating factors in the current global recession, as well as to central issues of economic development that interest marketers, we present these additional remarks for purposes of completeness. We believe these principle-driven remarks about globalization and the recent financial “mess” to constitute an insightful perspective about the ultimate purpose of economic activity.

Our approach to this task is to provide selected quotations from the document (edited for customary American spelling and grammar) followed by brief remarks explaining those quotations in the context of their relation to the basic CST principles along with their significance to marketing managers. The quotes from *Caritas in Veritate (CiV)* are rather extensive but *we believe its original wording provides the fairest insight into the document's managerial, ethical, and aspirational value.* The numeric following each quotation refers to the paragraph number in the encyclical document where the passage quoted can be found. The section titles will allow readers to focus on the themes of concern most relevant to their particular interests. This review is followed by a discussion of how the lessons of the encyclical can be applied to selected marketing problems, including considerations involving multi-dimensional end goals of business activity. Finally, we conclude by noting some editorial opinions published in the wake of the letter's release along with our own summation commentary.

## **Selected Excerpts and Comments**

### *On Human and Economic Development*

"The Christian vocation to development helps to promote the advancement of all men and the whole man. ... As society becomes ever more globalized, it makes us neighbors but does not make us brothers. Reason, by itself, is capable of grasping the equality between men and of giving stability to their coexistence, but it cannot establish fraternity" [18–19].

**Comment:** Thus, the Catholic Social Tradition again recognizes the rationality of authentic human development of all peoples, implicitly rejecting nationalistic and self-protective actions. The encyclical calls for an infusion of charity, of love for neighbor, to bring about a less remote, more brotherly perception among nations and especially concern for peoples in need. This reinforces various global codes of conduct that have been promulgated, such as the UN Global Compact, that are built on the recognition of human and especially worker rights.

### *On the Role of Profit*

"Profit is useful if it serves as a means towards an end that provides a sense both of how to produce it and how to make good use of it. Once profit becomes the exclusive goal, if it is produced by improper means and without the common good as its ultimate end, it risks destroying wealth and creating poverty" [21].

**Comment:** The role of profit as an important instrumentality in achieving a better life is reaffirmed. In the 1980s, a variation of this argument was used to critique the practice of laying-off workers in order to maintain desired profit levels (see, e.g., National Conference of Catholic Bishops [1986](#)). While the need for business survival was not questioned, maintaining comparatively high levels of profit at the expense of jobs was clearly suspect at that time. While this thrust continues, *Charity in Truth*, echoing earlier documents of Catholic Social Thought, expresses particular concern here for the wider impact of profit as the exclusive and ultimate objective of business activity and upon growing inequality among and within nations. The perspective expressed regarding profits in *CiV* suggests placing the common good and more equitable economic development on both the corporate and public agenda. The most obvious organizational implication of viewing profit as a means to greater ends is to specify

what those ultimate outcomes should be and how they might be measured. The sentiments of this quotation are supportive of an ongoing CST theme that economies are meant to serve people instead of situations where people seem to be subservient to the maximization of economic gain for shareholders and executives. The dominant focus during the 2010 and 2012 U.S. elections, characterizing business as the creator of necessary jobs, seems indicative of a broader purpose understood and expected from economic organizations.

### *On Sovereignty and Global Regulation*

“In our own day, the State finds itself having to address the limitations to its sovereignty imposed by the new context of international trade and finance ... characterized by increasing mobility ... of financial capital and means of production.... As we take to heart the lessons of the current economic crisis, which sees the State’s *public authorities* directly involved in correcting errors and malfunctions, it seems more realistic to *re-evaluate their role* and their powers, which need to be prudently reviewed and remodeled so as to enable them, perhaps through new forms of engagement, to address the challenges of today’s world. Once the role of public authorities has been more clearly defined, one could foresee an increase in the new forms of political participation, nationally and internationally, that have come about through the activity of organizations operating in civil society.” [24]

**Comment:** A by-product of globalization is the inability of existing regulatory authorities to adequately control economic activity that transcends national borders. Although bilateral and multilateral agreements serve this purpose in certain instances, some more encompassing mechanisms might well be needed to deal with the kinds of distortions and imbalances, particularly in the finance sector, which contributed significantly to the recent recession. These are precisely the sort of discussions that occurred at the 2009 G-20 (world’s leading economies) meetings held in Pittsburgh, USA, where working groups were assigned the following topics: (1) Enhancing sound regulation and strengthening transparency, (2) Reinforcing international co-operation and promoting integrity in financial markets, (3) Reforming the International Monetary Fund, and (4) The World

Bank and other multilateral development banks. As of 2010, agreements concerning new global oversight measures have been limited to the regulation of derivatives in the USA and Europe as well as guidelines for higher capital reserves in banks (Tait and Grant [2010](#)) but rhetoric for redoubling such efforts remains strong in various circles (e.g., among the governments of France, Canada, and Belgium).

### *On the Centrality of Human Dignity in Economic Endeavors*

"...The primary capital to be safeguarded and valued is man, the human person in his or her integrity". Quoting Paul VI in *Gaudium et Spes*, [1965](#), [63]), "Man is the source, the focus and the aim of all economic and social life" [25].

**Comment:** Continuing the theme of changing world circumstances, the encyclical identifies the primacy of human dignity as having significant economic implications, e.g., national budget limitations that pit the salvation of failing banks against social safety nets, political pressures for further deregulation, and the declining power of labor unions to protect worker interests. While recognizing social and cultural as well as economic gains related to these circumstances, the language of *CiV* underscores the central principle of human dignity in how issues rising from them are to be resolved. In other words, the basic CST position that an economy must be judged on how well it serves all people, not just the narrow financial interests of a controlling few, is reaffirmed. The prospect that markets cannot always be unfettered, but sometimes need to be constrained in order to serve the common good, is implicit in this section.

### *On the Impact of Economic and Cultural Interaction*

"...The increased commercialization of cultural exchange ... leads to a twofold danger: ... a *cultural eclecticism* assumed uncritically ... (1) Cultures are simply placed alongside one another and viewed as substantially equivalent and interchangeable [*and*] (2) Cultural leveling and indiscriminate acceptance of ... conduct and life styles." [26]

**Comment:** In these remarks, *CiV* decries both the absence of any genuine dialog between cultures and the resulting ethical relativism that separates some cultures from the better virtues associated with a proper understanding of authentic human nature. In other words, the prevalence of a philosophical relativism, one that avoids making judgments about what core values contribute to enhancing and maintaining human dignity, is found to be ultimately corrupting. This section also implies a need for the world business community to specify core ethical norms of good business practice for all global markets.

### *On Life in Poor Countries*

"... *Hunger* ... reaps enormous numbers of victims among those who ... are not permitted to take their place at the rich man's table. ... *Feed the hungry* is an ethical imperative ... concerning solidarity and the sharing of goods. ... What is missing ... is a network of economic institutions capable of guaranteeing regular access to sufficient food and water and ... capable of addressing ... genuine food crises, whether due to natural causes or political irresponsibility ..." [27]

**Comment:** The encyclical addresses this problem by mentioning investments in rural infrastructure, irrigation, transportation, market organization, and agricultural technology capable of providing food security. By extension, we see this expression calling for attention to other life enhancing capabilities, i.e., adequate shelter, basic health care, and universal education essential to human development rather than in "trickle down" economic development dictated only by an impersonal market [30]. The idea here is that economic choices that are determined predominantly by corporate needs alone, without the voice of community representing institutions, have moral and ethical shortcomings that may disadvantage those persons "least well off."

### *On the Possible Damages of Growing Social Inequality and the Importance of Access to Work*

Quoting Pope Paul VI again, this time from *Populorum Progressio* (1967 [33]), Benedict states, "The dignity of the individual and the demands of justice require, particularly today, that economic choices

do not cause disparities in wealth to increase in an excessive and morally unacceptable manner” and that we continue to *prioritize the goal of access to steady employment* for everyone. All things considered, this is also required by “economic logic.” Through the systemic increase of social inequality, both within a single country and between the populations of different countries (i.e., the massive increase in relative poverty), not only does social cohesion suffer, thereby placing democracy at risk, but so too does the economy, through the progressive erosion 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. *Human costs always include economic costs*, and economic dysfunctions always involve human costs. [32]

**Comment:** *CiV* suggests there are inevitable linkages among income and wealth disparities, economic [job and entrepreneurial] opportunity, social order, and economic progress at the national and international levels, such that efforts to advance equality and opportunity across and within nations serve long-term economic interests as well as social progress. In other words, one way to judge the quality of economic development is whether it brings with it employment and entrepreneurial opportunities for locals and if that rising economic tide lifts up all sub-segments of the society.

### *On the Role of Markets, Trust, and the Importance of Distributive Justice*

“In a climate of mutual trust, the *market* is the economic institution that permits encounter between persons, inasmuch as they are economic subjects who make use of contracts to regulate their relations as they exchange goods and services of equivalent value between them, in order to satisfy their needs and desires. The social doctrine of the Church has unceasingly highlighted the importance of *distributive justice* and *social justice* for the market economy, not only because it belongs within a broader social and political context, but also because of the wider network of relations within which it operates.... If the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires in order to function well. *Without internal*

*forms of solidarity and mutual trust, the market cannot completely fulfill its proper economic function. And today it is this trust which has ceased to exist, and the loss of trust is a grave loss.” [35]*

**Comment:** In these remarks, Benedict restates a faith in the market as the principal mechanism by which people meet their needs for most goods and services. However, in the Catholic Social Tradition, the understanding of a proper market mechanism is one governed both by the mutual interests of its participants as well as one having trust among market participants; that is, the market should be perceived as fair to all interests. Thus, drawing on the concept of distributive justice, the encyclical emphasizes the importance of transparency and cooperation, taking into account differences in power among the parties in the exchange and providing due regard for any vulnerabilities that those participants may bring to market transactions (Lacznik and Murphy [2008](#)). One challenge for business executives will be to establish what elements constitute a “just and fair” marketplace for their economic sector of activity.

### *On Why the Chicago School Approach that Separates Economic Efficiency from Social Justice Is no Longer Feasible in a Global Economy*

“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*. The [latest] social sciences and the direction taken by the contemporary economy point to the same conclusion. Perhaps at one time it was conceivable that first the creation of wealth could be entrusted to the economy, and then the task of distributing it could be assigned to politics. Today that would be more difficult, given that economic activity is no longer circumscribed within territorial limits, while the authority of governments continues to be principally local. Hence, the canons of justice must be respected from the outset, as the economic process unfolds, and not just afterwards or incidentally.” [37]

**Comment:** These remarks again declaim the proposition that market forces alone are sufficient to protect the interests of market participants as well as the prospect of governmental action being sufficient to provide those protections or make up for inequities through tax credits or income supplements. The point here is that moral and social as well as economic consequences should be taken into account in evaluating how well particular markets are working (see Wilber [2009](#), for an expanded analysis of this point.)

## *On Stakeholders and the Importance of Social Sustainability*

"... from the perspective of the Church's social doctrine, there is ... a growing conviction that *business management cannot concern itself only with the interests of the proprietors, but must also assume responsibility for all the other stakeholders who contribute to the life of the business*: the workers, the clients, the suppliers of various elements of production, the community of reference. In recent years, a new cosmopolitan class of *managers* has emerged, who are often answerable only to the shareholders ... which ... determine their remuneration. By contrast, though, many far-sighted managers today are becoming increasingly aware of the profound links between their enterprise and the territory or territories in which it operates. ... What should be avoided is a speculative *use of financial resources* that yields to the temptation of seeking only short-term profit, without regard for the long-term sustainability of the enterprise, its benefit to the real economy and attention to the advancement, in suitable and appropriate ways, of further economic initiatives in countries in need of development." [40]

**Comment:** In these remarks, *CiV* endorses both the *stakeholder model* of business leadership and the investment approach that looks to longer-term gains, avoiding both undue speculation and short-term financial perspectives. This view has profound implications since, while stakeholders are often given lip service by business executives, too commonly boardroom discussions consider only the implications of managerial decisions on profit and share price. For example, in a recent article on stakeholder orientation, Smith et al. ([2010](#)) portray the consumer-centric orientation of too many firms as

"the new marketing myopia." Such single-minded companies see consumers as "a commercial entity seeking to satisfy short term, material needs through consumption behaviors (p. 4)." To be sure, situations such as tobacco marketing, the selling of sub-prime loans, and the promotion of sugared soft drinks, each produce some initially satisfied consumers along with troubling and exploitive secondary effects for the rest of society. Hence, these authors insightfully write, "...when marketers give insufficient attention to stakeholders, they do so at great peril; their customers, their companies, and society at-large likely will be adversely affected (p. 5)." The failed business promises of easy credit, effortless weight reduction, ever rising home prices, and cheap energy are recent testimony to consumer and societal disenchantment with numerous marketing enticements.

### *On Globalization*

"... it is useful to remember that while globalization should ... be understood as a socio-economic process, this is not its only dimension. Underneath the more visible process, humanity itself is becoming increasingly interconnected... [as] individuals and peoples to whom this process should offer benefits and development ... assume their respective responsibilities, singly and collectively. The breaking-down of borders is not simply a material fact: it is also a cultural event both in its causes and its effects. ... The truth of globalization as a process and its fundamental ethical criterion are given by the unity of the human family and its development towards what is good." Benedict next quotes John Paul II from his address to the Pontifical Academy of Social Sciences in [2001](#), "Globalization, a priori, is neither good nor bad. It will be what people make of it." [2] He goes on later, "Blind opposition would be a mistaken and prejudiced attitude, incapable of recognizing the positive aspects of the process, with the consequent risk of missing the chance to take advantage of its many opportunities for development. ... The processes of globalization, suitably understood and directed, open up the unprecedented possibility of large-scale redistribution of wealth on a world-wide scale; if badly directed, however, they can lead to an increase in poverty and inequality, and could even trigger a global crisis." [42]

**Comment:** The reality is that globalization is inevitable. Economic globalization has social and cultural and, thus, moral dimensions that cannot be ignored. That is not to say that its social and cultural consequences are bad. Rather, the encyclical argues that globalization presents opportunities for reducing poverty because of the fraternity of all persons. ... The task of enlightened marketers will be to shape what "fairness" in global markets comprises. Will the interests of vulnerable consumers be represented? Will genuine opportunities be provided for them to engage in product and service co-creation? Will mechanisms be established that enhance advocacy for customers and the sustainability of the emergent markets? (See Santos and Lacznik [2009](#) for a further discussion of these elements.) With respect to other market development efforts, the principle of human dignity leads to the application of two corollary CST principles: *solidarity* implies the extension of market development efforts to marginalized populations, not merely those that are already linked to the economic system, and *subsidiarity* implies that those affected populations should participate in planning and implementing those efforts.

### *On Business Ethics*

*"The economy needs ethics in order to function correctly—not any ethics whatsoever, but an ethics which is people-centered. ... Much in fact depends on the underlying system of morality. On this subject the Church's social doctrine can make a specific contribution, since it is based on man's creation 'in the image of God' (Gen 1:27), a datum which gives rise to the inviolable dignity of the human person and the transcendent value of natural moral norms. When business ethics prescind [is detached from] these two pillars, it inevitably risks losing its distinctive nature and it falls prey to forms of exploitation; more specifically, it risks becoming subservient to existing economic and financial systems rather than correcting their dysfunctional aspects. Among other things, it risks being used to justify the financing of projects that are in reality unethical."* [45]

**Comment:** For business managers, this would seem to be a very significant passage underscoring the import of ethical concerns in their decision-making. However, adherence to any ethical code, such

as economic utilitarianism or legalism, is insufficient. And without referring to it directly, this statement argues for a quasi-Kantian, person-centered framework for business conduct, but also one in which consequences must advance human welfare beyond the sometimes narrow interests of the singular business organization. The general understanding is that the ethics of business should *not* be separated from other areas of life, a point made most forcefully by Stormes ([2009](#)).

### *On Protecting Our Natural Environment*

"Today, the subject of development is also closely related to the duties arising from *our relationship to the natural environment*. The environment is God's gift to everyone, and in our use of it we have a responsibility towards the poor, towards future generations, and towards humanity as a whole." [48]

**Comment:** *CiV's* concern for the environment reflects both the *principle of stewardship or care for the earth* and the risk that economic development and market formation efforts ... linked to the economic cycle may put environmental conservation and related interests in jeopardy. Subsequent sections [49–51] extend this concern with discussions regarding the relationship of the environment to human welfare, life styles which advance or detract from environmental preservation, and economic incentives that may have influence in this area. This principle is one of the newer points of emphasis in recent writings on CST.

### *On New Models of Finance*

"*Finance*, therefore—through the renewed structures and operating methods that have to be designed after its misuse, which wreaked such havoc on the real economy—now needs to go back to being an *instrument directed towards improved wealth creation and development*. Insofar as they are instruments, the entire economy and finance ... must be used ... to create suitable conditions for human development. ... It is certainly useful ... to launch financial initiatives in which the humanitarian dimension predominates. However, this must not obscure the fact that the entire financial system has to be aimed at

sustaining true development. The intention to do good must not be considered incompatible with the effective capacity to produce goods. Financiers must rediscover the genuinely ethical foundation of their activity, so as not to abuse the sophisticated instruments which can serve to betray the interests of savers. Right intention, transparency, and the search for positive results are mutually compatible and must never be detached from one another. ... Both the regulation of the financial sector, so as to safeguard weaker parties and discourage scandalous speculation, and experimentation with new forms of finance, designed to support development projects, are positive experiences that should be further explored and encouraged, highlighting *the responsibility of the investor*. Furthermore, the *experience of micro-finance*, which has its roots in the thinking and activity of the civil humanists... should be strengthened and fine-tuned. ... The weakest members of society should be helped to defend themselves against usury, just as poor peoples should be helped to derive real benefit from micro-credit, in order to discourage the exploitation that is possible in these two areas [65]."

**Comment:** In this section, *CiV* breaks new ground in addressing financial objectives and institutions, taking due account of the failures which have contributed to the great economic recession. While recognizing the conventional role of financial instruments in underwriting business ventures, Benedict XVI calls for attention to whether and how those ventures serve larger human interests. He also calls for transparency, concern for the interests of vulnerable investors and savers, and a dampening of interest in highly speculative projects. On the institutional side, he calls for an expansion of micro-finance efforts and regulatory programs that protect weaker parties. Since the onset and decline of the Great Recession, various governments (e.g., France and Germany) and international bodies (e.g., the G8, the European Central Bank) have called for substantially greater regulation of international finance and, in particular, oversight of exotic financial instruments. Remarkably, many large for-profit financial institutions have argued against the need for expanded regulation despite their culpability in the last two economic busts.

### *On the Ethical Responsibilities of Consumers*

"Hence *the consumer has a specific social responsibility*, which goes hand-in-hand with the social responsibility of the enterprise. Consumers should be continually educated ... with respect for moral principles without diminishing the intrinsic economic rationality of the act of purchasing. In the retail industry, particularly at times like the present when purchasing power has diminished and people must live more frugally, it is necessary to explore other paths: for example, forms of cooperative purchasing like the consumer cooperatives that have been in operation since the Nineteenth Century. ... In addition, it can be helpful to promote new ways of marketing products from deprived areas of the world, so as to guarantee their producers a decent return. However, certain conditions need to be met: the market should be genuinely transparent; the producers, as well as increasing their profit margins, should also receive improved formation in professional skills and technology; and finally, trade of this kind must not become hostage to partisan ideologies." [66]

**Comment:** In this passage, the encyclical addresses the prospect of a consumer ethic that corresponds to the responsibilities of business enterprise, presumably (at least in our interpretation) mindful of the impact of purchasing, usage, and disposal decisions on the environment and those less fortunate (Pope John Paul II [1991](#)). In short, this appears to be a clarion call for more responsible consumption including "fair trade" marketing initiatives. *CiV* also calls for institution building in the form of consumer cooperatives, in which the Church, historically, has played a major role (Mittelstaedt et al. [1998](#)). Finally, implied here is the idea that policy makers should examine individual markets to assure that they operate with sufficient safety, information, meaningful choice, and accountability.

### *On the Character of Managers*

"*Development is impossible without upright men and women, without financiers and politicians whose consciences are finely attuned to the requirements of the common good.* Both professional competence and moral consistency are necessary." [71]

**Comment:** This statement again reinforces the importance of personal integrity in creating positive economic outcomes. It seems to underscore the importance of ethical education in business schools and

elsewhere. In the end, it will be the normative character and integrity of business and world leaders that meaningfully shapes whether the socially damaging issues discussed in *CiV* are addressed.

## Synthesis and Application

To demonstrate how the lessons of *Caritas in Veritate* can be brought together and applied to specific marketing issues, it seems useful to present Table 1, an abridged version of the matrix originally prepared for our article on applying CST to ethical issues in marketing (Klein and Laczniak 2009, p. 238). In that presentation, the intersections of principles identified in Compendium of the Social Doctrine of the Church (2005) (columns) and issues (rows) were letter-coded, referring to commentaries on each. In this presentation, we merely mark applicable intersections with an "X" to indicate that a particular principle should, in the spirit of CST, guide actions related to the referenced issue. However, some exemplification of that material, particularly as it reflects *CiV*, will provide more detail in demonstrating the application of these principles to ethical issues encountered by marketing managers, consumers, and public policy makers.

**Table 1.** Applications of major themes in Catholic social teaching to selected social issues in marketing

Issues	Human dignity	Common good	Subsidiarity (family & community)	Option for the poor & vulnerable	Dignity of work & rights of workers	Solidarity	Stewardship (care for God's creation)
Product design	X		X	X	X	X	X
Promotion & pricing	X		X	X			
Consumer ethics	X		X				X
Public policy & regulation	X	X	X	X	X	X	X
Globalization	X	X	X	X	X	X	X

### *Product Design*

Product planning should recognize social as well as business priorities, e.g., safety, environmental impact (conservation of natural resources, recyclability), opportunities for employment in production

and service, affordability for low-income consumers and in less developed economies, and cultural compatibility. Thus, both global and local requirements should be recognized in formulating and evaluating products and services.

### *Promotion and Pricing*

Communications and pricing schemes that take advantage of vulnerable consumers should be scrupulously avoided. Rather, the information needs of all consumers should be recognized in strategies formulated in these two areas. Aggressive pricing strategies dependent on low wages and questionable working conditions and environmental standards are ordinarily unacceptable.

### *Consumer Ethics*

Consumers should choose products and services that meet authentic needs while avoiding products, behaviors, and lifestyles that may endanger others. They should engage in disposal practices that limit adverse environmental impact. Purchasing practices should respect the value of both transactional and market integrity.

### *Public Policy and Regulation*

Policymakers must recognize their responsibilities to workers, consumers, and the environment as well as fostering economic prosperity, i.e., avoiding regulations and deregulation strategies that favor gains for one segment of society at the expense of others. However, special obligations exist to protect the interests of the poor, disadvantaged minorities, youth, elderly, and others whose ability to navigate and take advantage of complex markets might otherwise be compromised. Global concerns are also legitimate dimensions of policy formulation. Finally, regulatory initiatives should be subject to cost/benefit analysis that takes the interests of relevant stakeholders into account.

### *Globalization*

While recognizing local and national obligations, both business and public policymakers must recognize the realities of the global marketplace and that their decisions and actions present opportunities to foster global prosperity and peace. This implies both avoiding the exploitation of economic and social circumstances in the less developed world, including regulatory environments that are characterized by political corruption and weak or non-existent legal and enforcement regimes. Similarly, the xenophobic and sectarian “jingoism” that often characterizes political discourse in most parts of the world ignores universal human interests in economic and social progress. Finally, while the encyclical’s admittedly challenging call for global standards—and the institutional framework for devising and administering them—requires more than simple rejection by the world’s business and political leaders. Although voluntary efforts are certainly admirable, the limitations of voluntary standards are well known and imply means of enforcement that transcend national boundaries.

### *Criteria for Evaluating Marketing Programs*

Implicit in any application of CiV to marketing problems is the definition of goals and objectives. The encyclical clearly stresses the need for an orientation to results that extends beyond short-term financial rewards. However, the customary response to that imperative is to treat social and ethical concerns, if at all, as only constraints on the decision function, e.g., “Maximize annual profit subject to some pre-established limits (often limited to public regulation that has been influenced by special-interest lobbying groups).” The result is what might best be termed a “negative ethic.” An alternative approach is to recognize multiple objectives, comparable to the “Triple-Bottom Line” (people, planet, and profits) generally attributed to Elkington ([1998](#)). This approach recognizes tradeoffs among financial returns and social outcomes, but puts these categories of marketing results on a comparable footing, permitting action to yield achievements in the social and ethical realm beyond the level of minimum requirements. Social benefit/cost analysis provides appropriate metrics for this task.

### **Reactions to the Papal Letter**

How has the world responded? In the time since publication of Benedict's letter, it would be most difficult to discern significant changes of heart among the world's political and economic leaders, let alone many significant new initiatives that could be attributable to it. Policymakers and business leaders, for reasons previously discussed (Klein and Laczniak [2009](#)), ignore CST because it is perceived as simply sectarian religious doctrine. On the other hand, the thrust of CST, whether directly felt or through its alignment with other sources, can be seen in pragmatic actions such as the growth in corporate environmental sustainability programs, the preference for wage concessions and furloughs as an alternative to long term layoffs, and in stepped up efforts to relieve families from the effects of unemployment and home foreclosures. Certainly, the economic recession that prompted the encyclical has presented major challenges to people all around the world and provided an arena in which the principles of human dignity, solidarity, subsidiarity, and stewardship are being applied.

Yet another approach to this question—and as a check upon our own reactions—is to review editorial commentary on *Caritas in Veritate* that emerged after its publication. As might be expected, some range from enthusiastic approval to skepticism to outright rejection can be found here, reflecting to a considerable degree, the economic philosophies of the writers. Some samples follow.

Guy Dinmore's article in the *Financial Times* ([2009](#)) leads off with the following statement:

Pope Benedict XVI on Tuesday condemned the "grave deviations and failures" of capitalism exposed by the financial crisis and issued a strong call for a "true world political authority" to oversee a return to ethics in the global economy.

One of several articles on the encyclical in the *New York Times* included these remarks by Ross Douthat ([2009](#)):

"*Caritas in Veritate*" promotes a vision of economic solidarity rooted in moral conservatism. It links the dignity of labor to the sanctity of marriage. It praises the redistribution of wealth while emphasizing the importance of decentralized governance. It

connects the despoiling of the environment to the mass destruction of human embryos.

E.J. Dionne, *Washington Post* columnist had this to say in anticipation of the Pope's visit to U.S. President Obama ([2009](#)):

While American conservatives, including most Catholics in their ranks, see capitalism in an almost entirely positive light, Benedict—following a long tradition of church teaching—is more skeptical of a system rooted in materialist values. In that sense, he is to the left of his American flock.

Benedict's letter had some good things to say about the market system, but only if it is tempered by both "distributive justice and social justice." He thus spoke approvingly of "the redistribution of wealth"—not a phrase currently on many American lips—and caused free-market conservatives to blanch with his call for a "world political authority" to oversee the global economy in the name of "the common good."

He condemned "corruption and illegality" in "the conduct of the economic and political class in rich countries." And opposing an idea popular among some conservative development economists, he warned that countries should not seek to become more competitive internationally by "lowering the level of protection accorded to the rights of workers" or "abandoning mechanisms of wealth redistribution."

Those of a more conservative perspective also weighed in. For example, Joseph Loconte ([2009](#)), writing in *The American* magazine, offers the following:

"Anyone hoping for a papal rebuke of the free market will be disappointed, as will the apologists for unfettered capitalism. That should come as no surprise: to its great credit, the Catholic Church has embraced market economies with a deep sense of realism and social responsibility... Conservative thinkers and activists will be heartened by the document's defense of free economies as the best context for nurturing human potential and upholding human dignity. But the political and religious left, the self-styled apostles of "social justice," will also find fodder to rationalize massive government intervention at the expense of individual freedom. ...

This wise and welcome counsel, however, gets lost in loose talk about redistribution schemes and global governance. The encyclical seeks support for poor countries “by means of financial plans inspired by solidarity.” It calls for “a worldwide redistribution of energy resources.” It envisions the “large-scale redistribution of wealth on a worldwide scale.” ... All told, the redistribution of wealth gets far more papal ink than the creation of wealth.

The encyclical eventually drifts into the realm of fantasy. It claims an urgent need for “a true world political authority” to accomplish its economic objectives.

From *TheWall Street Journal*, Tyler Cowen offered this in this paper’s “Houses of Worship” column ([2009](#)):

... for all its left-wing rhetoric on economic matters, the encyclical is not quite the “progressive” document that it has been trumpeted to be. The underlying assumption of the document is the continued reign of the status quo—a globalized, wealth-creating market economy—with some ethical adjustments. This is a fundamentally conservative piece of work.

George Weigel, who frequently writes on Church affairs, offered these comments in the *National Review* ([2009](#)) after a generally favorable review:

But ... there are ... passages to be marked in red—the passages that reflect Justice and Peace ideas .... Some of these are simply incomprehensible, as when the encyclical states that defeating Third World poverty and underdevelopment requires a “necessary openness, in a world context, to forms of economic activity marked by quotas of gratuitousness and communion.” This may mean something interesting; it may mean something naïve or dumb. But, on its face, it is virtually impossible to know *what* it means.

... There is also rather more in the encyclical about the redistribution of wealth than about wealth-creation—a sure sign of Justice and Peace default positions at work.

## *Summary of External Comments*

While these commentaries reveal somewhat different points of emphasis and perspectives, they each express a recognition of the issues addressed and general agreement about the nature of CST principles reflected in the encyclical. The most significant point of disagreement seems to be over whether the letter appears to favor primarily market or governmental actions to rectify the problems of global economy identified. But perhaps the confusion here is a source of strength, a point we make in our concluding comment, below.

## **Concluding Comment**

This review of *Caritas in Veritate* shows the breadth of CST on economic matters with particular attention given to the challenges presented by the recent global recession. Of specific interest to the field of marketing is the focus upon matters related to economic and market development: the role of profit, public regulation, culture, the plight of people living in the Third World, globalization, and business and consumer ethics. Of related concern are sections devoted to income inequality, access to employment, and finance since these issues are the outcomes of market institutions and processes upon society. The encyclical's language extends CST as developed in predecessor documents to focus on contemporary issues, bringing to bear key principles reflected in that tradition—notably human dignity, solidarity, subsidiarity, the preferential option for the poor, and stewardship for the natural environment.

While Pope Benedict may have ventured further into the area of policy than his predecessors, suggesting actions and institutional remedies that promise correction to deviations from those principles, he clearly pulls up short of anything that might be termed a cookbook recipe for solving the problems he addresses. Also, as suggested in our interpretive comment on the editorials cited above, we see a useful tension between forces favoring independent ethical action by companies, managers, and consumers and those favoring public policy remedies via interventions at the national or international level. To the extent that his exhortations can be construed as policy recommendations, our view is that he proposes both approaches—taking, in effect, a pragmatic view of methods as long as they reflect the key principles of CST *and* improve living conditions for people

feeling the impact of globalization and current economic conditions. In that respect, he may be said to be applying the principle of subsidiarity by allowing those directly involved to find specific and acceptable solutions to the challenges discussed.

By way of summation, the concluding statement of our earlier article bears repeating:

“Catholic Social Teaching [as carried forward in *Caritas in Veritate*] offers guidance that goes substantially beyond that of a denominational morality. It usefully provides a set of principles—universal and coherent—for solving important contemporary problems in marketing having prominent social implications. Marketers, public policymakers, and consumers concerned with discharging their ethical responsibilities can benefit from following these principles. Academics testing or articulating the efficiency, efficacy, and ethicality of marketing systems can also gain from the general insights provided by Catholic Social Teaching” (Klein and Laczniak [2009](#), p. 243).

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