

## 2.

### **Corporate Social Responsibility and Catholic Social Thought**

*André Habisch*

#### **2.1 The role of religious ethics in Max Weber**

The German political economist and sociologist Max Weber (1864 – 1920) is considered to be one of the founders of the modern study of sociology and public administration. In his main opus ‘The Protestant Ethic and the Spirit of Capitalism’, Weber put forward the thesis that Calvinist work ethic and religious ideas influenced the development of capitalism in the Western World. In this perspective Weber’s theory is often viewed as a reversal of Karl Marx’s materialist thesis that the economic ‘base’ of society determines all other aspects of it. With his extended intercultural studies of Christian as well as Buddhist, Islamic and Hindu Business Ethics Weber clearly demonstrates, that religious attitudes and concepts do make a difference also for the economic development of a society.

To be sure, Weber does not argue for any direct causal link between religion and economic output. His concept is not just idealistic opposed to the materialism of Marx and his followers. Rather according to Weber religious beliefs influence the culture and the personal value system of a group of people. He defines “the spirit of capitalism” as the ideas and habits that favor the rational pursuit of economic gain. Individuals who are inspired by that pursuit – Weber calls them *heroic entrepreneurs* – do exist in all cultures; however, as single people they could not by themselves establish a new economic order (that would be capitalism). “In order that a manner of life well adapted to the peculiarities of capitalism could come to dominate others,” wrote Weber, “it had to originate somewhere, and not in isolated individuals alone, but as a way

of life common to whole groups of man.” Only common cultural beliefs would confound mutual expectations and the ‘legitimacy’ of social behavior; only common cultural beliefs would grant Heroic Entrepreneurs a ‘license to operate’.

In reality the spirit of capitalism had to overcome the desire to profit with only minimum effort, the idea that work was a curse and a burden to be avoided, especially when it exceeded what was enough for modest life. So Weber’s argument was that certain religious beliefs of Christianity – especially concerning the access to the Heavenly kingdom of God – foster what we might call a ‘*culture of investment*’. Once there existed a linkage between earthly achievement and the transcendent ‘quality’ of a person ‘heroic entrepreneurs’ are motivated to invest more than they consume and to create assets for generations to come. As soon as a critical mass of these investments are in place and the ‘plant’ of the capitalist system is strong enough it could develop its inherent strength anyway. According to Weber, religious beliefs played an important role as ‘*path breakers*’ of a nation’s path of economic development.

Weber’s notion is that this path breaking role of capitalism is exclusively embodied in Calvinist Protestantism (and its concept of predetermination). It is precisely the individualism of the Calvinist tradition which highlights the question of individual salvation – and that exerts a ‘transcendental’ pressure on individuals to overcome the dominant (=catholic) economic culture of limited work engagement. His cultural historic argument (and the more popular versions of it that fueled public perceptions) was even more convincing as during the bulk of the 20<sup>th</sup> century Protestant cultures were the corner stone of economic development – in Europe as well as worldwide. The spirit of capitalism flourished in Great Britain, the United States of America, the Netherlands and Switzerland; it spread to other genuine Protestant countries like Germany, Denmark and Sweden. The confessional perspective did also prove valuable if the analysis is extended to different regions of denominationally heterogeneous countries. In Northern Germany (with a strong Protestant tradition) capitalism and economic development soared meanwhile the Southern Catholic regions like Bavaria remained stuck in

rural conservatism. In the 19<sup>th</sup> and early 20<sup>th</sup> century Protestant regions like Thuringia, Saxony, Franconia, Prussia's Rhineland province and of course Berlin were the first to develop an entrepreneurial culture. And still after the Second World War, the mainland of Bavaria was one of the poorest and less developed parts of Germany that constantly received financial support from the affluent North. In the Netherlands and Switzerland, Calvinist regions of the North formed the economic engine meanwhile Catholic regions of the South had to be alimented. Countries like Italy, Spain, Portugal and also Eire, which were strongly influenced by Catholic Culture, did not catch up until late in the 20<sup>th</sup> century.

## **2.2 'Heroic Entrepreneurship' – a Catholic Social Thought perspective**

Max Weber's work has several inspiring implications for Catholic Social Thought in times of globalisation. A first important point is a positive analytical one: religious ethics and 'weltanschauung' does matter for economic development! Weber's analysis meets with more recent approaches here, which tried to overcome a simplified sociological and economic modernisation theory and explain the differences in national economic systems with reference to cultural traditions. In his book on Trust the American social philosopher Francis Fukuyama stressed the role of civic traditions for the emergence of national business cultures and economic institutions. Even if some of Fukuyama's results have been subject to critical discussion the basic approach seems valuable: in the long run economic development cannot be understood without reference to value systems and normative frameworks that guide the activities of economic actors.

Max Weber's description never ever hit the point of the Catholic concept of business ethics. However, with the rise of Catholic social thought in the late 19<sup>th</sup> and early 20<sup>th</sup> century work ethics found entrance into the official documents of the Church. Catholic social thought also reflects on the value of labour (Pope John Paul II in his encyclical 'Laborem

Exercens' spoke of 'reverence' for labor). However, work and the accumulation of profit has never been accentuated in such an isolated and disintegrated way as in the Calvinist tradition. Catholic social thought recognizes work as a trait of the human person that has to be orientated towards human personality and should become an expression of it. That also implies an inner distance of the worker towards his work (including its product) that should save him from being completely absorbed by it. This 'spirituality of work' is rooted in the preceding Christian knowledge of the redemption being grounded in the self-revelation of God in Jesus Christ – and not in our own efforts. Laborem Exercens rejects the 'error of economism' and materialism that reduces labour to a mere instrumental perspective and contrasts it with 'capital'. The Catholic Social Thought approach also constantly emphasizes the role of work and profit for the realisation of solidarity in society ('Solidarity principle'). The unleashing of capital accumulation emphasised by Weber is only one – a necessary but not sufficient - aspect of a solid order of society and a general orientation towards the common good.

From such an integral approach Catholic Social Thought could pick up Weber's notion of 'heroic entrepreneurship' - but at the same time also transform it. Weber's heroic entrepreneurs are characterized by a long-term maximization strategy. Because their personal goal system involves the 'transcendental' status of their souls, their rational strategy is different: they plant even where they cannot hope to harvest. From an analytical point of view we have to be very precise here: For Weber religious values do not *remove* rational strategies but do *re-orientate* them. Due to the religious orientation of these entrepreneurs the vicious cycle of a consumptive economy - that merely lives from hand to mouth and only produces what it consumes - could be overcome. In the realm of religious values taken seriously a culture of investment was nurtured and a process was started that breaks the path to the creation of economic assets. According to Weber's theory it is *not a personal achievement of the entrepreneur* that enabled the crucial step towards modernisation; rather it was a *cultural environment* that emerged from the ground of certain religious and transcendent convictions. It is a culture of investment in physical capital.

From the perspective of Catholic Social Thought Weber's concept of 'heroic entrepreneurship' lends itself easily as a point of departure for a genuine business ethics perspective. Obviously the situation of today's globalising economy is very different from the early protagonists of capitalism in the late 18<sup>th</sup> and early 19<sup>th</sup> century. For the accumulation of capital we do not need heroes any more: there are powerful organisations and global capital markets in place. Huge investments are being made around the globe – with enormous amounts of seed money searching for business opportunities worldwide. The exploding growth of Southern and Eastern Asian regions (China, India etc.) that we are currently experiencing would be impossible without these strong financial institutions and capital markets. However, in other important dimensions means and funds for investments are still lacking. This holds especially true where non-market goods or 'public goods' in the broadest sense are concerned. The allocation of public goods is a crucial factor of sustainable growth in the 21<sup>st</sup> century. With the more integrated perspective of Catholic Social Thought, Weber's concept of 'heroic entrepreneurship' could be developed further to cover also aspects of social order and public goods in today's globalised economic context. What are relevant areas, here?

### ***Human capital: Education***

Scientific economic literature for long has stated that investments are not only made in terms of the creation of physical capital. Nobel Prize winner Theodore Schultz (1961) has pointed towards 'investment in people' and the creation of 'Human capital' as a crucial challenge of development policies. Education is an important factor for overcoming global poverty and the traps of underdevelopment. Children in developing countries are effectively excluded from education. But this holds true also for many children of poor families in developed countries. In Germany the probability of achieving higher education is still four times higher for children of academically trained parents than for children from working class families. This remains valid also despite free access to public schooling and the existence of public support systems for needy families. The effective exclusion of children of poor and unskilled parents from (higher) education and formation of

personality is probably the most irrational and baneful mistake of Western societies. Especially in times of demographic crisis it is also highly detrimental for economic growth and the sustainable competitiveness of an economy. Enterprises of all sizes traditionally play an important role in education. They participate in the organisation of professional education and contribute to mentoring programmes, partnerships with schools etc. Effective strategies to overcome the vicious cycle of poverty and lacking education are an important challenge for 'heroic entrepreneurs' of the 21<sup>st</sup> century.

***Human Capital: Economic situation of families***

The first point has a strong reference to the second one: the economic situation of families (traditional as well as single-parent families) is one of the key issues promoted by Catholic Social Thought. Families are the crucial factor for the formation of personality and integration into society. 'Human capital' is not only created in schools and institutions; the foundations are laid inside families. This holds true for primary education like the formation of personal values and basic pro-social behavior as well as the basis for professional education. Strengthening families shows multiple important impact factors for strengthening society and promoting economic development. Relevant instruments of family policy include financial transfers and programmes to effectively ease the balance of work and life, to enrich the cultural life of families, to strengthen their social integration etc.

An aspect that gains in importance is the living situation of older people in today's society. A rapidly growing mobility loosens the ties between the generations and threatens familiar solidarity. Due to the demographic situation, for more and more adults work and life balance does not only mean work and educating children, but also work and caring for the older people. For many of these issues business enterprises are playing an important role; as employers they determine the working conditions of labourer with young children, as powerful organisations in the region they participate in networks for the provision of day-care etc.

### ***Human and Social Capital:***

#### ***Integration of migrant population into society***

Global economic integration fosters labour migration. With the fast economic growth of the last 15 years (approximately) Ireland – that traditionally has been an emigration country – has become a special immigration target for workers from Poland and other Eastern European Countries. The social situation of migrant workers constitutes an important aspect of solidarity in today's world. If families are involved their social integration is a crucial premise for bettering the living conditions and future perspectives of migrant children. As we experience in many urban regions of developed countries these days, poverty, illiteracy and social disintegration are a time bomb: not investing some money and effort *now* means spending a lot more time and effort *later* on fighting high crime rates, regulating racial conflicts, limiting the risk of riots and civil commotions etc. Badly integrated groups of migrants do also exert a detrimental influence on the majority population and undermine their willingness to admit further migrants. These interdependencies accentuate the need for active and rational integration policies. Financial support is only one part of the story here; what is probably even more important are social structures to overcome cultural and social disintegration of minorities and grant especially young people the chances they deserve. Large corporations as employers of a heterogeneous work force are often willing to actively support initiatives for better living conditions of migrant workers. They are interested in a societal environment that is open and attractive to the immigrants which they so desperately need.

#### ***Social Capital: Structures of civic engagement, social partnership, solidarity***

Many of these urgent challenges of today's social fabric are underlining the important role of an active civil society and social engagement on a regional level. The potential of self-regulation and self-control is an important aspect of a free and solid society. The subsidiarity principle of Catholic Social Thought emphasizes local autonomy and the danger of an all encompassing, interventionist state bureaucracy. As social and political scientists (R. Putnam, E. Ostrom, J. Coleman etc.) have shown

open networks of civic engagement and co-responsibility are an important ‘ingredient’ of a region’s economic as well as administrative success. Those networks and initiatives must no longer be perceived as mere ‘private’ partialities; rather their development has to be targeted by active policies of strengthening involvement and creating platforms of participation. Empowerment of civil society organisations, programmes of civic engagement and education, the emergence of cross-sector networks in the region are means of investment in ‘social capital’. Business can play an important role here: for example as a partner of Non Governmental Organisations (NGOs) in common projects (like ‘Business in the Community’), with corporate volunteering activities for their employees, with participation in regional or national platforms of policy adjustment and coordination (like the National Economic and Social Council - NESO).

The list above isn’t in any way an exhaustive one. However, what should become obvious is that a ‘culture of investment’ is still an important accomplishment for today’s world of globalised markets. A culture of investment in human and social capital is a goal for today’s world that is at least as important as a culture of investment in physical capital has been in the early times of industrialisation. Sustainable development for business and society heavily relies on the secure existence of such a culture and the investments that result out of it.

## **2.3 Heroic Entrepreneurs and the European Corporate Social Responsibility discussion**

It is here that the current international discussions on Corporate Citizenship as a part of Corporate Social Responsibility (CSR) come into play<sup>13</sup>. Faced with radical changes caused by globalisation the institutional equilibrium between the state, business and civil society is

---

<sup>13</sup> For an overview of the European CSR discussion that includes 23 national country studies see A. Habisch/ J. Jonker/ M. Wegner/ R. Schmidpeter (2005) *CSR across Europe*, Heidelberg-Berlin-New York: Springer Editors

going to be shifted. The nation state will continue to play an important role for the provision of public goods and services in the 21<sup>st</sup> century; however, it will not be able to serve as a kind of ‘monopolist’ of these goods any longer. What we are witnessing today is the slow but irrevocable decline of a social model that many European countries – especially on the Continent – were so committed to during the decades of the post-war era. The causes of that development are multiple and can only be mentioned briefly, here:

- Fast technological and economic developments are increasing complexity and information problems of central regulatory bodies;
- Globalisation is enhancing fiscal competition among national administrations that erodes the basis of public spending (a process Ireland is also gaining from in some respect);
- Growing gains from trade also bring about new problems such as cross-border criminal activity, abuse of the human rights of migrants, corruption, a ‘race to the bottom’ in social standards etc.

In that situation (international) civil society gains relevance for the accomplishment of social order and – local, national and international – public goods. The scientific discourse on ‘global governance structures’ and global NGOs is rooted in these developments. It is also here that Corporate Social Responsibility and corporate citizenship come into play, as business is an important player in civil society and has vested interests in the achievement of many of its goals.

The European CSR discussion has been started by the European commission with several interesting and innovative initiatives. We cannot go into details here but want to re-emphasise some results of international discussions that have already lasted for some years.

- 1 For the EU Commission Corporate Social Responsibility (CSR) is not primarily a ‘social’ topic but business driven. We are not talking about intellectual concepts that have to be forced upon

- companies; rather we are witnessing an explosion of activities, programmes and structures in the business sector that effectively are of great interest for the accomplishment of social goals in the 21<sup>st</sup> century.
- 2 Consequently, the EU Commission perceives CSR as an instrument to ‘strive for competitiveness’ in the sense of the Lisbon summit. At Lisbon in 2001, European heads of Governments agreed to pursue policies that would make Europe the most competitive region of the World by 2020.
  - 3 Contrasting the European discussion with similar developments in Europe and the US, the EU Commission framed CSR also as a part of the European social model. Resulting from that characterisation, in Europe there also exist public initiatives and institutions that try to foster discourse about the public role of companies and foster cooperation on a local and regional as well as national level: A minister dedicated to CSR in the British Department for Trade and Industry is an example of this as well as institutional activities in many member states like Denmark, Austria, Italy, France and others. Even the Irish NESC with its active participation of the business sector should be mentioned here.
  - 4 CSR activities are no intellectual achievement but feature a strong focus on practical solutions for societal challenges. Therefore the CSR community is characterised by a continuous benchmarking of best practise and mutual learning. The public initiatives mentioned above are in no way ‘governing’ these discussions; rather they serve as mere platforms for modes of communications, that are dominantly orientated ‘bottom-up’ and include business representatives, NGOs, media and administration as partners. CSR is an inherent part of civil society in that sense.

It is not necessary to carry coals to Newcastle, here. Ireland has witnessed many of those very pragmatic, problem-orientated and low-profile forms of cooperation among business and society in recent years. In fact if we have to criticise something of the perception of the

---

Irish success story outside of your country, it is the limited view that focuses on the economic performance and the widespread neglect of what has been achieved in terms of innovative social and civil society solutions. Development does not only take place in a systemic way. The enormous steps ahead for the Irish people in recent years would not have been possible without instruments of coordination and public good provision that reflect the cultural traditions of the country and at the same time meet the necessities of the globalised World of the 21<sup>st</sup> century. Ireland's social partnership process productively consolidate the input of social partners (including the community and voluntary sector) and has to be especially mentioned here. It is a very prominent example of Corporate Social Responsibility involving the business community and the activities of Irish companies in the strengthening of civil society, delivering public goods on a local level etc.

## **2.4 Corporate Social Responsibility as a challenge for Catholic Social Thought in the era of Globalisation**

We started with the notion of 'Heroic Entrepreneurship'. Max Weber made it very clear that such a phenomenon is not just popping up occasionally with the personal traits of some individuals. Rather it is a cultural achievement, a 'culture of investment' that – fuelled by certain religious beliefs – has been emerging in these times. Without such a cultural background individuals would have never received the societal 'license to operate' for their innovative goal to accumulate investment capital in excess to their immediate needs.

Even in today's context of highly sophisticated capitalist institutions 'investment capital' is lacking: that is investment in human and social capital of developed as well as developing countries. How could corresponding investment funds be raised? It seems realistic not to rely exclusively on national administrations any longer. International discussions about the role of 'social entrepreneurship' (stimulated by

NGOs like Ashoka or the Swiss-based Schwab-Foundation) as well as the ‘Bottom of the Pyramid’ of global income distribution (C.K. Prahalad) suggest that even in the 21<sup>st</sup> century ‘heroic entrepreneurship’ might play a crucial role. However, even today a cultural background and a common value-base that stimulates and strengthens activities of that kind are needed.

International players such as the Catholic Church and its centuries-old tradition of social thought could play an important role here. In recent decades Catholic Social Thought has been a powerful counter-balance to excessive forms of capitalism that disown its societal base and neglect the human and social capital it so heavily relies on. The economic rise of Catholic cultural entities like Ireland and other European countries and regions might also be connected to the more prudent and far-seeing values they are based upon.

However, as far as instruments for implementation of its principles are concerned, a certain fixation of Catholic Social Thought on state policies and national Governments is not undeniable. The potential role of business and international civil society for the realisation of a just and solidly international social order has not yet entered fully into its discourse. A careful and constructive perception of what has been said and done under the headings of ‘Corporate Social Responsibility’, ‘Corporate Citizenship’ etc. would be helpful for Catholic Social Thought in its perennial aspiration to express the richness of a Christian concept of society under the changing conditions of history. It would assist Catholic Social Thought in its conviction – firmly expressed by the Second Vatican Councils’ constitution on the Church in the Modern World – to promote ‘joy and hope’ (‘Gaudium et Spes’) of their contemporary worlds.