## The Good That Business Does

Robert G. Kennedy. 2006. Christian Social Thought Series No. 9. Grand Rapids, MI: Acton Institute. ISSN: 1531–4057, $6.00.

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This short booklet discusses the good that businesses do in the tradition of Christian social thought. After the introduction, Kennedy surveys the history of Christian thinking about business, discusses what economics and law say about business, presents an overview of Catholic Social Teaching, discusses business and the common good, and, in the last section, clarifies the good that business does. The thesis of the essay is that businesses do good works by producing goods and services, employing workers and providing them with incomes, and creating wealth for shareholders. As a corollary to this, the author argues for a limited view of corporate responsibility and rejects the idea that businesses are morally required to make any further contribution to their communities beyond their ordinary business operations. While this perspective is refreshing, the writing is occasionally confused or unclear, especially in the discussions of basic goods, the common good, and corporate responsibility.

Kennedy defines basic goods as goods that truly fulfill human beings (p. 42). He lists life, health, beauty, action, truth, harmony, and friendship as basic goods. He argues that there is no common scale for measuring the value of items in one basic group against the value of items in another. What is meant by this? Does he mean that human beings cannot substitute between different basic goods? It seems that he argues that each of these is absolutely essential when he makes an analogy to nutrition: "If calcium is really needed for health, then no amount of protein or Vitamin C can substitute." There is also some confusion as to whether the basic goods form a basis for all other goods, so all goods are comprised of basic goods to some extent, or whether a good falls into only one category—e.g., a painting is a beautiful good, food is a healthy good. The assertion that these goods cannot be measured against each other is problematic in a utility context, where humans must inevitably choose between different goods, and must use some measure (e.g., their own preferences) in order to do so.

The author argues that the basic goods have moral consequences, and businesses must, at a minimum, "avoid harming basic goods" (p. 51). He also states that "[i]n the most fundamental way, organizations are superior to the extent that they are able to pursue and respect more instances of the basic goods more deeply." What does this mean? It seems that Kennedy is arguing that the criterion of action for a business should be to "maximize respect for basic goods," instead of using some other criterion, such as "maximize profit." Is respect best conceived of as a continuous or a discrete variable, and does it have a bound? In the ordinary use of the word, a person either respects something or he does not, i.e. respect is an indicator variable, taking on a one if respect is shown and a zero if not. If this characterization of respect is correct, then the idea of ever increasing respect for basic goods without limit is nonsensical. By contrast, "love" and "appreciation" are concepts that seem unbounded, so perhaps the criterion suggested is better stated as "maximize love for basic goods," or "maximize appreciation for basic goods." While this may be a worthy practice for contemplation, it is wholly inadequate as a criterion for business decisions, being too vague to provide any clear direction and unrelated to the practice of business itself.

Kennedy defines a common good as a good that can be shared by a number of persons (p. 52). This is in contrast to the usual definition of the common good as the set of conditions necessary for prosperity. The author also defines an infinite common good as a good that can be distributed among an indefinite number of persons without diminishment, and a limited or finite common good as a good that cannot be distributed without diminishment. In economic terms, infinite goods are goods with zero marginal cost, and limited goods are goods with positive marginal cost. By definition, infinite goods are nonrivalrous, and limited goods are rivalrous. Table 1, which can be found in most Principles textbooks, clarifies the separate categories.

With the new terminology, infinite goods are either collective or public, and finite goods are either private or commons goods. Here we can see that moral philosophers and economists are in the habit of using different words to express the same concepts, and the lack of a common language between them is evidence of the absence of any dialogue.

The last chapter has a nice discussion about corporate responsibility. Kennedy identifies strong and weak views of corporate responsibility,

**Table 1**

| | Rivalrous | Nonrivalrous |
|---|---|---|
| Excludable | Private good | Collective good |
| Nonexcludable | Commons good | Public good |

where the former requires that businesses contribute some of their profits to the communities in which they operate, and the latter asserts that the only responsibility of business is to maximize shareholder wealth within the constraints of the law. He argues that the contribution that businesses make is that they provide a good to their customers, employment for their workers, and returns to their shareholders. Kennedy states:

> [b]usiness corporations…by their nature serve the common good when they function as they should…. It need not justify its existence on the ground that it addresses broad social injustices or performs general works of charity…. [T]he rationale sometimes offered for the strong view of corporate social responsibility implies that producing economic benefits is not enough; business corporations must do more. Insisting…that businesses must "give back something to the community" suggests that they are not adequately contributing to the common good through their normal operations (which include paying taxes) and that their normal operations unfairly take something away from the community (pp. 82–83).

In fact, Kennedy is even too generous to the critics, as the argument that businesses must "give back something to the community" implies that the goods and services that are produced in the ordinary operations of businesses contribute nothing to the community.

Kennedy argues that, while the strong view of corporate responsibility demands too much of businesses, the weak view requires too little. Here he presents an interesting characterization of law and its development:

> Law by its very nature is reactive; laws and regulations are enacted to prevent harms from occurring again. They rarely, if ever, anticipate harms we have never experienced and offer proactive protection. As a result, the law constitutes a minimal set of requirements for ethically sound behavior for individuals and organizations…. Corporations…have responsibilities that are not adequately described by laws and regulations (p. 83).

At this point, Kennedy inadvertently opens the door for an expansive scope of corporate responsibility. He argues that "corporations have a duty to treat their constituencies as fairly as they can," and "to avoid causing harms to the community (e.g., pollution) even when those harms are not prohibited by law" (p. 84). The problem with these two principles is the ambiguous definitions of what constitutes "fair" and "harm." Does a business have to employ fifty percent women in order to be "fair?" Does a business reduce its "carbon footprint" to zero, whatever the cost, in order to avoid “harming” the community? Furthermore, the author suggests that “wholesalers and retailers could be open to ways they could help insure that no one in the community goes hungry” and “construction companies could explore ways in which affordable housing could be built” (p. 84). Here Kennedy undermines his own argument: grocers serve the community by selling groceries and builders by building houses. Corporate charity is unnecessary to satisfy the problems of either hunger or homelessness, as members of the community, either individually or through voluntary organizations (e.g., the local parish church), can use their income to buy groceries and homes to donate to the hungry and the homeless.

Kennedy also suggests that businesses should be free to donate money or other assets to the community. This depends on the ownership structure of the business: if the business is privately held, then the owner may do with his wealth as he pleases, but if the business is a publicly held corporation, then corporate donations are effectively donations by the executive of the shareholder’s money. Since the executive works on behalf of the shareholders, he should not give their money away unless they direct him to do so. Kennedy acknowledges that shareholder consent is necessary for donations from publicly held corporations, but fails to consider the case when shareholder consent is not unanimous. In such a situation, some shareholders give the executive permission to give away not only their own wealth but that of the other shareholders as well.

The author ends the essay recognizing that corporate charity has accomplished much good and expresses a hope that it will continue. However, from his own example of Warren Buffet’s donations to population control programs (p. 80), it could equally be said that corporate charity has accomplished much evil, and it is not at all clear to me that it should continue.

Robert G. Kennedy’s essay is a welcome contribution to the dialogue between economics and Christian teaching. I am hopeful that the natural law tradition in which he presents his argument may provide a framework for fruitful dialogue among the various Christian communities. Clarification of issues he raises, especially those pertaining to basic goods, the common good, and corporate responsibility, present an important and challenging avenue of research from which I look forward to future contributions. ■