

Corporate Ethics in the Light of *Caritas in Veritate*

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Introduction

The social doctrine of the Church proposes to all people an integral and solidary humanism which is capable of creating a new social, economic and political order, founded on the dignity and freedom of every person.¹ When we look at today's rapidly changing world, according to the International Forum for Social Development, during the past two decades there has been a rise in inequality in the distribution of income among people which has affected a large number of countries.² Income-related inequalities and inequality in the distribution of opportunities for remunerated employment are growing. The unemployment and underemployment situation existing today in various countries is affecting a disproportionate number of people at the lower end of the socio-economic scale. Further, the inequality gap between the richest and poorest countries, measured in terms of national per capita income, is growing as well.³ Consequently, extreme poverty

¹ Pontifical Council for Justice and Peace (PCJP). *Compendium of the Social Doctrine of the Church*. no. 19. Henceforth, it will be called *Compendium*.

² Department of Economic and Social Affairs. International Forum for Social Development. *Social Justice in an Open World: The Role of the United Nations*. United Nations. New York. 2006.

³ *Ibid.*

is still affecting a great number of people and the phenomenon of the rich are getting richer and the poor getting poorer still continues. This growing wide chasm between the *haves* and the *have nots* which is seen in millions of people affected by hunger, ill-health, discrimination and abuse, is clearly a result of economic injustice. The elimination of poverty is a goal that encompasses most development objectives and most aspects of international cooperation for development, but there are presently very few negotiated and enforceable agreements that might ensure its realization.⁴ The persistence of extreme poverty is certainly a continued violation of basic human rights.

Catholic social doctrine with its values of solidarity and subsidiarity is a challenge to all those who trust and propagate unbridled market forces. Economic justice requires strong fiscal, monetary, economic and social policies, with the overall social goal of promoting the welfare of its citizens. An important question is whether the huge resources and earnings in the hands of a few individuals, corporations and nations are trickling down to benefit the rest of humanity. Those holding economic power must understand that their legitimacy derives from their capacity to serve the community. Economic justice is impossible unless those in authority realize that power comes with the obligation of service and care for the common good.

The objective of the economy is understood as “the development of wealth and its progressive increase in quantity and quality.”⁵ Prudent administration of the goods of the earth in order to develop their capacity to serve humanity can certainly be viewed as a work of justice towards oneself and others. However, wealth can never be an end in itself as it is always at the service of

⁴ *Ibid.*

⁵ *Compendium* 334

the human person. Hence, the principal teaching of the Church regarding the economy can be summed up in a single sentence: Economic activity and material progress must be placed at the service of human beings and society⁶. On account of this, the social doctrine of the Church can be appropriately termed as social humanism,⁷ which integrates the aims of both society as a whole and the human person as an individual.

From its earliest origins, the Catholic Church through its teaching, has tried to positively influence society. Society too, in some way has shaped the church. With the demise of the Marxist alternative to capitalism, Catholic social teaching has adopted a critical attitude to capitalism in the way it developed in the 19th century in Europe and assumed the role of a major international figure challenging free enterprise to be more humane.⁸ What are the factors that make capitalism unethical? Can we find morality in the free market? Can the corporate world ever have ethics? Prof. H. Houthakker, in a Colloquium in the Vatican, in 1992, said "It is incorrect to say, therefore, that reliance on the market necessarily reduces the influence of moral considerations. The concepts of rationality and competition on which economic theory is based themselves embody moral considerations of a high order."⁹

⁶ *Compendium* 326

⁷ *Compendium* 19

⁸ Oliver Williams, and John Houck, ed., *Catholic Social Thought and the New World Order. Building on One Hundred Years* (Notre Dame, IN: University of Notre Dame Press, 1993), xi.

⁹ Hendrik S. Houthakker, "The Ethics of Markets and Prices" in *Social and Ethical Aspects of Economics. A Colloquium in the Vatican*, ed. Pontifical Council for Justice and Peace (Vatican City, 1992), 67.

I. The Current Economic and Financial Crisis

The global financial and economic crisis is a clear cut indication of greed that was distorting judgment throughout the financial system. One of the main factors that contributed to the financial meltdown of 2008 was irresponsible financial behaviour, namely, the exclusion of ethics from economic and business decision making. Faith in the invisible hands of market competition and the exclusion of moral values led to the recent economic crisis. The number of jobless worldwide reached nearly 212 million in 2009 following an unprecedented increase of 34 million compared to 2007, on the eve of the global crisis, the International Labour Office (ILO) said in its annual Global Employment Trends report. Asia and the Pacific can expect an average unemployment rate in 2010 ranging from 4.3 % to 5.6 %. There is also a rise in youth unemployment. In East Asia, from 1999 to 2009, youth participation in the labour force declined 9.3% in East Asia and 5.3% in Southeast Asia and the Pacific, compared with a global average decline of 3.4% for the same period.¹⁰

Caritas in Veritate asserts that the entire financial system has to be aimed at sustaining true development.¹¹ A financial system with a genuinely sound economic system that encourages solidarity across the economy, is an important servant of the economic good. An economic model which sees financial gain from selfish behaviour and scandalous speculation should be abandoned.¹² Fair practice, right intention, transparency and solidarity should be expected of all. Realistic financial behaviour based on cooperation, trust and

¹⁰ ILO Subregional Office for East Asia, Geneva & Bangkok, Press Release, 26 January 2010.

¹¹ Pope Benedict XVI, *Caritas in Veritate*, no. 65.

¹² Edward Hadas, *The Credit Crunch. Making moral sense of the Financial Crisis*. Catholic Truth Society, London, 2009. See *Caritas in Veritate*, no. 65.

virtuous behaviour should be encouraged. Financial system must aim at sustaining true development through ethical foundation of their activities.

Caritas in Veritate also points out that unemployment leads to new forms of economic marginalization and hence we should make the goal of access to steady employment for everyone a priority.¹³ There is a direct link between poverty and unemployment. In many cases, poverty results from a violation of the dignity of human work. Every worker should be respected and free from any form of discrimination.¹⁴ Labour unions should turn their attention to those outside their membership and in particular to workers in developing countries whose social rights are exploited.¹⁵ *Caritas in Veritate* further highlights the importance of micro-finance and the rebirth of pawn broking (in need of fine tuning) which would protect the weaker sections of society from the risk of usury.¹⁶

II. Deficit in the Global Trading System:

With big capital dominating the Asian economies, the composition and the value of net foreign exports has slowed down in these countries. Many of these countries including India, on account of the 'demonstration effect' and consumerism have seen a significant change in composition of their consumption basket, leading to surge in imports which is not accompanied by an equivalent increment in exports. On the positive side, many of the stronger developing countries have increased their foreign exchange reserves and so are capable of financing their imports. Through

¹³ Pope Benedict XVI. *Caritas in Veritate*, no. 25, 32.

¹⁴ Pope Benedict XVI. *Caritas in Veritate*, no. 63.

¹⁵ Pope Benedict XVI. *Caritas in Veritate*, no. 64.

¹⁶ Pope Benedict XVI. *Caritas in Veritate*, no. 65.

the trade conduit, the severity of inflation increases – causing domestic damage and a fall in export earnings. The countries of the East Asia and Pacific region have been deeply affected by the worst global economic and financial crisis. In early 2008, these economies were tackling rising inflation from the surge in food and fuel prices. The financial crisis evolved into a global economic slowdown. A steep decline in wealth, confidence, and credit availability in the advanced economies has led to lower consumption, production, and investment. However, one has to recall that the current financial crisis was preceded by the ‘Asian Crisis’ which triggered off the deterioration of the plight of the masses. All the poor Asian economies have been burdened with external debt as they go about building infrastructure and converting living spaces into impersonalized megacities.

Aware of the great sufferings of people in developing countries, the *Compendium* states that the right to development must be taken into account when considering questions related to the debt crisis.¹⁷ Though it reaffirms the principle that debts are to be repaid, the *Compendium* asks for ways to be found so that the fundamental rights of people to subsistence and progress are not compromised.¹⁸

Fair participation of the developing countries in world trade could bring immense benefit to them. A multilateral rules-based trading system, which gives preferential treatment to poor countries and assists in building their capacity to produce and to trade, is emerging.¹⁹ The *Compendium* points out the importance of “ethical

¹⁷ Pontifical Council for Justice and Peace, *Compendium*, no. 450.

¹⁸ John Paul II, Encyclical Letter *Centesimus Annus*, 35: *AAS* 83 (1991), 838; cf. also the document *At the Service of the Human Community: an Ethical Approach to the International Debt Question*, published by the Pontifical Commission “Iustitia et Pax” (27 December 1986), Vatican City 1986. See also, *Compendium*, no. 450.

¹⁹ Archbishop Diarmuid Martin on ‘Populorum Progressio’, Zenit News, 22 October 2007.

criteria as the basis of international economic relations: the pursuit of the common good and the universal destination of goods; equity in trade relationships; and attention to the rights and needs of the poor in policies concerning trade and international cooperation".²⁰

III. Outsourcing of Production: Shareholders responsibility to Stakeholders

According to *Caritas in Veritate*, it is imperative to offer development assistance in solidarity with people. Business should not concern itself only with the interests of the proprietors or shareholders but should also assume the responsibility for all the stakeholders who contribute to the life of the business and would include the workers, the clients, the suppliers of various elements of production, the consumers, the natural environment and society.²¹ The practice of basing all decisions on what will please the shareholders has adversely affected various stakeholders in many types of business and industries. The healthcare and the pharmaceutical industry have been scandalous examples of this practice in the past decades.²² It is also unethical business practice when the shareholders in some developed countries neglect the rights of the stakeholders in the developing countries. *Caritas in Veritate* is actually urging labour unions in developed countries not to limit themselves to defending their own interests but to turn their attention to workers in developing countries where social rights are often violated.²³ The global conscience of these shareholders and labour unionists in developed countries should be awakened to

²⁰ Paul VI, *Populorum Progressio*, 57: AAS 59 (1967). 285.

²¹ Pope Benedict XVI, *Caritas in Veritate*, no. 40.

²² Mark and Louise Zwick, "Encyclical *Caritas in Veritate*: People-Centered Economic Ethics Must Embrace All the Stakeholders, Not Just the Stockholders" in *Houston Catholic Worker*, Vol. XXIX, No. 4, September-October, 2009.

²³ Pope Benedict XVI, *Caritas in Veritate*, no. 64.

feel a moral responsibility to the struggling humanity in developing countries.

Some developed countries have the biggest market of the BPO industry with sub-centres in developing countries. In 2008 India employed two million people as call center operators. On the positive side, the BPO sector has provided financially-rewarding job opportunities for young graduates. However, this is changing the nightlife in many cities in the developing countries such as Mumbai, Manila, etc. Bars, restaurants and shops are open every morning to accommodate the night workers. Night shift workers are exposed to many health risks. Many workers complain of fatigue, disorientation and disturbed sleep.²⁴ Medical specialists point out that disrupting the internal body clock can cause manic depression and heart problems. India is situated 5 hours ahead of UK, 10 hours ahead of New York and 13 hours ahead of Los Angeles. It is this working at nights that requires adjusting the biological clock and social practices to a different time, which is turning out to be a major cause for health-related and social problems. BPO employees are also deprived of socialization opportunities with their family and friends. Young BPO workers, who receive high salaries, do not have the maturity and emotional capability to handle their wealth. This “sudden wealth syndrome” has led to such high-risk behaviors as loose sexual practices, drug addictions and alcohol abuse. There is a need for explicit and detailed regulations and guidance specific to this industry.²⁵

²⁴ Philippines, Saturday, 07 February 2009. Web:

<http://www.mongpalatino.motime.com/post/739945>

²⁵ Sudhashree VP, Rohith K, Shrinivas K. Issues and concerns of health among call center employees. *Indian Journal of Occupational and Environmental Medicine*. 2005;9:129-32

IV. Ethical Responsibilities of Business and the Market

Naturally, there are social responsibilities on the part of both producers and consumers. If there is a surge in purchasing power, especially in urban spaces, there has been a spurt in profits. It has been noticed that corporates concentrate more on maximizing their profits rather than also factoring in the maximization of consumer satisfaction. It is important that consumers do indulge in unnecessary consumption, as that adds pressure on the resources of the country and also leads to the generation of waste. More should be achieved by spending less. Profit is useful if it also serves the common good. "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".²⁶ Business persons and politicians must provide a strong juridical framework for finances and economics, to live according to the values of the Gospel. It is imperative that producers indulge in meaningful Corporate Social Responsibility (CSR) activities. Corporate Social Responsibility, if it is used as a mask over corrupt corporate practices, then it is possible for a corporate to get away without being held responsible for the social liabilities that they generate. The Bhopal Gas tragedy in India and the unjust verdict given, would validate my opinion.

What is the response of *Caritas in Veritate*? Governments are to be reminded that the primary capital to be safeguarded and valued is the human person.²⁷ Today's international economic scene, marked by grave deviations and failures, requires a profoundly new way of understanding business enterprise. One of the greatest risks for businesses is that they are almost exclusively answerable to their investors, thereby limiting their social value.²⁸ The economy

²⁶ Pope Benedict XVI, *Caritas in Veritate*, no. 21.

²⁷ Cf. The Second Vatican Ecumenical Council, *Gaudium et Spes*, no. 63.

²⁸ Pope Benedict XVI, *Caritas in Veritate*, no. 40.

needs ethics in order to function correctly - not any ethics whatsoever, but an ethics which is people-centered. When business ethics prescind from these two pillars of the inviolable dignity of the human person and the transcendent value of natural moral norms, it inevitably risks losing its distinctive nature and risks becoming subservient to existing economic and financial systems rather than correcting their dysfunctional aspects.²⁹

Need for Critical Discernment of the Values portrayed by the Corporate World

The strategies for maximizing profits need not always be unethical. The problem however is when managers resort to means that are questionable. For example, managers today have themselves become independent powers giving themselves bonuses, terminating benefits, executive jets, golden parachutes in case of a takeover. The resulting outcome is that for the benefit of their own careers, managers use every means to maximize profits, causing ethical doubts in the minds of shareholders and employees alike.

1. Wither Corporate Social Responsibility today

Do corporations have a responsibility to society? In the light of this depressing economic situation in Asia, it is heartening to note that consumers in China, Japan and India are demanding that brands and companies step up their social commitment, according to new findings from Edelman's good purpose consumer study. More than half the consumers surveyed in the three Asian markets (53 per cent China, 56 per cent India, 59 per cent Japan) expect brands to play a greater role in social issues and want companies to devote equal attention to society and business needs.³⁰ The need

²⁹ Pope Benedict XVI, *Caritas in Veritate*, no. 45.

³⁰ Kenny Lim, Asian consumers demand social commitment from brands in Media eMagazine, 11 November 2009.

for companies to look beyond traditional marketing tactics to social purpose is seen by data revealing that an average of 67 per cent of consumers from Asian markets surveyed (57 per cent China, 74 per cent India, 70 per cent Japan) think brands and companies should spend less on advertising and marketing and more on good causes (with the number for Japan increasing by 47 per cent since 2008).³¹ Alan Vander Molen, president of Asia-Pacific, Edelman, said: "This year's study provided a deeper perspective into the way Asian consumers act and perceive global brands. From the results, we see an uprising of social consciousness among Asian communities.

Social change has become a personal passion, and this presents an excellent opportunity for businesses to integrate social purpose into their business purpose. The new consumers of today want to know that the brands they buy are helping them make a difference in the community". Can we have a greater influence on multinational corporations, big and small business houses, retailers as well as consumers so that the goal of social responsibility in business is highlighted?

2. Bribery

Sternberg states that a bribe is "an incentive offered to encourage someone to break the rules of the organization he nominally represents and deliver an (unfairly) favourable outcome."³² Bribery violates distributive justice as the benefit is awarded in exchange for the bribe, and not due to the actual merits of the case. The major objection to bribery is that it distorts market decisions, making the market less efficient. When bribes are used to secure the purchase of a commodity, the net effect is a decline

³¹ Ibid.

³² Elaine Sternberg, *Just Business. Business Ethics in Action* (London: Warner Books, 1995), 104.

in market competition.³³ The product of the briber no longer competes with the product of other sellers on the basis of its price. Rather, the bribe prevents other sellers from entering the briber's market. As a result of the bribe, the government or buyer involved in the deal buys only from the corporation that supplies the bribe, and the briber becomes the monopoly seller.³⁴ The bribing company can impose higher prices, engage in waste, and neglect quality and cost controls since the monopoly obtained by the bribe will secure a sizable profit without need of making either the price or quality of its products competitive with those of other sellers.³⁵ Bribing interferes with the allocation of resources, inducing purchase of higher-cost items or items that other would not be purchased.

Thus, the desire to only make money, as distinct from making a living, is a clear corruption of proper behaviour in both a moral and a market sense.³⁶ Who will guard the guardians? The Government itself is also turning a blind eye. They don't clear your Provident Fund till you give them a bribe. E.g. For getting a genuine IT refund from a Company of Rs 15 Lakhs, the company was asked to pay a sum of 5 lakhs.

3. Trust and Credibility Vs. False Advertisement and Propaganda

Some corporations wilfully use advertising campaigns to promote untested products, to create false needs, or to subject children and women to impulse buying pressure in order to maximize their profits. Sex and fear are used for this purpose. The need to

³³Neil H. Jacoby, Peter Nehemkis, and Richard Eells, *Bribery and Extortion in World Business* (New York, NY: Macmillan Inc., 1977), 183.

³⁴Manuel G. Velasquez, *Business Ethics. Concepts and Cases*. 2d ed. (Englewood Cliffs, NJ: Prentice Hall, 1988), 202.

³⁵*Ibid.*

³⁶*Ibid.*, 294.

avoid deception in advertising is recognized by both government and corporations. An advertisement is deceptive when it differs from the reality of the situation and it affects buying behaviour to the detriment of the consumer.³⁷

How can dishonest and careless advertisers be first detected, and then challenged? Sometimes an advertisement is in the form of an ambiguous statement which can be interpreted in two ways, one of which is misleading. This form of advertising is considered as deceptive. Sometimes the silence of the advertisement with regard to a feature of the product could itself be misleading. For example, toys are presumed to be safe. Toy manufacturers have a special duty to point out the unsafe aspects of the toys.³⁸ Sometimes an advertisement contains a material untruth which affects the buyer's purchase decision. This means that the consumer would not have purchased the product had it not been for the untruth of the deceptive advertisement. Thus deceptive advertising is morally objectionable. It harms consumers, produces compulsive behaviour or creates wants that are irrational or not truly those of the consumer.

For example, the use of women and children in almost every TV Ad today is unacceptable. Whether it is an investment decision or buying clothes or shoes or any other product, the mass media uses women and children as the ones who create this appeal for the product. Sexual use of women is made by the ad agency to

³⁷David A. Aaker, "Deceptive Advertising" in *Consumerism: Search for Consumer Interest*, 4th ed., eds. David Aaker and George Day (New York, NY: The Free Press, 1982), 241.

³⁸Aaker, 245. Negligence claims have been upheld. In *Harrison v. Flota* (1978), a worker was severely injured when he inhaled fumes while cleaning up a chemical spill. The court found that the defendant had negligently failed to provide a reasonable and adequate warning label covering the chemical's dangerous properties. The label also had no information about how to clean up a spill.

entice people to buy a product even when there is no real need for that product. Through advertisements we are building a consumeristic society where we show that we will be happy only when we get this product. So happiness is only in terms of products or services rather than relationships.

4. Business Bluffing

Bluffing is an act of misrepresenting one's intention or overstating the strength of one's position in order to gain in the bargaining process with the other party.³⁹ Lying is a deliberate false statement which always involves the intent to deceive others, or the expectation that they will be deceived as a result of what one says or both.⁴⁰ Both bluffing and lying need a special justification in order to be considered permissible. For example, the behaviour of a salesperson who deliberately misrepresents the cost and usefulness of a product would certainly be condemned. One cannot justify lying merely on the grounds that it is in one's own interest to lie. In other words, profit is no justification for lying in business transactions.

Lying and bluffing are widespread in economic transactions in business.⁴¹ But this in no way justifies their practice. Individuals, who are concerned about the morality of bluffing and lying, sometimes face a dilemma when they wish to further their own economic welfare or the welfare of their organization. The lure

³⁹Thomas L. Carson, Richard E. Wokutch, and Kent F. Murrmann, "Bluffing in Labor Negotiations: Legal and Ethical Issues" in *Contemporary Moral Controversies in Business*, ed. Pablo A. Iannone (New York, NY: Oxford University Press, 1989), 221.

⁴⁰*Ibid.*, 226.

⁴¹A common day-to-day example of lying is when a seller overcharges his customers on the goods they purchase or gives less quantity for a price when goods are sold by weight. Over a long period of time, the seller thus reaps huge profits by just overcharging people. Lying takes place on a big scale too.

for money and higher profit in negotiations often make people ignore or forget ethical principles in decision-making.

5. Socially Damaging Business Activities

In order to obtain high profits one can engage oneself in industries that are socially damaging. For example, firms that produce drugs such as marijuana, heroin and cocaine. For some, even the arms industry is questionable especially when weapons are produced and sold to terrorists, militants and for unjust wars.

Unchecked maximization of profit results in inflation, wild swings in the stock markets and bankruptcies forced by dangerous risks. Greed and lust for money triumph over charity and social concern. This violates the principle of social solidarity that is supposed to be the primary goal of a business organization.⁴²

In India, the Food Safety & Standards Act, which will come into force in 2010, will monitor ads that encourage unhealthy lifestyles as well as those for food products that contain high amounts of sugar, fat or salt. The new rules in India will also insist on scientific evidence for ads that claim health benefits. Brands could face investigation by the Food Safety & Standards Authority, with fines for those found guilty. The Indian ad industry has responded positively. "Anything that positively impacts consumers' lives is a good thing," said Jishnu Sen, CO of Grey India.⁴³

A 2008 report by Consumers International titled 'Junk food trap' argued that despite signing international pledges, big MNCs continue to market unhealthy food in Asia when measured against the UK Food Standards Agency criteria. The report also found huge disparity in food marketing regulations in different countries

⁴² Fonseca, 12.

⁴³ Asiya Bakht. "India moves to curb food advertising" in *Media eMagazine*, 5 November 2009.

across the region. It concluded that “multinational companies have been able to exploit the lack of controls and regulations on marketing and advertising in developing countries.” Consumer International researched Coca-Cola, KFC, Kellogg, McDonald’s, Nestlé and PepsiCo across eight countries in the region to reach this conclusion. In 2007 Malaysia banned any form of fast-food ads during children’s TV programmes (including sponsorship). Indonesia has banned ads for unhealthy foods from children’s media.⁴⁴ Advertising aimed at children raises a number of ethical concerns. All these multinational corporations and big businesses have created a cultural dependency on certain goods and services.

The purpose of advertising is to inform the potential consumers about the usefulness of a particular product and/or the availability of new products and services and help them to make prudent decisions, leading to greater efficiency and the lowering of prices. At the same time, the sellers are obliged to also make known the negative consequences of the manufactured goods or items. Thus advertising can play a key role in today’s economic world in so far as it conforms to moral norms that are based upon integral human development and the common good.⁴⁵ Pope Paul VI had remarked that “no one can...escape the influence of advertising”.⁴⁶ However, we need to direct the enormous human and material resources that are spent on advertising “for sustaining honest and ethical responsible competition that contributes to economic growth”.⁴⁷ When trade expands as a result of increasing sales, it will stimulate economic progress resulting in new job opportunities, financial growth and a higher standard of living and humane way of life for all.

⁴⁴ *Ibid.*

⁴⁵ Pontifical Council for Social Communications, *Ethics in Advertising*, no. 5.

⁴⁶ Pope Paul VI. Message for World Communications Day, 1971, p. 1.

⁴⁷ Pontifical Council for Social Communications, *Ethics in Advertising*, no. 5.

The *Catechism of the Catholic Church* has stated that those responsible for business operations “have an obligation to consider the good of persons and not only the increase of profits. Profits are necessary, however. They make possible the investments that ensure the future of a business and they guarantee employment.”⁴⁸ The Catechism goes on to state that “a theory that makes profit the exclusive norm and the ultimate end of economic activity is morally unacceptable. The disordered desire for money cannot but produce perverse effects.”⁴⁹ The recent global crisis has shown that the overemphasis of shareholder valuation and stock price has led to the collapse of large firms like World Bank, Enron, Leemman Brothers and Satyam in India.

Pope Benedict in his recent encyclical *Caritas in Veritate* emphasizes that the inequalities in the world can no longer be tolerated and lasting global solutions are required urgently. Ethical values are needed to overcome the current global financial crisis and to promote the real development of all people.⁵⁰ The encyclical offers a message of hope to all humanity, namely, that it is possible to transform the world and progress in justice and love even in the economic and social field. Every economic decision, says the present Pope, has a moral consequence and economic activity must be regulated by just laws enacted through the political process. *Caritas in Veritate* provides a rich understanding of the nature of integral social development, especially in light of the globalization. Charity in truth is the principal force behind the true development of every person and of all humanity.⁵¹ Thus, the entire social

⁴⁸CCC 2432.

⁴⁹CCC 2424.

⁵⁰ Rev. Dr. Stephen Fernandes, Editorial of Vidyajyoti Journal of Reflection, September 2009, Vol. 73, no. 9.

⁵¹ Pope Benedict XVI, *Caritas in Veritate*, no. 1.

doctrine of the Church revolves around the principle *caritas in veritate*⁵².

6. Invasion of one's Privacy

Internet privacy issues have many concerns. One is the collection of personally identifiable information (PII) by website operators or by software that is secretly installed on a user's computer ("spyware") and transmits the information to someone else. Another is the monitoring of electronic mail and Web usage by the government or law enforcement officials, employers, or e-mail-service providers. Another issue, identity theft, is not an Internet privacy issue per se, but is often debated in the context of whether the Internet makes identity theft more prevalent. For example, Internet-based practices called "phishing" may contribute to identity theft. Some products may collect personally identifiable information (PII). When the computer is connected to the Internet, the software periodically sends the information back to the software manufacturer or a marketing company. Some software traces a user's Web activity and causes advertisements to suddenly appear on the user's monitor — called "popup" ads. Such software is called "adware". One aspect of the spyware debate is whether adware should be included in the definition of spyware. Users may have no knowledge that spyware is on their computers.⁵³

With the explosive growth of the Internet, and e-commerce in particular, online criminals try to present fraudulent schemes that look like the goods and services that the vast majority of legitimate e-commerce merchants offer. In the process, they not

⁵² Pope Benedict XVI, *Caritas in Veritate*, no. 6.

⁵³ Marcia S. Smith, CRS Report for Congress, *Internet Privacy: Overview and Legislation in the 109th Congress*, Congressional Research Service, The Library of Congress, January 26, 2006.

only cause harm to consumers and investors, but also demoralize consumer confidence in legitimate e-commerce and the Internet. Aggressive media messages leads to globalized neo-colonial consciousness.

V. CARITAS IN VERITATE urges the following Principles for Corporations

Spread of the Economy of Gratuitousness

The theme of gratuitousness runs right through the encyclical. *Caritas in Veritate* helps us to realize that society can have no future if the experience of gift is lost. The human person is made for gift. Truth which is itself gift, in the same way as charity, is greater than we are.⁵⁴ Truth and love are both gratuitous gifts of God given to each of us. In our relationships in civil society, this principle of gratuitousness and gift as an expression of fraternity must find their place within all the economic, social and political activities. This is a demand of both charity and of truth.⁵⁵ The Pope challenges the different economic players and political players to replace the economic logic and the political logic with the logic of the unconditional gift – an economy of gratuitousness and fraternity which fosters solidarity and responsibility for justice and the common good. When the logic of the market, which is *giving in order to acquire* and the logic of the State, which is *giving through duty*, are replaced by the logic of gratuitousness and communion, we will create a society based on solidarity, on social responsibility and having a profound form of economic democracy.⁵⁶

⁵⁴ Pope Benedict XVI, *Caritas in Veritate*, no. 34. See Saint Augustine expounds this teaching in detail in his dialogue on free will (*De libero arbitrio*, II, 3, 8ff.). See footnote no. 88 of Pope Benedict XVI, *Caritas in Veritate*.

⁵⁵ Pope Benedict XVI, *Caritas in Veritate*, no. 36.

⁵⁶ Pope Benedict XVI, *Caritas in Veritate*, no. 38.

A Just Redistribution of Wealth

An important question to ask is whether Government policy promotes more or less income equality. According to Pope Benedict, charity begins with justice. Justice is inseparable from charity, and intrinsic to it. Justice is the primary way of charity.⁵⁷ The Pope stresses that the logic of gift does not exclude justice and if economic development is to become authentically human, it needs the principle of gratuitousness.⁵⁸

Caritas in Veritate admits that economic growth in a country continues to be weighed down by malfunctions and dramatic problems. In India poverty remains a real problem, specially in rural India. The Pope is aware that the scandal of glaring inequalities continues. In his words: "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".⁵⁹ Pope Benedict appeals to nations and individuals to infuse solidarity and responsibility for justice and the common good to resolve today's economic problems. He affirms that there is "a pressing moral need for renewed solidarity, especially in relationships between developing countries and those that are highly industrialized".⁶⁰ In very clear terms, the Pope insists on a "large-scale redistribution of wealth on a worldwide scale."

⁵⁷ Pope Benedict XVI, *Caritas in Veritate*, no. 6.

⁵⁸ Pope Benedict XVI, *Caritas in Veritate*, no. 34.

⁵⁹ Pope Benedict XVI, *Caritas in Veritate*, no. 32.

⁶⁰ Pope Benedict XVI, *Caritas in Veritate*, no. 49.

Pope Benedict emphasizes that “development is impossible without upright men and women, without **financiers** and **politicians** whose consciences are finely attuned to the requirements of the common good.”⁶¹ Without truth and love there can be no social conscience.⁶² The timely encyclical is sending a powerful message of hope and a grave responsibility to humanity. The world economy certainly needs a person-centered ethics in order to function soundly. The principle of solidarity and subsidiarity when undertaken in service of the common good can foster an authentic humanism. But only a humanism that is open to God can give us the strength to suffer for love of the common good and “bring about the development of the whole man and of all men”⁶³ founded on charity and truth.

An Authentic Global Development in Solidarity, a globalization without marginalization:⁶⁴

The present scenarios of profound transformation of human work call even more urgently for an authentically global development in solidarity that is capable of involving every region of the world including those less advantaged. Development in solidarity is a necessary genuine condition for the survival of entire peoples. “Solidarity too must become globalized”.⁶⁵ Solidarity between generations requires that global planning take place according to the principle of the universal destination of goods in order that globalization will not occur at the expense of the neediest

⁶¹ Pope Benedict, *Caritas in Veritate*, no. 71.

⁶² Pope Benedict, *Caritas in Veritate*, no. 5.

⁶³ Paul VI, Encyclical Letter, *Populorum Progressio*, 42: loc. cit., 278. Pope Benedict XVI, *Caritas in Veritate*, footnote no. 159.

⁶⁴ PCJP, *Compendium*, no. 363; Pope John Paul II, *Message for the 1998 World Day of Peace*, no. 3.

⁶⁵ PCJP, *Compendium*, no. 321; Pope John Paul II, *Greetings after the Mass for the Jubilee of Workers* (1 May 2000), 2.

and the weakest.⁶⁶ The *Compendium* strongly advocates that in the era of globalization, solidarity can be promoted by defending human rights, for example, the right to food and drinkable water, to housing, to security, to self-determination and independence.⁶⁷ There are some sterling examples of companies who have displayed Corporate Social Responsibility (CSR). They are doing CSR for image building and to give back to society in some way. Some of them do it in a very anonymous way and don't even say they are doing a CSR. e.g. Infosys.

According to the *Compendium*, globalization needs an economic and financial framework that guarantees an effective respect of human rights and of the rights of peoples, as well as an equitable distribution of resources within every country and between different countries: "freedom of trade is fair only when it is in accord with the demands of justice".⁶⁸ *Caritas in Veritate* aptly states that a society lacks solid foundations when, on the one hand, it asserts values such as the dignity of the person, justice and peace, but then, on the other hand, radically acts to the contrary by allowing or tolerating a variety of ways in which human life is devalued and violated, especially where it is weak or marginalized.⁶⁹

Understanding the limits of technology

With capital financing technological progress and with technology becoming readily available, producers will tend to retrench labor and thereby aggravate the unemployment problem. It is the contention of many that technological progress is a boon

⁶⁶ PCJP, *Compendium*, no. 367.

⁶⁷ PCJP, *Compendium*, no. 365; Pope John Paul II, *Message for the 2003 World Day of Peace*, no. 5.

⁶⁸ PCJP, *Compendium*, no. 366; Pope Paul VI, *Populorum Progressio*, no. 59.

⁶⁹ Pope Benedict. *Caritas in Veritate*, no. 15.

for all. However, the Encyclical reminds us that technology can dehumanize the work-spaces and de-personalize production.

Caritas in Veritate maintains that an exclusive reliance on technology, a reason without faith is doomed to perish. Faith without reason risks being cut off from everyday life.⁷⁰ The social question concerns not just how life is conceived but also how it is manipulated. The culture of death with the various ways to manipulate life (abortion, euthanasia, in vitro fertilization, embryo research, the possibility of manufacturing clones, etc) is being promoted in today's highly disillusioned culture threatens our future.⁷¹

VI. Conclusion

The free market should be put in a suitable framework and placed at the service of society. As Oswald von Nell-Breuning has stated, that the profit motive 'is a good engine but an inadequate rudder.' Directing the economy cannot be left only to the forces of the market. But even the Government measures are not sufficient. It is the common responsibility of all of us in society to bear responsibility for the common good. Thus we all have a duty to speak against the unethical practices in business so that our neighbour may not be exploited. Human beings are God's image and partner. So human rights and human needs take precedence over the market. Working together in solidarity for the common good and respecting the dignity of the human person will surely bring about a transformation in society.

⁷⁰ Pope Benedict, *Caritas in Veritate*, no. 74.

⁷¹ Pope Benedict, *Caritas in Veritate*, no. 75.

Caritas in Veritate urges us in India and people in every country to dedicate ourselves with enthusiasm to the task of bringing about the *development of the whole man and of all men*.⁷² Only a humanism that is open to God can sustain us in our work for justice and the common good of all in the ceaseless pursuit of the just ordering of human society. Let us then work together in solidarity with one another and commit ourselves to the task of creating structures of social responsibilities in business. May our motto be, as beautifully noted in the *Compendium of the Social Doctrine of the Church*, that “only a humanity in which there reigns the ‘civilization of love will be able to enjoy authentic and lasting peace’⁷³ and that charity, the greatest social commandment, inspires us to a life of self-giving.⁷⁴

⁷² Pope Benedict, *Caritas in Veritate*, no. 79.

⁷³ *Compendium* no. 582.

⁷⁴ *Compendium* no. 583.