The purpose of a business or subsystem of a society is the major resource from which ethical analysis and decision-making draws since the purpose of action is the most important and defining feature of an action. The purpose of any human action is the major criterion for the ethical assessment of an action or institution. The reason is that the purpose or aim of an action is the central cause of an action or institution and, therefore, the central criterion for its success and value in economic, cultural, and ethical respect. Thomas Aquinas called the aim the cause of causes, *causa causarum* (*Summa theologiae* I,5,4, ad 1) that is far more important than the circumstances of an action. It is obvious that if the acting persons fail to reach the aim for which they have taken the action they miss to reach what they reached out for, what they wanted to reach.

Thomas Aquinas also says that the aim is always the last in the execution and the first as the intention. We start an action, plan, strategy, organization, business with the intention on an aim and finalize our endeavors with the realization of the purpose or aim we have set out for. If the purpose of an action is the alpha and omega of human action it is the central criterion for judging human actions and institutions.

The philosopher of law, Radbruch, gives a similar reasoning for the centrality of purpose and aim in the foundation of law. Legal rules for any human field of action, for business as for education, are finally founded in the purpose and aim of human institutional systems and actions. Business norms in ethical and in legal re-
spect must be derived from the purpose of business. The law and ethics form systems of obligations, of obligatory rules and norms. The system of obligations of business arises from the nature of business in three respects. The obligation is first and foremost derived from the purpose or teleology of the institution. It is secondly derived from the idea of justice, and thirdly from the prerequisites of legal safety. The purpose of the sphere of culture and law in question, in our case business, the idea of justice, especially of formal justice in the sense of the principle of equal right, and the demands of certainty in the definition of norms and in jurisdiction define the obligations of ethics and of law. According to Radbruch, the idea of law arises from the purpose or teleology of the sphere to be ruled by the law, from the principle of formal justice and from the principle of safe legal procedure or security of normative expectations.¹

Applied to business as such, one must judge the legal and ethical norms from the criterion of the purpose or teleology of the institution business, from the criterion of formal justice or equal right of all participants in business, and from the criterion of legal and normative safety and stability. The question is, however, what is business and what are the boundaries of the social enterprise business. Is a state-run business like Airbus Industries a business or not? The business ethicist Elaine Sternberg surprises one with the radical answer that only profit maximizing enterprises are business whereas every business that gives up this purpose becomes a non-business. Profit-maximization is here the particular defining difference between business and non-business, is the differentia specifica of business. Every mixed business like state owned firms lose their character as business since they are not strictly profit-maximizing. This position on the purpose of business is radical and clear. It has the charm of the strong proposition and hits an important point. Business is for making profit in contrast to scholarship which is not for making profit. This does not exclude that you can make a profit with scholarship or lower

the profit expectation of business for other objectives. Every human action is driven by some profit motive but not every human activity is, in contrast to business, for profit. If you knew that you would have less in return of scholarship than you invested in it you would not do it. The profit motive is a general feature of human rationality as Ludwig von Mises has shown. The expected utility of human strategies and actions is always expected to be positive. Positive utility or profit is always the goal of human action.

That business is for profit in particular and that monetary profit is its purpose means, however, more then just that business is rational action. Business affirms profit as the dominant orientation of the persons acting in it in a more radical way than does the university, for exemple. The university accepts that professors want to make money but not that it is there first and central concern. Business accepts the purpose of money as the primary motive since it is itself there for profit.

In business, there is a difference in purpose and motivation that can be described in the language of Scholastic ethical theory as the difference between the purpose of the action and the purpose of the acting person, finis operis and. There is a purpose of an action like production in a work or product, finis operantis and there is a purpose of the acting person in engaging in an action like making profit or earning an income. In business, this difference is accepted like in no other realm of human action. The members of a firm have there own purpose, utility or profit maximization, the firm has its own goal, the goal of producing a good product or brand. Business brings the two purposes in such a way together that both purposes are realized, the good product and the utility or profit maximization of the members of the business. This is the deeper meaning of Adam Smith’s invisible hand which is not as invisible and particularly not as miraculous as its critics contend. One of them, a Dutch organization scientist has written recently, that the invisible hand is a miracle.

At the center of the idea of the invisible hand is the simple insight that the finis operantis and the finis operis, the purpose of the acting person and the purpose of the action are not always the same but that they can complement each other if competition forces the acting individuals to pursue their interest under the condition
that they will be ousted from the market if they do not take the consumer interests into very serious account. Competition and the market force the individual to a behavior in which the finis operantis, the purpose of the acting person, coincides or comes close to the finis operis, the purpose of the product for the consumer. The firm has to make a work or product, an opus. The firm has the purpose of a work or product. It is there for a finis operis, for the purpose of a product. The individuals have their own purpose, mostly the purpose of making as much money as possible, in business mostly more so than say in the civil service or government. The organization has to bring these two purposes together in a way that they are complementary. This is done by incentiviation. Since business can incentivize better than other spheres of action it is very efficient. The incentives do, however, not always work, the complementarity of the finis operis and the finis operantis does not always realize.

I was once asked by a large construction firm in Germany to help them with an intra-firm ethics since the different divisions of the firm cheated each other too much. The construction industry is a tough place. The divisions of the firm behaved towards each other like towards other firms. Since the manners in this industries were pretty bad they behaved quite badly towards the other divisions of their own firm. The task is here to align the purpose of the work of the firm and the firms of the industry with the purpose of the individuals in the firm in question and in the industry.

The difference of the finis operis and the finis operantis is also known as the principle of the heterogeneity of purposes or aims. The pursuit of our purposes has side-effects that are good for other purposes as positive side-effects, or are bad as negative side-effects. The task of the entrepreneur can be described as the task of maximizing the positive side-effects. The entrepreneur or manager must not think in trade-offs but in positive side-effects between different purposes, particularly between the purpose of the firm, the finis operis, and the purposes of the firm’s employees, their finis operantis.

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The question at stake is the task and purpose of the firm, whether the purpose of the firm can be described exhaustingly by its task to render the maximum shareholder value to its shareholders. One simple but important objection to this thesis comes to mind immediately: the joint stock company with many shareholders is only one type of the firm. In America it is more dominant than on the Continent. On the continent, for example, a very large part of the economy is not organized on the basis of shares and shareholder ownership. Even in the United States there is a return to the “non-public” corporation as the growing importance of private equity firms demonstrates. All the medium size firms also have owners but they do not have shareholders in the sense of the shareholder value principle. In the one owner firm other purposes of the owner will prevail than in the firm with many owners that hold shares in the firm’s stock anonymously.

The shareholder value criterion is of interest, nevertheless, also for firms with other legal structures since it can be enlarged to the idea that the maximization of the return on capital of the firm’s owner is the one and only purpose of the business firm.

II. Shareholder Value as a Means of Controlling the Firm

The profit of the firm is the means to prevent shirking in the operations of all members of a firm. In Alchian’s and Demsetz’s theory, the owner functions as the one who prevents the shirking of the firm’s members and the firm’s profit is the means to prevent the owner from shirking in his duty to prevent the shirking of the other members of the firm. The idea is that if the owner does not fulfill her monitoring function the residual profit will decrease, and she will be punished by de-
creased profits or even losses and thereby be kept to her function to prevent shirking in her firm.

The shareholder value principle with its emphasis on future cash flows changes the perspective on profit as residual profit. Profit is not measured any more as a figure of the past but as an expected future residual. The purpose of the firm is the maximization of future profit measured in dividends and the increase of the capital value of shares in the stock market. The management has to see that the discounted future profit after reduction of all costs is maximized. This orientation on a future profit with all the problems of forecasting a future return on investment does not change the basic nature of profit.

Profit and shareholder value, seen from the point of the firm, are not the final purpose of the firm, but an instrumental purpose. Profit and shareholder value are the means to prevent shirking and to make sure that all members of the firm deliver their contractual contributions to the firm in the way agreed upon in their contracts with the firm.

Among all the members of the different groups of the firm, it is true only for the group of the shareholders that the profit and the value of the shares are also their individual goal. For all the other groups this goal is only interesting as a means to secure the success of the firm as a whole, not as a final end that they could make their own purpose. Why should the firm take into account the individual day-trader’s interest who might only own the share for half a day or for one and a half day in one quarter year.

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III. The Purpose of the Firm

The debate on shareholder value belongs to the discussion on the purposes or goals of the firm. What is interesting of the partly elaborate distinctions of the goals of a firm is that the idea that the firm be a one-purpose-institution is untenable. Every firm has many purposes. The various groups of a firm have their own purposes which they try to realize in the firm. Labour expects high wages from the firm, customers expect optimal goods from the firm, shareholder expect maximum returns on their investment, the community expects high taxes and public benefit payments from the firm and so on. Some of these goals are most of the time but not always conflicting like the goal of maximum wages and maximum profits, some are complementary.

If one wants to distinguish one of these purposes as the first purpose or final teleology of the firm it is clear that the goal of none of the particular groups constituting the firm can be the only purpose of the firm since the other groups also have the right to the pursuit of their purpose in the firm. If there is one major purpose of the firm it must be a purpose that could be consented to by all groups of the firm. This means that it must be useful to all members of the firm and to the public. Since all members of the firm and all members of society are consumers in some way, either in the direct way of being consumers of the product of the firm in question or by being consumer of the goods for which the product of the firm is an input one must conclude that the most general purpose of the firm, its finis operis, is to provide for good products, for consumer satisfaction through its products.

All members of the firm are consumers and therefore interested in the maximum productivity of the firm leading to the optimal products of the firm. Not all members of the firm are, however, shareholders. The shareholders’ purpose can, there-
fore, not be the purpose of all the firm members. The purpose of the firm is the production of optimal products or of optimal inputs for other products under the constraints that the goals of the major groups being in the firms or being touched by the firm’s operation are taken care of, i.e. under the condition that the goals of paying adequate wages, adequate dividends, and adequate prices to the suppliers are fulfilled.

The necessary condition for the existence of the firm and the main purpose for which firms come into being is the production of products, not the production of profits or shareholder values. This main purpose of the firm may only be realized if sufficient returns on investment are earned, and in this sense, the realization of shareholder value is a condition for the realization of the main purpose of the firm, it is however not the first condition.

The main philosophical model for entrepreneurial action and business purpose is, therefore, not praxis but poiesis, not being active but making, producing a product. Hirotaka Takeuchi has suggested that the Aristotelian concepts of praxis (being active) and phronesis (prudence) are the model and the main virtue of business activity. This is only partly true since Aristotle clearly devalues poiesis, making, in favour of praxis (being active). The producing firm is, however, a maker of products and services, not a deliberator of political action and performer of intrinsically valuable acts that are at the center of the Aristotelian concept of praxis. Aristotle is in this sense a snob: producing, poiesis, is what slaves do. The free man is engaged in praxis not in poiesis, in action not in making

Poiesis is a transeunt activity, an activity that passes into something else than itself, that has its purpose outside of itself in the product; praxis is the immanent activity that bears its purpose in itself. Aristotle’s Scholastic followers like Thomas Aquinas and even more so the Spanish Scholastics like Francisco Suárez, Luis
Molina or the Portuguese Scholastic Johannes a Sancto Thoma have been well aware of Aristotle’s limitations in this questions. They had to be since the Christian God is, according to the first article of faith, a maker, creator, even poet, of the world. Creation is poiesis, not praxis. The Christian God is a maker and producer, not as in Aristotle a first non-moving mover. Already Clemens of Alexandria in the second century criticized Aristotle’s denigration of poiesis by saying that it is not admissible to devaluate making, producing, and poiesis if God himself did not feel to be too good to be a maker and producer.

Francisco Suárez, the central figure of Spanish scholastic thought who taught most of his life at the University of Coimbra, has found a way out of this impasse of thinking. He clearly distinguishes praxis and poiesis, actio and factio but contends that praxis is at the same time two things: It is a part of human activity in contrast to making and at the same time the synthesizing concept of praxis and poisis. Suárez uses the example of painting a canvas. Painting is an artistic and artificial activity whose purpose or aim lies outside of the activity in the final painting. But it is also action and, therefore, morally relevant and morally judgeable. A painter who paints an excellent woman painting of St. Mary but gives it too much of a sensual appearance succeeds in artistic poiesis but might fail in the moral praxis of painting. According to Suárez, praxis denominates that which comprises as well making as moral action. It is immediately visible that praxis as the higher concept comprising making and action applies to the nature and purpose of business. Business is an activity of praxis that comprises making or producing as well as morally relevant acting with others at the same time.

The Dutch thinker F. Burgersdijk expresses the same idea in 1644 in the Calvinist context of Holland’s Golden Age: Every poiesis has the perfection for which it is applauded in itself, in its product, since it must alone be executed according to
the rules of the state of art. The perfection of praxis, however, depends as well on the question whether the acting person shows a certain moral determination of the will or not. For this reason, poiesis, production, is valued alone by its result whereas praxis is also judged for the (moral) attitude of the acting individual’s mind. In the sphere of production, there is no moral justice or, at least, not much of it. Picasso draws one line on a canvass and receives several million dollars, Beckham bends it into the goal and gets the same. Since production, poiesis, in the firm is, however, always produced in cooperation with others, in action with others, business is always also praxis. It is, by its very nature, poiesis and praxis, and, therefore, subjected to the laws of production and of moral action. It is as wrong to reduce business to poiesis only and to subject only to the transmoral laws of production as it is inappropriate to overmoralize business and to subject it primarily to the laws of morals.

The main purpose of the firm, the production of best products, implies that the firm must be productive and efficient. How this productivity and efficiency is reached is a question of production and praxis, but first of poiesis. Since it is the purpose and task of the business firm to provide the public with the best products produced at the lowest opportunity cost, also those conditions are obligatory that best secure the realization of this purpose of the firm. The means of securing the purpose of the firm are, however, not the primary purpose of the firm. If the purpose of the firm, the production of optimal products, can be achieved best by market efficiency and shareholder value maximization they are the best means to achieve this goal. If it can be achieved by other means or be achieved by other
means even better these means must be chosen. Productivity is an obligation of the firm independent of conditions of market efficiency.⁵

It follows from the principle of the heterogeneity of purposes that it is most likely that the purpose of the firm is best secured if the self-interest of its members are served at the same time by it but the conditions of the invisible hand might not always be secured. If there are not enough competitors in a certain market segment the invisible hand does not work properly. Responsible firms might then have to simulate conditions of a competitive market.

The principle that the obligation is derived from the nature and purpose of the matter or institution in question requires that the main ethical and legal obligation of the firm must be deduced from its first purpose, and not from the conditions which secure the realization of its purpose. This first purpose of the firm is, however, not the maximization of the residual profit and of the share value in the stock market but the production of optimal products under the condition of the realization of the secondary goals of its member groups or stakeholders of which the shareholders are, of course, a central group.

VI. Effects of the Inversion of the Means and Ends of the Firm on Corporate Governance: Speculation Instead of Production

The inversion of the purpose of the firm from the product being the first purpose to maximizing shareholder value being the first purpose turns the management’s

⁵ This point is also stressed in LEE A. TAVIS: „The Moral Issue in Allocating Corporate Resources. Shareholders Versus Stakeholders“, in: S. A. CORTRIGHT, MICHAEL J. NAUGHTON (Eds.): Rethinking the Purpose of Business. Interdisciplinary Essays from the Catholic Social Tradition, Notre Dame, Indiana (University of Notre Dame Press) 2002,
production task into a speculation task. The idea that, by the invisible hand of the labor market and by the contracts of the firm, the overall orientation on shareholder value necessarily also realizes the common good of the firm does not hold. It is true that the industrial firm can only maximize shareholder value if it produces some useful goods and keeps the implicit contracts with its employees and customers in some way. It realizes this common good of the firm, however, only „somehow“ and „on the back“ of the shareholder value maximization since the new overall purpose of the firm, i. e. maximizing shareholder value, is increasingly realized by mere speculation.

Since the price of shares in the stock market does not just reflect the real value of the firm’s productivity and performance but is also subject to mere speculation the management has an interest in becoming involved in speculative manipulations of the value of the firm’s shares and therefore of its shareholder value. This distraction of the management’s attention and intention from the main purpose of the firm, its product or products, to the secondary goal of the firm, maximizing shareholder value, results in two detrimental effects:

It creates first perverse incentives for the management to take more interest in speculation than in production or at least to become interested too much in speculation instead of concentrating on production. It results secondly in a certain short-termism in managing the firm, in looking at the shareholder value and returns on investment for every quarterly report. The „terror of the quarterly report“ is increased.

Incentives are central for any economic order, and it is one of the main arguments for the shareholder value principle that it creates efficient incentives for the management to maximize the overall value of the firm. Incentives can however also create perverse incentives, can distract the intention to activities that are not in the
interest of the firm. If the shareholder value becomes the overall purpose of the firm the managers have strong incentives to invest their attention and their time in finding ways and means to manipulate the price of shares in the stock market and in means that are not in the interest of those members of the firm that are not shareholders. The possible perverse incentives the shareholder value principle exerts on the management, if it is considered to be the only purpose of the firm, are considerable. They direct the resources of the management to unproductive instead of productive action.

The second effect, the short-termism of an exaggerated attention to the short-term share price in the stock market, is also not in the long-run interest of the firm if profitable long-run strategies are hindered by it. It is important to note, however, that short-termism is not by itself an economically and ethically negative phenomenon. It might be necessary and ethically legitimate to liquidate an investment after very short time if one has found out that it was the wrong decision or subjected to sudden adverse developments. The time structure of the management’s decision-making and of that of the shareholders can, however, be shortened unduly by the shareholder value maximization.

VII. Effects of the Inversion of Means and Ends of the Firm on Industrial Relations

The inversion of the principle of shareholder value maximization from a control principle to the main purpose of the firm treats the members of the organization of
the firm as means for the end of maximizing shareholder value. This using the members of the organization as means for an end is not objectionable in itself. The Kantian formulation of the categorical imperative is that one should act in such a way that one never treats the other as means only, not that one should never use an other person as a means for a legitimate purpose. The firm that makes shareholder value maximization its first purpose may not treat its members as means only for this purpose but it will be in danger of doing so and it will give its members the impression that they are means for this end only and not also ends in themselves for the firm.

The stakeholder principle, in turn, makes sure that all stakeholders and member groups of the firm will have their interest respected but it does not provide the firm with a principle of ranking the stakes of the stakeholders in the negotiation process of the firm. In the end, the stakeholder approach leaves the stakeholders with an open battle for power and rewards in the firm. Whereas the shareholder approach seems to acknowledge only one interest of one stakeholder group, the shareholders, the stakeholder approach acknowledges the many interests but it gives no principle of justice for the process of mediation between the interests. It remains a principle of strategic bargaining.

This becomes evident from the fact that in the bargaining process the different stakeholder groups must refer in the justification of their claims to the firm to a principle of justice. The principle of justice in the economy and the firm is that the payments and rewards for services rendered should be determined according to the

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value of the contribution rendered to the purpose of the organization or firm.\footnote{Cf. for this principle G. SCHMOLLER: „Die Gerechtigkeit in der Volkswirtschaft“ (Justice in the Economy), \textit{Jahrbücher für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich}, 5 (1881), pp. 19-54. - Cf. for the Historical School of economics P. KOSLOWSKI: \textit{Gesellschaftliche Koordination. Eine Theorie der Marktwirtschaft} (Societal Coordination. A Theory of the Market Economy), Tübingen (Mohr Siebeck) 1991, P. KOSLOWSKI (Ed.): \textit{The Theory of Ethical Economy in the Historical School. Wilhelm Roscher, Lorenz von Stein, Gustav Schmoller, Wilhelm Dilthey and Contemporary Theory}, Berlin, New York, Tokyo (Springer) 1995, reprinted 1997; and P. KOSLOWSKI (Ed.): \textit{Methodology of the Social Sciences, Ethics, and Economics in the Newer} \textit{deutscher} \textit{Marktwirtschaft} (Methodology of the Social Sciences, Ethics, and Economics in the Newer German Market Economy), Berlin, New York, Tokyo (Springer) 1996, reprinted 1997.} This is the content of Thomas Aquinas’ principle: \textit{Suum cuique tribuere}, give to each what is owed to him or her. Everyone should receive what she contributes to the common purpose of the organization. This principle was also the deeper justification of the theory of income in the theory of marginal productivity. Its normative content is that the factors of production should be compensated according to their marginal product.

The principle that all members of the organization should be paid according to their contribution to the goal of the firm is different from the shareholder value principle which tends to imply that it is the task of the firm to concentrate, in its consideration of the principle that persons should be rewarded according to their contributions, on the return payments to shareholders only.

The idea that the residual profit belongs only to the entrepreneur and/or the capital owner has been questioned on the ground that the dispositive factor may not be the only one responsible for the dispositive success of the firm since there might also be dispositive elements in labour’s contribution to the success of the firm. Since however labour is usually not ready to share also into the residual loss the imputation of the residual profit primarily to the owners is justified.

That the residual profit is imputed to only one group makes it necessary to strive for a stronger participation of the workers in the formation of capital and therefore in their sharing in the residual profit and shareholder value. The call for more...
workers’ participation in the ownership of the means of production is a corollary of the emphasis on shareholder value maximization. If the shareholder value moves to the centre of the goals of the firm it should also be the case that labour as owner of shares has a higher share in the shareholder value created by the firm.

There is a sequence of disciplining principles in the firm and a sequence of controls that step in when one of them fails: The shareholders prevent the firm members’ shirking; the stakeholders discipline the shareholders and their claim to returns on capital and prevent them from believing that their goal is the only goal of the firm; the purpose of the firm, the product, and the principle of justice that any member of the firm should be compensated according to this person’s contribution to the firm discipline the stakeholders. The shareholder value principle and the shareholders discipline the firm; the stakeholder value principle and the stakeholders discipline and limit the shareholders; the purpose of the firm disciplines and limits both, the shareholders and the stakeholders.

XIV. The Shareholder Value Principle and Christian Social Thought

The discussion about the purpose of the firm and the right relationship of means and ends is a methodological approach typical to the natural right tradition and Catholic social thought. The idea that the firm has something like a „natural“ purpose and that this purpose ought not to be made to be a means for another end will be subject to criticism from theories of subjective value that claim that human persons are free to set their purposes and that there is nothing like a natural purpose and, therefore, also not anything like a „natural“ purpose of the firm.

There is some justification in this argument insofar as a person that is not interested in the purpose of the firm per se but only interested in maximizing her shareholder value might be more successful and doing more good than a person that is very much striving for the purpose of the firm and not interested in profit but in the end does not achieve fulfilling the purpose of the firm, producing a good product, and the purpose of high shareholder value whereas the other person might have intended to maximize the shareholder value as her goal only, but realizes the „social good“ of the good product as well. The theory of the possible difference of the finis operis and the finis operantis acknowledges this divergence of intention and success of an action.

The fact that better results are sometimes achieved by bad motives and bad results are sometimes achieved instead of good motives does not discredit the nexus between desirable motives and desirable results, the insistence that the intentio recta, the right intention, should prevail. It may be better in single cases to achieve good results by bad motives than to achieve bad results by good motives. For the justification of social norms, motives, and expectations of results, for the social ethics, this fact does not change the observation that it is even better to achieve good
consequences with good motives. Although it might sometimes be better to realize good results with bad motives than bad results with good motives, the best state is still the one in which good results are realized by good motives.

The shareholder value principle is also influenced by certain doctrinal differences between the Christian denominations. The idea that the maximum efficiency and common good of society is reached if the individuals in the economy follow only their abstract concept of maximizing their own profit and shareholder value is linked to the Protestant idea of the incapability of the sinner to do the good. It is thereby also linked to different conceptions of original sin. The Protestant idea of social coordination is that since the human is so much distorted by original sin he or she cannot intend the common good as such. The common good can, therefore, only be reached by the invisible hand using the individuals’ inevitably selfish intentions and needs for its good. The idea is particularly strong in Lutheran thought where the human is considered to be so fallen that its will is a slave’s will, being the slave of its own selfishness.\(^8\) Nothing good can be expected from the direct intention of the human will. Society must be instituted in such a way that it arranges by its institutions that the common good is intended only as the indirect purpose or dolus eventualis or even as an effect not intended at all but only realized as the side effect in the pursuit of another selfish goal which the fallen human is only capable of.

If shareholder value maximization is made the first purpose of the firm, the firm’s common good, the good product and the fulfillment of the stakeholders’ stakes in the firm, is made the side effect of the direct intention or dolus directus to the realization of the private good, to shareholder value maximization.

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\(^8\) Cf. Martin Luther: De servo arbitrio.
In the Protestant thinking this is considered to be the best solution possible. Catholic social thought might think of this situation as being the second best solution, second best even under conditions of original sin which makes the human selfish and being interested in profit maximization only and not in the purpose of the firm itself. Catholic social thought considers this situation still to be a second best situation. It is only the second best solution since the best solution is possible even under conditions of original sin. Although the human is affected by original sin and, therefore, selfish and lazy, human action is still capable of the direct intention to the good. Applied to the purpose of the firm, it means that the human individual is still able to adopt the purpose of the common good of this community, the purpose of the firm, besides of his or her intention to maximize self interest or shareholder value.

The motivational structure of the entrepreneur and manager can be described by the concept of the „overdetermination of action“, a concept that is also close to the understanding of the structure of human motivation in Catholic social thought. The concept of the overdetermination of action, of the Überdeterminiertheit der Handlung, has originally been introduced by Sigmund Freud. 9 Freud developed this idea in his interpretation of dreams: Our dreams are over-determined by several motives overlying and overlapping each other. Not only our dreams but also our actions and even our economic actions are overdetermined by several motives.

The other impact of Christian belief is the problem of predestination for salvation or condemnation. The quest for gaining certainty about one’s own justification and salvation has been an enormous enforcer of business motivation in Calvinism as Max Weber has shown. Max Weber’s Calvinist entrepreneur becomes creative and is motivated for high performance through religious incentives. Because he
understands his economical success as a proof of being in the state of grace he experiences additional religious incentives to be successful in business. Max Weber’s *The Protestant Ethic and the Spirit of Capitalism* (1905) shows that cultural and economic incentives and purposes overlap and that culturally defined incentives purposes enhance economic creativity and business performance. The Calvinist teaching on justification undergoes a revision in the development of Calvinism after Calvin. Justification is finally in part redefined as economic success.

The insecurity in Protestantism whether the Protestant believer can be certain to be in the grace of God is eased by economic success interpreted as a sign of grace. Justification becomes only visible through economic success since in Calvinism even faith is no guarantee of being chosen. According to the Westminster Confession of 1646, God chooses those predestined to eternal life ”out of His mere free grace and love, without any foresight of faith or good works (italics by PK), or perseverance in either of them, or any other thing in the creature as conditions or causes moving Him thereunto”.

Neither faith nor good works make a human being deserve the state of grace. The only proof of being predestined to the state of grace can be given, as Weber (1905) showed in his analysis of Calvinism, through being economically successful. This re-interpretation of economic into religious success is presumably one of the most powerful and subtle incentives and amplifiers of motivation and creativity that humankind ever experienced.

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9 S. FREUD: *Die Traumdeutung* (The Interpretation of Dreams) (1900), Frankfurt am Main (S. Fischer ) 1982.

10 Westminster Confession, Chapter III. Of God’s Eternal Decree, § 5: “Those of mankind that are predestinated unto life, God, before the foundation of the world was laid, according to his eternal and immutable purpose, and the secret counsel and good pleasure of his will, hath chosen in Christ, unto everlasting glory, out of his free grace and love alone, without any foresight of faith or good works, or perseverance in either of them, or any other thing in the creature, as conditions, or causes moving him thereunto; and all to the praise of his glorious grace.” Online edition: http://www.reformed.org/documents/index.html?mainframe=http://www.reformed.org/documents/westminster_conf_of_faith.htm

Weber (1905, p. 57) quotes the Westminster Confession extensively as one of the central historical and theological documents for his thesis.
The difference in the effect of the Calvinist and the Lutheran teaching on justification cannot be overestimated. Whereas the Lutheran is justified *sola fide*, only by faith, the Calvinist is even unsure about his or her justification by faith.

The Lutheran contempt for “good works”, for religious good works, affects also the economic good works and economic success. The weakness of economic thinking in the German intellectual tradition is influenced, if not caused, by the Lutheran teaching on justification and good works. This teaching renders the success of actions irrelevant for the justification of the human being as compared to mere faith. It also justifies a right of every one to every kind of social benefit since no good or success is “deserved” – a position which opens somehow a right to everything. The attitude toward economic success and good works is different in Calvinism where the radicalization of predestination made the recourse to justification *sola fide*, only by faith, impossible. Success in the world becomes the only assurance of being chosen in Calvinism which, theologically speaking, remains a doubtful assurance.

Re-interpretation and aggrandizement of meaning are central phenomena of cultural and economic enforcement of motivation and purpose. One can call this meaning enforcement a „hyper-motivation” for the purpose of business by cultural incentives. Since the external world as such does not have enough meaning for the human being, humans are in need of cultural-religious enforcers of purpose in their business motivation.

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11 Cf. *Augsburg Confession* (1530), Article IV. Of Justification: “...men cannot be justified before God by their own strength, merits, or works, but are freely justified for Christ’s sake, through faith.” Online: http://www.ctsfw.edu/etext/boc/ac/augustana04.asc
The last decade has brought an enormous globalization of business with a concomitant increase of disposable income for many humans. Increases of business efficiency due to increased emphasis on shareholder value have been the consequence of what has been labelled by Peter Drucker “Pension Fund Capitalism” already some time ago. This Pension Fund Capitalism has not fully succeeded in becoming a people’s capitalism. Asset ownership and ownership in shares is still very unequally distributed. To put asset ownership on a broader base in the population will be a future task. Models of workers’ participation in ownership will have to be tested on a broad scale.

Globalization implies a “one world economy”. One world of business means that there is also one world of wealth and poverty. The poverty of the Third World has moved much closer to us than in former times. Fighting and solving the problem of poverty and starvation in the world is becoming more and more a task of corporate action as well. The UN-backed “Corporate Responsibility Initiative” points to this task and tries to organize a higher involvement of business in fighting poverty.

The limitations of the pure shareholder model indicates the need for a deeper discussion of the purpose of business and to an open dialogue between the Anglo-American model of shareholder value and the Continental European model of codetermination and profit-sharing in the public corporation. In this respect, the Washington Consensus of the years 1990 is not an unquestioned consensus anymore but rather the suggestion to discuss and find a new consensus on corporate governance between Anglo-America and the European Continent. It is also likely that there will be a greater variety of corporate governance models in the West.
SHAREHOLDER VALUE PRINCIPLE AND THE PURPOSE OF THE FIRM