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THE "LOGIC OF GIFT" IN BUSINESS

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Antonio Argandoña[1]

Abstract

Traditionally, the Social Doctrine of the Church was founded on principles and virtues. But the Encyclical Letter *Caritas in veritate* introduces the "logic of gift" and the 'principle of gratuitousness' as essential ingredients of the economic life. In contrast with this, the traditional theory of the firm, based on contracts, has no place for love; and the economics of altruism and gift is inspired also on the self-interest paradigm, alien to the behavior ruled by love.

This paper intends to develop the relationship between Benedict XVI's ideas on love and gift and the "logic of virtues" that has already been incorporated into the theory of the firm. After an analysis of the concepts of love, gift and gratuitousness and of the role of virtues in firms' management, a parallel is developed between acting in a virtuous way and "donating goods", either material or not, including developing virtues and "giving love". This is developed in three ambits – market (exchange of equivalents), State (duty) and civil society (fraternity) – and the Encyclical underlines that the "logic of gift" should be present in all of them, not only in the third sector.

Keywords: Love, *Caritas in Veritate (Charity in Truth)*, gift, gratuity/gratuitousness, theory of the firm, virtue.

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THE "LOGIC OF GIFT" IN BUSINESS

Introduction

> "The great challenge before us [...] is to demonstrate, in thinking and behavior [...] that in commercial relationships the principle of gratuitousness and the logic of gift as an expression of fraternity can and must find their place within normal economic activity" (CV 36).

This proposal by Benedict XVI poses a tremendous challenge to economists, business owners and economic policy makers. Can gratuitousness and gift play a significant role in the practical life of companies and countries, as a requirement not only of philosophy or ethics but "also demanded by economic logic" (CV 36)? The purpose of this chapter is to show that this role is possible: indeed, if economic organizations and national economies are to function properly, all human actions, including those having an economic content, must be open to gratuitousness and gift.

In the following pages, we develop the concepts of love, gift and gratuitousness, first in the Encyclical Letter *Caritas in Veritate* and then in the theory of the firm. We then explain the role of virtues, their relationship with the "logic of gift" and the fields to which this logic applies, closing with the conclusions on the practical implementation of gift in the firm.

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Love, Gift, Gratuitousness

One central point of the Christian message is that "God is love" (1Jn 4, 8): God is a Trinity of persons who love themselves. God also loves all men and women, and he shows this love in the first place through the creation of mankind and of the world that he prepared for them. For a Christian, his deepest and intimate truth is his being in the very beginning a gift of God's love. A non-believer can perceive this experience through the love of his parents, relatives and friends: the Christian message is, then, not alien to the experience of other people. But there is a definitive difference: the Christian doctrine is not built upon the experience of people giving and loving, but upon the very constitution of man.

The concept of love, which is vital for *Caritas in veritate,* is closely related in the Encyclical Letter with that of gift. As we said before, the very existence of the human person is the result of a free act of love of God. Love is a gift that "is given to us. It happens, it comes to me from the other, it enters me" (Ratzinger, 2002, p. 172): "love is God's greatest gift to humanity" (CV 2). The gift "takes first place in our souls as a sign of God's presence in us" (CV 34); God's love "opens our lives to gift" (CV 8) and "places man before the astonishing experience of gift" (CV 34).

All men and women are worthy of love because God gives all of them the gift of his love. Being loved by God enables reciprocity: we are "God's friends" (Jn 15, 14). God not only creates the human person for love, but he creates him to love God and the other persons: we can and must give everyone the gift of our love as an expression of fraternity, communion, sociability, solidarity (CV 34, 36, 38, 39). Loving and giving are not mandates imposed from outside but are necessary for man. There is reciprocity between the love with which God loves us and the love with which we love God and our fellow men.

Furthermore, "because it is a gift received by everyone, charity in truth is a force that builds community, it brings all people together without imposing barriers or limits. The human community that we build by ourselves can never, purely by its own strength, be a fully fraternal community, nor can it overcome every division and become a truly universal community" (CV 34).

Love is, originally, a gift that the human being receives and gives. In one sense, gift is broader than love: the individual gives many other things, in addition to love, and not all gifts are given out of love. In another sense, love is something more than a gift: it can be understood as the joy that a person brings us; or a feeling related with the affection we feel for a person, or with the wish to do good to that person or enjoy him or her;[1] or a virtue that drives us to seek

[1] The definitions of the word "love" are very varied: an intense feeling felt by a human being who, from his own insufficiency, needs and seeks union with another being (love of need); a feeling towards another person who naturally attracts us and who, bringing reciprocity to the desire for union, gives us completeness, happiness and energy to share life together, communicate and create (love of benevolence); a feeling of affection, inclination and giving of oneself to someone or something; etc.

the other person's good; or a decision, choice or voluntary action that is undertaken and learnt, and so on (Fromm 1956).[2]

Gift is free, voluntary; it is not the outcome of a legal or social obligation, although it may be part of a moral duty. This is what separates it from abiding by a legal obligation (to pay a tax, for example) or contractual ones (e.g., to deliver goods). In principle, it is unilateral, insofar as it does not create an obligation for the receiver (at least, no direct or immediate obligation) to return the gift, unlike business exchanges. It can also be part of a reciprocity framework, when it gives rise to a series of mutual gifts, each one of which continues to be free and voluntary, but which leave the door open for the other person to give or not, in accordance with his or her possibilities or wishes.

Gift enables the giver to receive, which in turn opens up new possibilities: giving becomes a gift for the giver, because it develops her virtues and introduces her to the logic of overabundance. Indeed, if "the human being is made for gift" (CV 34), giving is not just an obligation, a cost or a loss but an opportunity for improving oneself as a person, to develop one's humanity. "Giving is to give without losing, [it is] the activity that is higher than the balance of gains and losses, gaining without acquiring or acquiring by giving" (Polo, 1996, pp. 130-131). From the point of view of the receiver, the gift respects his dignity: it can make equal, through solidarity, those who were unequal, and make equal in dignity and basic rights those who were diverse (Zamagni, 2006). Therefore, it does not create a relationship of power or domination of one person over another.

Gift is also a dynamic phenomenon. Our first experience of love is our being the recipients of God's and other people's free gift of their love, and this experience continues in our voluntarily responding to other people's invitation to give to and love others, i.e., our learning to give, that is, giving to others and giving to ourselves.

Benedict XVI often uses the word "gratuitousness" alongside the word "gift" (CV 36), such that it seems that the two are equivalent. Gift is defined as "something given voluntarily without payment in return, as to show favor toward someone, honor an occasion, or make a gesture of assistance".[3] The concept may encompass very different things: material goods, services, work (and, therefore, effort, skills and knowledge), parts of our body (blood, organs), our time, and so on. And gratuitous is "given, done, bestowed, or obtained without charge or payment". Gratuitousness is usually focused on sharing scarce resources, but gift does not necessarily have to be associated with scarcity (Khalil, 2004).

In economic activity, when an agent delivers goods or services, he can do this to receive something in return (exchange of equivalents on the market) or under obligation (a tax), but it can also include a gratuitousness in these actions (a present, a discount on the selling price, a salary that is higher than that stated in the contract). Thus, gratuitous means that there is a certain disproportion between the value that the agent attributes to what is given and the value he attributes to what is received, in favor of the former, and is applicable to that which can command an equivalent good in exchange.

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[2] We will not explore here the distinctions between words which are, in many ways, synonyms and which represent attitudes or behaviors that may be driven by love, although not necessarily, or not always: charity, generosity, benevolence, compassion, warmth, service, altruism, etc. (Argandoña, 2010b).

[3] http://dictionary.reference.com.

Benedict XVI often talks about the "logic of gift" (CV 34, 36) and the "principle of gratuitousness" (CV 34, 36). The word "logic" refers here to the relationship between elements (people, principles, objects, events) of a whole. The "logic of gift" hence refers to the relationships found in a system (society, market, company, etc.) when the starting point taken is the individual's givingness, insofar as he is empowered for gift and called to give. A "principle" becomes "an accepted or professed rule of action or conduct", or "a fundamental, primary, or general law or truth from which others are derived": the "principle of gratuitousness" would therefore be the maxim or idea that governs or should govern a matter; in our case, gratuitousness as the guiding principle of men's life in society.

Love, Gift and Gratuitousness within the Firm

What does Benedict XVI mean when, in the words with which we opened this chapter, he suggests that "in commercial relationships the principle of gratuitousness and the logic of gift [...] can and must find their place within normal economic activity" (CV 36)?

In conventional or mainstream economics, where resources are considered to be scarce and human needs are considered to be unlimited, the market is the best way to organize economic activity, because it enables the greatest possible number of needs to be satisfied with the least quantity of resources. In the market, rational agents – each one pursuing their own interests, whether these are altruistic or self-centered – cooperate to satisfy everyone's interests, needs or motivations. As Adam Smith said, "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages" (Smith, 1937/1776, I.2.2). Love may be present but it is not necessary.

However, a large part of economic activity takes place within firms, which do not follow the logic of free, voluntary exchange characteristic of the market but the logic of hierarchy and authority, attributed to the owner of capital and those who are his representatives – the managers (Coase, 1937). Economists view the firm as a collection of physical and human resources or assets that cooperate to produce goods and services. Coordination of these activities is attributed to the owner of the production factor that is able to obtain the greatest contribution of all resources, in other words, the greatest efficiency, and that resource is capital.

Thus, the owners of capital hire a manager to act on their behalf and manage the firm in accordance with the owners' interest. The manager hires material and human resources and pays them the agreed price, exercising his authority to direct their activity within the limits of what is allowed by laws, what is agreed in the contracts, and what is established by social norms. Fairness problems are addressed in the contracts, which also provide incentives so that workers make the necessary effort to ensure efficient production.

In the theory of the firm, as previously in the theory of the market, there is no systemic place for love. Each individual must abide by the contracts in which he is involved and there is apparently no conceptual need for other duties. It is not even necessary to appeal to ethical arguments to demand compliance with fairness in contracts: it seems sufficient for them to be bound by law and for judges to enforce their observance.[4]

However, there are many cases of gratuitous conduct (Meier, 2006; Titmuss, 1971) which may be inspired by love, both outside of the market (donations, private contributions to funding public goods, cooperation) and within the market (non-profit firms, free services, or reduced prices for certain beneficiaries).

The distinction between exchange and gift is not clear in economics. Theoretically, exchange occurs in the market, and gift outside of the market, but we find a broad range of behaviors between the two extremes, and there can be many forms of gift included within commercial relations. The great variety of explanations that have been given to the components of gift and gratuitousness in human behaviors can be grouped as follows:

1) The act of giving entails the expectation of receiving something in return in the present or future (reciprocity, impure altruism) (Axelrod, 1984), that may be tangible (tax advantages tied to donations, for example) (Okten and Weisbrod, 1999) or intangible (reputation, willingness to cooperate, etc.) (Glazer and Konrad, 1996, Harbaugh, 1998), positive or negative (social approval or censure) (Godbout, 2005), and affecting the agent himself or others, but always hoping for a benefit for him (favoring the group or class to which the agent belongs, aversion to inequality) (Becker, 1976, Fehr and Schmidt, 1999).

2) The act of giving is performed because it gives a psychological or emotional benefit to the agent, either because his preferences function includes being useful to others or because of the self-satisfaction (*warm glow*) that the act of giving produces (Andreoni, 1989).

3) The agent seeks the good of the individual he gives to (strong altruism) (Piliavin and Charng, 1990).

The third type of explanation seems to be directly related to the love of benevolence (Argandoña, 2010b, 2011a), but this motivation cannot be ruled out in the other cases, not even in the exchange of goods on the market: the seller, for example, may seek the buyer's good, even when he demands payment of the fair price. Other forms of love may also be applicable, both in commercial relations and outside of the market (when we act moved by a desire to be friendly, comradeship, etc., or when we appreciate that which we like or favors us: love of concupiscence) (Argandoña, 2010b).

In any case, although the explanations given by economics may be correct, they usually follow the paradigm of self-interest (Monroe 1994) and do not pay sufficient attention to the agent's motivation or intention, because they assume that the agent's actions are motivated by only one thing, or that the various motivations form part of the same preference function, enabling a

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[4] The explanation that we have given matches quite closely the model of the capitalist firm in most modern theories. There are other models and theories which modify some of the assumptions and mechanisms explained (Argandoña 2011b), but, in any case, these models do not attribute any role to love.

trade-off among them,[5] which leads them, for example, to exclude love from relations where there is a personal interest.

Virtues in the Firm

In this section, we will show how the virtues and, specifically, love can and should be lived within the firm.[6] The currently prevailing theories of the firm usually assume that the manager seeks to maximize the capital's value for the owners: this is the only important goal, at least in the neoclassic and neoinstitutionalist models. Under certain conditions, this allows maximum economic efficiency to be achieved. Of course, there are other lower-level goals, but they are subordinated to the first goal: for example, employees will have their own preferences about their work conditions but the firm has the necessary instruments to optimize each employee's contribution.[7] However, if we start from a broader theory of human action within organizations, these assumptions need to be revised.

Any human action gives rise to three types of effect or result:[8]

1) Extrinsic effects received from outside, which are the environment's (positive or negative) response to the agent's decision. They may be tangible (goods and services that the environment, usually other people, provide to the agent in response to his action) or intangible (reputation, recognition, prestige, social relations, etc., or loss of prestige, damage to reputation, etc., also provided by other people).

2) Intrinsic effects which come from and end at the agent himself as a result of the action, and which may, in turn, be of three types: a) satisfaction or dissatisfaction with the action performed; b) the positive or negative "operational" learning of knowledge, skills and abilities that the agent may obtain as a consequence of the interaction, and c) another type of learning, which we can call "evaluative", because it influences, positively or negatively, the agent's ability to evaluate the consequences of his actions on himself and on others (for example, the ability to realize whether his action will make it easier or more difficult for other agents to cooperate in his future interactions), which will enable him to develop his ability to make good decisions in the future.

3) Effects that the agent does not receive or produce in herself, but take place in other people, also as a consequence of the action. The most important point about these effects is that, as we have just pointed out, they cause certain types of evaluative learning in the agent, who learns to take or not take into account his actions' effects on others.

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[5] However, this is not applicable to all theories: for example, those that focus on the other party's response (hostile or friendly) or behavior (also hostile or friendly) concede a significant role to the intentions attributed to the latter (Fehr and Schmidt, 2005).

[6] The following draws from Pérez López (1991, 1993); cf. also Argandoña (2008a, 2008b, 2008c).

[7] This version of modern theories of the firm does not do justice to many of the complications that have been incorporated over time. Cf. Argandoña (2011a).

[8] For what follows, cf. Argandoña (2008a, 2008b, 2008c), Pérez López (1991, 1993).

In any action involving interaction between people, these three effects always happen to a greater or less extent, even if the agents ignore them or do not wish them. Therefore, these people may act moved by different motivations, seeking one or more of the results we have mentioned: extrinsic motivation (extrinsic results), intrinsic motivation (intrinsic results) and transcendent motivation (aiming at results in other people). [9]

If these agents relate with each other within an organization, it is assumed that they seek a common purpose or goal which is in the interest of all of them, albeit for different reasons, depending on the results pursued by each one and, therefore, on the motivations driving them. Therefore, the action can be evaluated in accordance with three criteria (Pérez López, 1991, 1993):

1) Its ability to achieve the organization's extrinsic results, which in turn are necessary to enable the extrinsic results pursued by the various agents. In the case of a firm, this ability is the generation of value to meet the expectations of financial reward of the company's stakeholders, such as owners, managers, employees, etc. We will call this dimension "efficiency" and it can be identified approximately with the organization's financial performance.

2) Its ability to meet the agents' intrinsic results: their satisfaction (for example, through the work atmosphere that the organization provides to employees) and their "operational" learning (the development of their knowledge, abilities and attitudes, insofar as they enable development of the firm's distinctive competences). This dimension would be the "attractiveness" of the action and, by extension, of the organization.

3) Its ability to develop "evaluative" learning, so that both the agent making the decision and the other people with whom he interacts develop their ability to make better decisions in the future, so that they are able to consider whether these decisions facilitate or hamper everyone's ability to develop the organization's common goals and, primarily, their ability to work in cooperation with each other – which Pérez López (1993) calls the "consistency" or "unity" of the action and of the organization.

It is not possible to summarize these three dimensions in just one. The firm needs a minimum level of efficiency and attractiveness to function (to put it simply, it must offer its staff a salary that is sufficient, a minimally satisfactory workplace and the ability to learn the knowledge and operating skills that the firm needs for its growth). Up to a point, there is a limited trade-off between these two dimensions. However, what distinguishes this analysis from that of the theory of the firm mentioned above is the introduction of the third dimension, consistency, and with it, evaluative learning.

This learning happens when: 1) the agent strives to identify all the consequences of his actions on himself and on others to understand how they affect his decision-making. Because, whether or not he knows or wishes it, with each action he is re-learning to decide in accordance with certain criteria and not others, considering certain effects and not others, and assessing them in accordance with the three criteria mentioned above –efficiency, attractiveness and consistency– or omitting one or more of them. 2) And also when he seeks to understand how the other

[9] We maintain the terminology of Pérez López even if it is not followed by other authors, because this triple classification of motivation is more complete than the traditional distinction between extrinsic and intrinsic motivations, especially in the identification of the evaluative learning.

agents learn to consider certain effects and not others, and to act in accordance with certain motivations and not others, in other words, how they change their decision criteria. We could call all this the "rational" component of evaluative learning. 3) The agent must also develop his ability not only to know, but to act virtuously, overcoming the temptation to act moved solely by a particular type of results, the extrinsic results (for example, out of convenience or laziness). In short, the agent must develop his moral virtues (Argandoña, 2011c).

We can therefore say that in the firm, as in any human activity, the individual must live by the virtues that enable him to continue making ever better decisions in the future and which develop a framework in which organizations can maintain and improve their consistency, that is, the unity of action and their members' capacity for personal and social development. In other words, it must live by love, which is the virtue that furthers other people and brings order and unity among them. As Saint Augustine says, "it seems to me that the brief definition of true virtue is "order in love"" (Augustine of Hippo, 2009, XV, 22, quoted in Lorda, 2009, 508).[10]

In short, in the firm, the agent lives by virtues and seeks that others should live by them too. He does this as something that forms part of the action, which is necessary for satisfactory completion of the action (which is then morally correct) and for the quality of the human relationship in which he is immersed (which improves ethically the person performing the action) and, therefore, of the organization too (because it also enables the improvement of the other people with whom it relates).

From Virtue to the "Logic of Gift"

In the theory of action we have outlined, we see that, in any interpersonal action, the agent delivers and receives tangible and intangible goods and services; he gives to himself or receives from others satisfaction and operational learning; he does something because of them (to favor them or harm them) and learns to do something (good or bad) for them.

The recognition of the role of virtues in action forces us to consider the agent's motivation. When performing a commercial operation within the "market logic", agents may act out of extrinsic (profit, salary, reputation), intrinsic (satisfaction) or transcendent (service) motivation because all three motivations may be present in all decisions. This can also happen when the firm acts within the "logic of State": it may pay tax for fear of punishment, for the satisfaction gained from doing one's duty, or as a way of contributing towards society's common good. In the same way, when it carries out an action that we can describe as "charitable" or social (for example, giving a discount to needy people), it may act for an extrinsic (reputation), intrinsic (its employees' satisfaction) or transcendent result (achieve something that it considers good for its consumers or employees).

In any case, the presence of any given motivation is independent of the action's gratuitousness. A firm that performs the above-stated charitable action with the sole purpose of achieving greater profit is not necessarily acting immorally but it is not improving its members' virtues either. On the other hand, a firm that pays its employees the salary strictly stipulated in their

[10] On the need for charity for the existence of virtues, cf. Aquinas (1990, II-II, q. 23, a. 7).

contract because it is its duty is acting in accordance with the moral virtue of justice, it is learning to take into account its employees' needs and improving its moral quality.[11]

When an agent acts out of transcendent motivation, it makes a "donation" which may be a free delivery of tangible or intangible goods and services, beyond what is gratuitous. Insofar as they give rise to a donation, virtues come within the "logic of gift", whose natural quality is "to give" in a very broad sense: give things and, above all, "give oneself", moved by love. Therefore, when a person acts within the logic of gift, he also "donates" new virtues and abilities to himself. In the process, the logic of gift becomes two-way: he gives and receives, but what he receives are not other real or potential, present or future goods but, above all, moral improvement, and greater fulfillment as a person.[12]

All of this is understood more easily when one considers what the Encyclical Letter says about the logic of gift and justice. Charity does not oppose justice, which "prompts us to give the other what is "his", what is due to him by reason of his being or his acting. I cannot "give" what is mine to the other, without first giving him what pertains to him in justice" (CV 6). "Not only is it [justice] not an alternative or parallel path to charity: justice is inseparable from charity" (CV 6), so that "the logic of gift does not exclude justice, nor does it merely sit alongside it as a second element added from without" (CV 34). "Charity goes beyond justice, because to love is to give, to offer what is "mine" to the other (...) charity transcends justice and completes it" (CV 6). *Caritas in veritate* points out that "in the past it was possible to argue that justice had to come first and gratuitousness could follow afterwards, as a complement" (CV 38), because the liberal philosophy put emphasis on justice as the main social virtue, minimizing the role of charity and love, but "today it is clear that without gratuitousness, there can be no justice in the first place" (CV 38). To treat men with justice, they must be treated with love.

The Scope of the "Logic of Gift"

"The Church's social doctrine holds that authentically human social relationships of friendship, solidarity and reciprocity can also be conducted within economic activity, and not only outside it or "after" it" (CV 36). The theory of action that we have presented helps us understand that the "logic of gift" and of virtue can and must be present in all human actions, both in the market and the firm and in relations between citizens and the State or in what we usually call civil society, and, of course, in private or family life.

In the exchange of equivalents, the agent delivers a good and receives its price. If the exchange is voluntary, it cannot be said that something has been "donated" because the agent values what he has received at least as much as what was given: "giving in order to acquire" (CV 39). The exchange of equivalents takes place mainly in the market, "the economic institution that permits encounter between persons (...) as they exchange goods and services of equivalent value between them, in order to satisfy their needs and desires" (CV 35), by means of the

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[11] Because, in addition, all virtues grow together: an agent who seeks to live more by justice every day will be fostering all the virtues, starting with charity.

[12] But the key to the logic of gift is not the "gratuitousness" of the external action or of the result (giving something in exchange for a price that is zero or less than what one could obtain on the market), but the exercise of virtues, presided over by love. And this can happen in firms that, apparently, do not live by gratuitousness, in the sense of "giving" without requiring anything in return.

contract; it operates under the efficiency principle (obtainment of the best possible result with the resources available), and "is subject to the principles of so-called commutative justice, which regulates the relations of giving and receiving between parties to a transaction" (CV 35).

Gift can also be "through duty" (CV 39): for example, that is how the State collects taxes. In a broad sense, it can also be considered a form of "donation", because nothing is immediately given in return: the person who pays a tax receives public goods and services but not in accordance with commutative justice but with distributive (the value of what is received does not necessarily need to be proportional to what is given) and legal justice (which regulates citizens' relations with society) (Pieper, 1965).

It is also possible to give without coercion and without expecting anything in return. This is what happens in civil society, which seems to be "the most natural setting" for this to happen in "an economy of gratuitousness and fraternity" (CV 38), represented by non-profit institutions, non-governmental organizations, foundations, cooperatives, employee-owned companies, etc., which must abide by the strict duty of justice and truth to prevent basic human needs from remaining unsatisfied and the men oppressed by such needs from perishing.[13]

The Encyclical Letter also explains that "both the market and politics need individuals who are open to reciprocal gift" (CV 39): all three areas of human relations, market, State and civil society, must be open to the logic of gift (Zamagni, 2006, 2007). And particularly in economic activities, "authentically human social relationships of friendship, solidarity and reciprocity can [and must] also be conducted within economic activity, and not only outside it or "after" it" (CV 36).

Gift in the Firm

All of the above leads to the core subject of this chapter: how can the logic of gift be lived in the firm? The Encyclical Letter points out the need for "a profoundly new way of understanding business enterprise" (CV 40), because "the great challenge before us [...] is to demonstrate, in thinking and behaviour [...] that in commercial relationships the principle of gratuitousness and the logic of gift as an expression of fraternity can and must find their place within normal economic activity" (CV 36).

In the previous pages, we have presented a conceptual framework for developing Benedict XVI's proposal from the viewpoint of the theory of the firm. Organizations, including those that pursue profit, must take into account the variety of motivations of those who work in them or relate with them; therefore, any action must be assessed from three viewpoints, which include the possibility of achieving the material results that the organization and its stakeholders seek (which we have called efficiency), and attaining an environment that is sufficiently attractive for people and for the development of their operational learning (attractiveness), but also where people can work for their own good and that of others (consistency). This implies that people must live by virtues, including in the firm and in the market, ant this implies entering a relationship of giving between people, a "logic of gift", which includes the provision of resources having an economic value (which would be part of gratuitousness in an economic

[13] This is why it is necessary to acknowledge, protect and foster the role of civil society as a "provider" of solidarity, because "the exclusively binary model of market-plus-State is corrosive of society, while economic forms based on solidarity, which find their natural home in civil society without being restricted to it, build up society" (CV 39).

sense, if what is given has a higher value than what is received) but also goes much further, encompassing feelings and affections, the moral improvement of others, the creation of a humane environment in the firm, the exercise of solidarity, the pursuit of the common good and many other “goods”.

Benedict XVI goes a step further, however, and not only asks for a new theory but also a new reality: “space also needs to be created within the market for economic activity carried out by subjects who freely choose to act according to principles other than those of pure profit, without sacrificing the production of economic value in the processes” (CV 37).

In economic life, we already find a range of organizations with different legal and ownership structures, different goals (obtaining profit, providing public goods or social services to their members, to needy population groups or to the general public), different financial management criteria (maximizing profit or simply covering costs), different uses for its surpluses (for the benefit of their owners or other stakeholders), etc. We also find a very varied range of behaviors, often within the same industry. In any case, economics has also paid attention to forms of organization that are different from the for-profit firm.

But the Encyclical Letter goes beyond the mere coexistence of for-profit organizations with publicly-owned companies or administrations and with non-profit organizations pursuing social goals when it proposes the creation of organizations that, while having structures and strategies that are similar to those of for-profit companies, voluntarily choose not to pursue profit as their primary or dominant goal, either because they plan to share all or part of the profits earned among stakeholders other than their traditional owners or because they waive *a priori* such profits, whether by incurring expenses that are not “necessary” for the business activity (paying above-market prices for their raw materials, for example), by obtaining revenues below those that would be allowed by the market (giving discounts to certain customers), etc. “This is not merely a matter of a “third sector”, but of a broad new composite reality embracing the private and public spheres, one which does not exclude profit, but instead considers it a means for achieving human and social ends. Whether such companies distribute dividends or not, whether their juridical structure corresponds to one or other of the established forms, becomes secondary in relation to their willingness to view profit as a means of achieving the goal of a more humane market and society” (CV 46).

Is this possible? Viewed from self-interest-based anthropology, the answer is no: in a market subject to perfect competition, a firm that does not seek to maximize its value for its owners is doomed to disappear. But this does not necessarily have to happen, if we relax the strict assumptions of the neoclassical model. For example, if resources are not homogeneous, competitive advantages may be enjoyed by non-profit entities such as providers of capital that do not seek profit maximization, managers who are not interested in profiting personally at the cost of shareholders, customers who remain loyal for religious or social reasons, or employees who are willing to work for below-market salaries. Many companies enjoy some market power, i.e., they earn “rents” that are usually shared among their owners or managers but which may also be distributed among other stakeholders.

These arguments show that, even in the profit-maximizing model, the principle of gratuitousness can be present, and it is, at least in certain fields and specific markets. In addition, Benedict XVI advocates the development of a legal, fiscal, institutional, social and ethical framework that will not only enable third sector organizations to survive and flourish but also business companies that voluntarily pursue, without unnecessary discrimination or impediments, the achievement of non-economic goals in “a market that permits the free operation, in conditions of equal opportunity, of enterprises in pursuit of different institutional ends” (CV 38).

This adds two challenges to our analysis: 1) “shape and structure [must] be given to those types of economic initiative which, without rejecting profit, aim at a higher goal than the mere logic of the exchange of equivalents, of profit as an end in itself” (CV 38), and 2) it is also necessary to foster the “shifting of competences from the “non-profit” world to the “profit” world and vice versa, from the public world to that of civil society” (CV 41), because “it is from their reciprocal encounter [between for-profit and non-profit organizations] in the marketplace that one may expect hybrid forms of commercial behaviour to emerge, and hence an attentiveness to ways of civilizing the economy” (CV 38). “Without prejudice to the importance and the economic and social benefits of the more traditional forms of business, they steer the system towards a clearer and more complete assumption of duties on the part of economic subjects”. Benedict XVI even suggests that “the very plurality of institutional forms of business gives rise to a market which is not only more civilized but also more competitive” (CV 46). Or, to put it another way, the very existence of a variety of institutions, with different goals and motivations, may encourage new initiatives, probably as a result of cooperation, innovation and imitation.

All this is nothing more than the practical translation of what we have said earlier about virtues and the “logic of gift”: if the economic subjects are moved by a plurality of motivations, it is logical that they will create and develop initiatives that respond to those motivations, including economic organizations that seek to satisfy consumers’ needs through the production of goods and services applying efficiency and innovation criteria and to earn profits (because this is required by the efficiency criterion and is necessary for the organization’s survival and growth), but do not consider it to be the goal of their activity but “a means for achieving human and social ends” (CV 46). Thus, this challenge must ultimately be addressed on three levels:

1) One, personal: how to persuade a larger number of entrepreneurs to start businesses that, without renouncing profit, go beyond it. *Caritas in veritate* provides key points for addressing this challenge, from its first paragraph (“love – *caritas* – is an extraordinary force which leads people to opt for courageous and generous engagement in the field of justice and peace”: CV 1) to its last pages (“the greatest service to development, then, is a Christian humanism that enkindles charity and takes its lead from truth”: CV 78).

2) Another level, which is that of the business organizations themselves, must be conceived, organized and managed to show that “in commercial relationships the principle of gratuitousness and the logic of gift as an expression of fraternity can and must find their place within normal economic activity” (CV 36). As is only logical, the Encyclical Letter does not offer any answers to this challenge, because that is a task that corresponds to business owners, managers and academics.

3) Lastly, the national, international and systemic levels, because, to quote John Paul II, “economic activity, especially the activity of a market economy, cannot be conducted in an institutional, juridical or political vacuum” (John Paul II, 1991, n. 48). That is the main task of nation states, even in a globalized world (cf. CV 42).

Conclusion

Caritas in veritate is an original document, full of suggestions for experts and practitioners. The concept of gift occupies a central stage in it; a concept intended not just to inspire spiritual thoughts, but to guide the theoretical work of social scientists and the practice of entrepreneurs and politicians.

In this chapter we developed the concepts of love, gift and gratuitousness from the Christian doctrine to the works of sociologists and economists. The neoclassical theories of the firm do not give space to love, but there are many contributions that explain the roles of love and gift in economic behavior. The setting of both – gift and self-interested behavior – is, nevertheless, not well achieved. We propose a simple theory of human action that introduces moral virtues in the reasoning of economics and opens new possibilities of introducing love, gift and gratuitousness into the theory and practice of the market, the State and the firm. We conclude that entities organized according to the "logic of gift" and the "principle of gratuitousness" are not only possible but necessary, and that a new paradigm that considers for-profit firms, State-owned companies, non-profit organizations and any other intermediate institution is possible – and necessary.

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