

**The Vocation of Business:
Social Justice in the Marketplace**
John Medaille
New York: Continuum, 2007 (359 pages)

Included in the corpus that comprises Father Bernard Lonergan's mostly unheralded research in economics is an essay he wrote in 1975 titled "Healing and Creating in History." Written for the benefit of the students in his course at Boston College on "Macroeconomics and the Dialectics of History," it provides a suitable lens for reflecting on the factors that contribute to human progress.

In the essay, Lonergan argues that any single genuine development in history proceeds along two vectors: one from above downward, healing, and one from below upward, creating. The healing power of grace and love and the shape it takes in human language and meaning is like a soul without a body when unaccompanied by a concomitant creative process. Both of these movements are needed if what is going forward in history is to reflect conscious human intentionality and authentic progress.

Thus, like every human endeavor, developments in both the theoretical and practical aspects of economic life require a grasp of the moral principles that inform and heal the human heart, as well as the economic principles that will permit human persons to pursue their own well-being and authentic happiness. Lonergan points out that the problem with most economists is that they ignore human freedom and bracket morality; the problem with most moral theorists is that they have little appreciation for the exigencies of the market. If we are to arrive at the principles that could govern a right economic order, we must recognize the "profound difference between diagnosing a malady and proposing a cure." It is futile to "excoriate what does exist while blissfully ignoring the task of constructing a technically viable economic system that can be put in its place."

This suggests that the question before us here concerns the extent to which, in *The Vocation of Business: Social Justice in the Marketplace*, Professor John Medaille proposes both a diagnosis and a cure. Do we have merely a heap of abstractions and empty moralisms? Does the book provide us with cumulative insights and an ever fuller, more adequate view?

The volume is not concerned with the vocation of business per se; there are barely 4 pages of a possible 325 devoted to exploring what that might be. It is the subtitle *Social Justice in the Marketplace* that provides the rubric for the book's aims. Professor Medaille seems to be writing primarily for economists, albeit with one eye on the business person who continues to rely unwittingly on an economic tradition that (apparently) refuses to confront the flaws in its own founding principles and reasoning. Though Medaille strikes a few false notes in the volume, he does provide a comprehensive, perhaps definitive, analysis of what many argue are the errors in neoclassical economic theory; this alone can recommend it to those interested in the moral grounds of the market. His treatment of this topic is (mostly) historically accurate, immensely readable, and leaves the reader with almost a sense of relief that the problem has, at the very least, been articulated.

The central question of the book is the relationship between justice and economics. Medaille begins with the argument that these cannot be opposed to each other nor can they be identical, as if economic structures and activities operated justly according to some divine or natural law. Justice must be intentionally embodied in social institutions and only will be when it is recognized that the so-called laws of economics do not operate in the same way as the laws of physics. Human freedom and experience are involved, and, therefore, a moral theory is legitimate and necessary but only when it begins with the recognition that the human person is a social being with a particular *telos*. From this *telos* is derived a sense of “oughtness,” that essential moral notion, lost in the aftermath of the Enlightenment, that must inform the economic order, just as it should the political, legal, and cultural dimensions of human living.

With this established, Medaille proceeds to his critique. He starts by distilling the historical development of economic thought from Aristotle to Aquinas, from Smith and Ricardo, to Malthus, Say, and Senior. The unity of justice and economics started to fray with the emergence of the new mercantilist class in the sixteenth century and the individualist notions of being human that characterized the Enlightenment project. The Scholastic synthesis of Aristotle’s theory of the unity of distributive and corrective justice lost its foothold soon after. A new principle emerged from the effort to ground all reasoning in a natural order—the pursuit of monetary wealth for its own sake leading to the discoveries of Adam Smith. Classical economics was born.

Smith’s failure to arrive at a theory that would unify distributive justice (Smith’s Labor Theory of Value) and corrective justice (the famous Invisible Hand) led to a fragmentation of economic thought as subsequent theorists emphasized one or the other principle. Into the void marched utilitarian economic theories, which called for a radical divorce between ethics and economics in order to ground economics in the more objective world of science. This set the stage for the final sundering of justice and economics: the discovery that it was not utility per se but *marginal* utility that provided the rationale for establishing price and legitimating profits.

In Medaille’s account, the ultimate villain is John Bates Clark. In *The Distribution of Wealth* (1899), Clark solved the problem that had plagued marginal utility theory: how to treat the three factors of classical economics—land, capital, and labor—under the same mathematical formulae. Clark proved that all income—wages, profits, and rents—originate in the same natural law that governs economics by positing an abstraction known as capital without reference to any actual physical content. Clark argued that these productive factors, when left undisturbed, will always return to the productive agent the exact value of that which he created.

Medaille maintains that Clark’s solution required him to divorce economic theory from reality. There were no longer actual men with shovels but a mathematical abstraction that could be fit neatly into formulae without regard for any concrete notion of the good. This is what permitted Clark and others to ignore the fact that the critical factor in arriving at prosperity is not capital, but labor, and that the linchpin of a rightly ordered economic system is the just wage. The principles of neoclassical economics have reduced

our notions of economic justice to a narrow utilitarian concern for exchanges mediated only by money and price.

Having offered a diagnosis of the malady, Medaille also proposes a cure. After grounding his analysis in Catholic social teaching, he invokes the economic theory of distributism, whose best known advocates were Hillaire Belloc and G. K. Chesterton. In the classic text for this theory, *Economics for Helen*, Belloc argues that the factor that controls all others in any political economy is the distribution of property and further that justice in exchange relies on a certain level of distributive justice prior to any transaction. Contrary to neoclassical assumptions, equity in the ownership of property must precede economic equilibrium because, in truth, it is the only way to achieve it.

Proof that this theory works in practice is offered through a detailed analysis of the experience of Taiwan, the success of micro-banking in Bangladesh and the example of the Mondragón Cooperative Corporation in Spain. Medaille rounds out his proposal with an analysis of the just wage and the benefits of building an authentic ownership society, but his fundamental argument is that wealth is created through the interaction of two sources: the gifts of the earth and human labor. Capital is inert without the intelligence and creative capacity of human persons; justice cannot be achieved by pretending otherwise.

There is one unfortunate moment in the book—an unnecessarily caustic critique of the work of Michael Novak and the neoconservative movement—but Medaille has made a real contribution to our efforts to understand the morality of the market. He clarifies that any consideration of the vocation of business or the business person can go only so far without first rethinking the economic theories that, at least abstractly, govern the business enterprise.

Indeed, it may be that the emerging conviction that business people have a vocation too is leading us finally to question the tacit assumption that the only thing business does is make money for its stockholders. No one can deny that human creativity and the entrepreneurial spirit have flourished where political and economic freedom has existed; clearly this has led to material prosperity for much of the developed world. This book reveals that only an accurate diagnosis of what factors have *in fact* led to this prosperity will insure a more widespread distribution of it and, more to the point, lead to a more realistic understanding of the human purpose it serves.

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