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A brief history of Business Ethics here and now*

Abstract

The article is a review of issues connected with business ethics and corporate social responsibility (CSR) in the last 20 years. Two decades have passed since the Sixth Polish Philosophical Congress took place in Toruń, where—for the first time in the history of Polish philosophical conventions—business ethics was recognized as a philosophical sub-discipline. It manifested itself in a special subsection of the Congress devoted to the topic, which was also kept at the next congress meetings. The paper is not a full review and most likely is not free from subjectivism. This is partly due to the fact that the subject matter falls within the scope of the philosophy of practicality—as the author interprets and refers to the philosophical system of Tadeusz Kotarbiński.

Keywords: business ethics, ethics of economics, ethical infrastructure, praxiology, corporate social responsibility

JEL Classification: M14

Last year marked two decades since the Sixth Polish Philosophical Congress took place in Toruń, where—for the first time in the history of Polish philosophical conventions—business ethics was recognized as a philosophical sub-discipline. It manifested itself in a special subsection of the Congress devoted to the topic, which was also kept at the next congress meetings. The anniversary seems to be a suitable occasion to review the subject matter in the context of the last two

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decades. It will not be a full review and probably will not be free from subjectivism. This is partly due to the fact that the subject matter falls within the scope of the philosophy of practicality—as I interpret and refer to the philosophical system of Tadeusz Kotarbiński (Gasparski, 1993a).

At the Toruń congress, I had the honor to present the paper „Działalność gospodarcza z punktu widzenia filozofii: między prakseologią a etyką” [“Economic activity from the philosophical perspective: between praxiology and ethics”] (Gasparski, 1996). During the presentation, I called for the recognition of economic activity as serious action, which was based on Józef Maria Bocheński’s distinction between cognition as serious thinking and thinking in general (1992, p. 16). The seriousness requires us to treat the goal of an action and the way—i.e., the means—of achieving it seriously. In the case of thinking, which aims at acquiring knowledge (cognitive value) as well as in the case of economic activity, the purpose of which is to get benefits (economic value), the goal cannot justify the means. Therefore, it is necessary to take care of the positive evaluation of actions not only in praxiological categories, i.e., according to two main criteria: effectiveness and efficiency, but also in terms of ethicality that sets the framework (norms) of actions admissible in a given culture or across cultures. These three dimensions—The Triple E—are the necessary condition for an action to be characterized by the seriousness of the highest degree—wisdom as a kind of technology, presupposing that an acting man is a person of strong character, as Bocheński wrote. The scholar believes that this is precisely what praxiology recommends. In addition, referring to Tadeusz Kotarbiński’s concept of “small philosophy” (cf. Gasparski, 2006, pp. 13–19), I asserted that business ethics could be seen as “small ethics of management.” Small, because it does not aspire to create an Arcadia of economic life, but it realistically endeavors to civilize business, i.e., professionalize it, which requires professional and moral competence (Gasparski, 1966).

The postulate of small business ethics converges with the concept of bounded rationality formulated by the Nobel Prize winner Herbert A. Simon, on which he spoke at the international conference “Praxiologies and the Philosophy of Economics”, which preceded the debate in Torun and was convened in Warsaw in 1988 by the praxiological community (Auspitz et al., 1992). It was organized with the support of the Austrian Cultural Institute and the SABRE Foundation from the United States. The conference was also attended by the doyen of the American philosophy of economics, Kenneth E. Boulding, the systems theorist, George

1 Mario Bunge expresses a similar view regarding praxiology and ethics: “The reason for regarding philosophical ethics and praxiology as technologies and, indeed, as the philosophical technologies, is this. Technology is about designing and planning, maintaining and repairing. So are moral philosophy and praxiology. In fact, to face a moral or praxiological problem, to take responsibility for it, and to reflect on the means to solve it in the light of available knowledge and resources, may be regarded as a technological problem. Conversely, to face a technological problem in any depth necessitates invoking general praxiological concepts and principles. And to tackle a problem with social responsibility requires some ethical concepts and principles” (Bunge, 1999). For similar reasons, Kotarbiński (2003) defined praxiology as a methodology.

2 That is, having virtues synonymous with the integrity of character (MacIntyre, 1996).
J. Klir, the epistemologist of practice, Donald A. Schön, the philosopher from the University of Pennsylvania in Philadelphia, Henryk Hiż—a student of Tadeusz Kotarbiński, as well as numerous scholars from Poland and abroad.

Simon criticized the physicalization of economics, stating:

What is startlingly absent from the empirical literature of classical economics is evidence of optimization based on the direct observation of the behaviour of economic actors. Milton Friedman (1953), of course, in his celebrated essay on methodology in economics, has sought to make a virtue of this deficiency. He argues that a theory cannot be judged by the realism of its assumptions, but only by its efficacy in making predictions. [...] The second flaw in Friedman’s argument is his claim that unrealism in the assumptions of a theory is a good thing, or that it is even acceptable. [...] Among the inferences that can be drawn from any theory, hence among its predictions, is the truth of its assumptions. (1989, pp. 142–143)

A practice methodologist, a praxiologist, would say that practical solutions should be accurate, and in order to become accurate, they should result in relevant changes (i.e. proper). This is a requirement laid down for solutions of design, analogous to the criterion of truth for scientific solutions. The conceptual preparation of actions leading to such changes is the distinguishing methodological feature of design—as specified in the design methodology which I proposed some time ago (Gasparski, 1993b). Design, on the other hand, is the methodological distinguishing feature of applied sciences, which Kotarbiński and Simon demonstrated independently of each other. What is more, the latter received the Nobel Prize for, among other things, the concept of bounded rationality, indicating that it is not perfection, or utter perfection, that provides the basis for the choices people make on the market (and not only there), but satisfaction. Thus, it can be concluded that the difference between the perfection of “econo-physicists”—however it would be understood—and bounded rationality, which is characteristic of entities making real choices, lies in the missing economic “coefficient of friction” (Gasparski, 2009a).

It is worth mentioning that Boulding, who participated in the conference, was already well-known to Polish readers for his works that had been translated into Polish and published by the Polish Publishing Institute (Polish: Polski Instytut Wydawniczy) (Grosfeld, 1985), in particular, for an article on business ethics (Boulding, 1985). Based on this article (pp. 59–69), the following noteworthy theses can be formulated:
ETHICS AND BUSINESS
The 25 theses according to K. E. Boulding

1. Every human behavior is driven by a system of values, i.e., a certain system of preferences, a personal ethical system.
2. Even if this behavior is arbitrary and “irrational”, it is probably because a given person attaches high value to arbitrariness and “irrationality”.
3. Faced with a set of images of the future, a person evaluates them and chooses one.
4. The choice of the way that we choose one “correct” system of values out of many is (by design) an ethical system of values.
5. It is not possible to prove statements of an ethical theory a priori.
6. Each culture (subculture) has an ethical system by which it is created and which it creates.
7. The dynamic nature of society relies on the existence of a certain tension between the explicit and implicit value systems.
8. A society with unattainable ideals is characterized by high dynamics, while a society with ideals “within the possibilities” remains stagnant.
9. It is necessary to reject the type of ethical relativism in accordance with which all ethical answers are equally legitimate.
10. If a given society does not consider the value of its culture, it is threatened with stagnation or a downfall.
11. A business society is a social system organized primarily by exchange institutions.
12. A social system is created by the relations between persons, or – more precisely – between the roles performed by these persons.
13. The fundamental problem of a social system lies in the conflict of roles.
14. The relations between roles come into the following categories:
   (a) threat (“do something nice for me, or else I will do something nasty to you”), or deterrence (“if you do something bad to me, I will do something bad to you”) [a zero-sum game, the so-called prisoner’s dilemma];
   (b) exchange, or promise (“if you do something nice to me, then I will do something nice to you”) [a non-zero-sum game];
   (c) integration (“I want the same thing as you”).
15. No society is purely a business society.
16. In addition to exchange institutions (corporations, banks, stock markets, unions, etc.), every society has a government (managing the threat system) and integrative institutions (family, church, school, club, etc.).
17. Whatever undermines an exchange institution and its organizing force undermines the business system.
18. The issues undermining exchange institutions:
   (a) individual systems of values (lack of simple honesty, deficiency of Puritan virtues, cynicism);
   (b) political conceptions (no basic governmental framework);
   (c) the abstract character of an exchange system (lack of integration, lack of personal relations that would be richer than relations of exchange);
   (d) lack of emotional involvement (a business society as a cold institution, the inability to evoke feelings).
19. The development of integrative institutions is indispensable for a business society to survive, since business institutions – being instrumental in character – are not able to develop integration systems on their own.
20. The shortage of integrative institutions poses a threat that management units may develop personal ethics which is harmful to market institutions.
21. The internalization of basic virtues of honesty and reliability is gradually weakened if a person devotes all his or her life to accounting books and focuses solely on details of economic life and organization.
22. A system of exchange provides individuals with an opportunity to gain personal benefits by compromising their moral principles.
23. A society that devotes a disproportionate part of its life and energy to the system of exchange can undermine this system.
24. The attempts of systems based on coercion (e.g. statist, military) or the involvement of integrative institutions (church, school, etc.) into the economic sphere – so the exchange system, may prove futile.
25. The stability of a social system depends on the proportions between the three main categories (organizing factors).
At the conference, Boulding addressed issues related to the methodology of economics, which he concluded by indicating the connection between economics and what he described as integrating factors, i.e., parts of the social system related to the social bond, identity, legitimacy, loyalty, love, etc. He encouraged dreaming about an integrated theory of humanity, of which economics would be an essential part (Boulding, 1989).

Also, during the conference, Schön put the following task before the praxiologists:

It is timely then [...] to reconsider the question of professional knowledge. Perhaps there is an epistemology of practice that takes fuller account of the competence practitioners sometimes display in situations of uncertainty, complexity, uniqueness, and conflict. Perhaps there is a way of looking at problem-setting and intuitive artistry that presents these activities as describable and as susceptible to a kind of rigor that falls outside the boundaries of technical rationality. [...] We should be turning the puzzle of professional knowledge on its head, not seeking only to build up a science applicable to practice but also to reflect on the reflection-in-action already embedded in competent practice. (1992, pp. 163–183)

Attention was also drawn to the importance of a comprehensive approach to economic issues due to their context (cf. also Bocheński, 1993). Hiż delivered a report which was significant from the perspective of business ethics. It warned:

Although ethical values must be complemented by praxiological values, the two kinds should not be confused. Efficiency can serve any purpose, as evidenced by the destruction of European Jews by the Nazis. It is good to be efficient in good; it is evil to be efficient in evil. The same is true in economics. We cannot help Adam [i.e. a person in need—author’s note] without adopting sound economic procedures. Economics without an ethical goal of minimizing the suffering may be neutral ethically, but when it helps the rich at the expense of the poor, it is evil. (Hiż, 1992, p. 428).

Another conference preceding the Philosophical Congress in Toruń was the First National Conference on Business Ethics, organized in Łódź in 1994 by the Learned Society of Praxiology (Polish: Towarzystwo Naukowe Prakseologii) and the Educational Enterprise Foundation (Dietl & Gasparski, 1997), during which a scheme for developing business ethics in Poland was devised. According to Gasparski (1997, pp. 32–34), its elements, include:

1) **Definition**: business ethics is a discipline practiced at the intersection of ethics as a branch of practical philosophy and the managerial activity that is mostly associated with the economy, banking, trade and other forms of entrepreneurship. It is a systematic study of moral issues (ethos) arising in business, industry as well as other related types of activities and practices. Other subjects of the ethical reflection include beliefs of acting human beings, norms, values and courses of action.
Indispensability: All human activity, economic in particular, is governed by moral norms. Every company must follow the code of basic norms of honesty, as being honest is the best course of action.

Purposefulness: A transformation of the political system and a change of the economic system in Poland require changes in the behavior of people who participate in business. The fixed routines of social behavior should not be transferred onto behaviors in the economy that are in cooperation with developed countries. Business ethics is related to the efficiency and organization of work, the quality of manufactured products and profit, as well as the recognition of Polish entrepreneurs as reliable partners.

Favorable factors: The intellectual tradition of practical philosophy in Poland, on a footing of which the study of efficient action—praxiology meets the study of morality—ethics, provides a basis for practicing business ethics as an interdisciplinary field of teaching and research. What constitutes a favorable factor is the interest in the circles of people that are associated with the Church. Researchers from countries that belong to international organizations declare their readiness to cooperate, which opens up an opportunity for Poland to establish relatively quickly business ethics as a separate discipline.

Three years later, under the auspices of the same organizations, the Second National Conference on Business Ethics took place (Łódź 1997) (Gasparski & Dietl, 2000), at which the ethical standards of the uniting Europe were presented. A professor of business ethics at Nyenrode Business University, Henk van Luijk, initiator of the European Business Ethics Network (hereafter: EBEN) and its first president, described the history of EBEN and pointed out four—as he put it—“concrete results that can be produced quite quickly in Poland as well as in other countries”:

First, to start the work in this field, scholars dealing with the issues of ethics and business or planning will benefit from sharing their experiences and supporting each other. To achieve something new, one needs not only new ideas, but first and foremost—friends.

Second, those in the business world who are inherently sensitive to the moral aspects of market activity will gain allies where they would expect to find competitors or, at best, strangers who are locked away in their own scientific worlds.

Third, joint efforts of various parties make the public aware that responsible business is not solely a utopian idea, but a real possibility.

Fourth, people and companies operating in Poland and other European countries will benefit greatly from joint efforts to promote the application of moral principles in the business decision-making process (Luijk, 2000, p. 22).
Did the programme presented at the First National Conference on Business Ethics and the guidelines set out by the EBEN president at the Second Conference gain the support of the Polish academic world and the business world? This question was asked at the Polish Congress of Business Ethics and Corporate Social Responsibility organized in Warsaw in 2009 by the Business Ethics Centre (Centrum Etyki Biznesu, hereafter: CEBI) of Kozminski University (Akademia Leona Koźmińskiego, hereafter: KU) as well as the Institute of Philosophy and Sociology of the Polish Academy of Sciences (Instytut Filozofii i Socjologii Polskiej Akademii Nauk, hereafter: IPS PAS). The panelists agreed that the programme undoubtedly led to academics’ engagement in the subject matter, which was confirmed in the report on the state of business ethics in the world that explains:

A country like Poland has today around 44 different state-recognised universities. In almost all of them, there will be some form of business ethics or CSR teaching going on. The boom of business ethics and CSR clearly took place over the past ten years. (Rossouw & Stückelberger, 2012, p. 223)

It was also found that

as the example of Poland above shows, even in Eastern Europe the penetration of business ethics has increased dramatically. For Eastern Europe one should make a further distinction between [...] countries like Poland, Hungary and the Czech Republic, where a majority of universities and business schools offer some form of training in the direction of business ethics, and Eastern European countries (e.g. Bulgaria, Belarus) where we could find almost nothing on offer. (p. 234)

When it comes to the implementation of the programme by the business world, the project of developing business ethics was certainly recognized; yet, there is no definite answer as to whether or to what extent words were turned into action. In the initial phase of the transformation, a kind of “middle schooler’s syndrome” (Polish: “syndrom gimnazjalisty”)—as we may call it—occurred. Some participants in economic life seemed to be affected by it. In a way, this phase was the time of their economic adolescence, similar to teenagers’ maturing to adulthood, ergo, the period of individuation and the rejection of norms, and the pursuit of power in the business market. A characteristic feature of this period was the so-called

3 Established in 1999.
4 By “middle schooler’s syndrome”, I refer to behaviours that are characteristic of the young people who are in transition from elementary school to middle school, which an article on the behaviour of junior high school students describes in the following way: “The moment of maturation is related to the period of individuation, the rejection of norms, rebellion against parents and teachers, along with a dramatic increase in importance of our peer group. For the 13- and 14-year-old, the peer group and what it feels like to be in this group is most important. What their parents say, or what their beliefs really are, is less significant than what their peers think. As a result, the kids egg each other on and they do not have too many corrective mechanisms. [...] The primary objective of such a group is to seize power” (Ćwieluch, 2016, pp. 32–34).
5 Such behaviours confirm the findings of the research conducted by the moral psychologist Jonathan Haidt, which indicate that emotions dominate our reflection. “The mind is divided like a rider on an elephant, and the rider’s job is to serve the elephant. The rider is our conscious reasoning—the stream
marginal morality, which Professor Aniela Dylus describes as conduct aimed at outwitting competitors. “In accordance with the principle of economy, the smallest possible ‘input of morality’ should [...] bring the greatest possible economic benefit” (2002, pp. 284–290).

For example, “Apel do świata polskiego biznesu” [“The Plea to the World of Polish Business”] (Gasparski, Lewicka-Strzalecka, Rok & Szulczewski, 2002, pp. 18–20), issued at the conference organized in 2001 by CEBI together with the United Nations Development Program (hereafter: UNDP) in connection with the launch of the UN Global Compact initiative, received less attention than had been expected—not only in the business world, but it also did not receive proper coverage in the media, since the media is interested more in sensations (i.e. “scams”) rather than in supporting good practices and social education. However, the fact that the European promotion of the Global Compact took place in Poland is a token of recognition for the contribution made to business ethics by the Polish academic world and the part of the business world that still remembered good commercial practice from older times, i.e., before the times of the centrally planned economy. It is evidenced by codes of best practice, such as those pointed out at the Second Congress of Polish Culture. Some of the examples include⁶: The Canon of Best Financial Market Practices (the Polish Financial Supervision Authority); The Ethical Canon of an Entrepreneur (the Polish Confederation of Private Employers Lewiatan), which is open to all entrepreneurs; The Principles of Best Banking Practice (the Polish Banks Association); The Principles of Best Practices (the Conference of Financial Companies in Poland); The Best Practice for Public Companies (the Warsaw Stock Exchange); and The Code of Best Practice for Universities adopted by the Conference of Rectors of Academic Schools in Poland (Gasparski et al., 2010) as well as an increasing number of ethical codes drawn up by companies (NB business ethics are codified ethics). This is how the elements of the material ethical infrastructure of Polish business were formed.

The development of the intellectual, ethical infrastructure of business, i.e., of the assumptions made about participating in a business activity, met and still meets with resistance resulting from common stereotypes and beliefs, to which the doyen of Polish philosophers, Prof. Władysław Stróżewski, drew attention in the inaugural lecture at the Ninth Polish Philosophical Congress (Wisła 2012):

Perhaps the most important feature of convictions is their lack of reflection. Convictions are experienced the same way they were acquired—without thinking about their source or their cognitive value. [...] The lack of reflection is conducive to irrationality. Many of our convictions cannot be rationally explained. And yet, we insist upon them, dismissing any words of criticism towards them, or even

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⁶ The Business Ethics Centre of KU & IPS PAS played a part in the preparation and implementation of these elements of ethical infrastructure.
a simple thought or consideration. [...] We live in a world of convictions. The point is that these beliefs should be justified, based on the truth. And this, in fact, is a postulate of their transgression: the transition from convictions to amply justified beliefs. (Stróżewski, 2012, pp. 11–18)

What provided the encouragement to shift from convictions to well-founded beliefs as regards business ethics was the program of the above-mentioned Polish Congress of Business Ethics and Corporate Social Responsibility as well as the Manifesto drawn up by its participants (Gasparski & Rok, 2010), proclaiming that:

In appreciation of what has been achieved so far in disseminating the ethical dimension of economic activity in Poland, the participants of the Polish Congress of Business Ethics and Corporate Social Responsibility held in Warsaw on December 9–10, 2009, recognize the need to undertake initiatives aimed at placing the same importance on this dimension as in the case of the ethical aspect of socially significant activities, such as scientific research or medicine.

Economic activity is also a serious endeavour, and thus, it requires analogous responsibility of all involved parties. Therefore, creating an ethical infrastructure and a strategy of corporate social responsibility should not be a concern of solely a few people and institutions. It is crucial that all stakeholders work together towards the civic economic republic as an essential component of the civil society of our country. Acting in the interests of the common good is a touchstone of patriotism in its contemporary positive sense.

Bearing in mind the global dimension of economic activity, we recognize that the manifesto “Global Economic Ethics: Consequences for Global Business” issued on October 6, 2009, on the initiative of the UN Global Compact, among others, deserves to be popularized in the economic life of Poland. Therefore, we appeal to business entities to clearly declare their willingness to act in accordance with the principles laid down in the Manifesto.

It is necessary to provide all-level education in the field of ethics and corporate social responsibility. The subject matter should be taken into account during employee training. The mass media have a major role to fulfill.

The manifesto “Global Economic Ethics: Consequences for Global Business” evokes the Golden Principle. Let us recall its two forms: (a) worded positively—“Whatever you wish that others would do to you, do also to them” (Matthew), i.e., always act the way you would like others to act towards you; (b) worded negatively—“Do not do to others what you do not want done to yourself” (Confucius). The Manifesto states:

This Golden Rule of reciprocity, which for thousands of years has been acknowledged in all religious and humanist traditions, promotes mutual responsibility, solidarity, fairness, tolerance, and respect for all persons involved. Such attitudes or virtues are the basic pillars of a global economic ethos. Fairness in competition and cooperation for mutual benefit are fundamental principles of a sustainably developing global economy that is in conformity with the Golden Rule.
In addition, the Manifesto pinpoints the basic values for global economic activity: non-violence and respect for life, justice and solidarity, honesty and tolerance, mutual esteem and partnership. In conclusion, the Manifesto says that the internationally accepted rules of conduct in economic life should be respected.

A previous document, also adopted under the auspices of the Global Compact, contained the principles for responsible management education, formulated in connection with the increasing involvement of the academic as well as the business world in the UN Global Compact Secretary General’s initiative on responsible corporate activity in the globalized world. We were one of the first academic communities that joined this program (Gasparski, 2008). Here are the Six Principles for Responsible Management Education:

1. **Purpose**: We will develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy.

2. **Values**: We will incorporate into our academic activities, curricula, and organizational practices the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact.

3. **Method**: We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership.

4. **Research**: We will engage in conceptual and empirical research that advances our understanding of the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value.

5. **Partnership**: We will interact with managers of business corporations to extend our knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meeting these challenges.

6. **Dialogue**: We will facilitate and support dialog and debate among educators, students, business, government, consumers, the media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability.

The fact that the International Society of Business, Economics and Ethics (ISBEE) chose to hold the Fifth World Business Ethics Congress in Warsaw and to entrust the role of the host to Kozminski University was not only a token of appreciation of the place and organizer, but also the entire Polish community—both of academics and practitioners of economic life—involved in developing ethics and corporate social responsibility.

The Congress was held on July 11–14, 2012 and its main theme was Tradition and new horizons: towards the virtue of responsibility. It was attended by 311 participants from 44 countries of all continents (except Antarctica), 163 papers were presented (selected from 223 submitted ones) in 10 parallel thematic threads, 4 sessions each.⁷ Renowned scholars and practitioners were invited to deliver lectures on

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⁷ A selection of papers was published in the book *Understanding Ethics and Responsibilities in a Globalizing World* (2016).
carefully selected topics during 5 plenary sessions and to organize 18 interactive panel discussions, in which 103 panelists took part. The Congress was preceded by sessions devoted to the art of teaching business ethics and the professional development of junior researchers. Lech Wałęsa attended the inaugural plenary session as a guest of honor. The academic sessions of the Congress were dedicated to financial ethics, spirituality in business, economy and management, the transfer of knowledge in the field of business ethics and CSR, ecology, education, the ethics of management and economics, axiology, sustainable development, leadership, politics and corporate governance, and corporate social responsibility (CSR). The thematic interactive sessions dealt with an assessment of the 10-year progress of the UN Global Compact, education in making better moral decisions, responsible urbanization, and collective actions to solve complex social problems. Moreover, plenary sessions were held on the following topics: global perspectives on teaching business ethics and economics as well as the research in the field, sustainable development and future prospects for business ethics. At the closing session, prof. Patricia Werhane, president of ISBEE, asserted that it had been one of the best-organized editions of the Congresses. She also suggested it might be a good idea if managers were obliged to make a promise modeled on the Hippocratic Oath.

The Congress was an impulse for the Polish business ethics community, pointing the direction for further educational, research, practical and dissemination activities. And so, what deserves mentioning is the creation of the Department of Ethics in Business at KU (2013), the publication of the academic PWN textbook *Biznes, etyka, odpowiedzialność* [Business, ethics, responsibility] (Gasparski, 2013) which the Polish Economic Society awarded First Prize for the best economic textbook published in the recent years, the session of the Business Ethics Subsection at the Tenth Polish Philosophical Congress (Poznań 2015), and the creation of the coalition of business ethics spokespersons, which brings together specialists who have an advisory function in companies (The Global Compact Network Poland), which was done under the auspices of the Polish Commissioner for Human Rights and UNDP Global Compact Poland (2015).

The past two decades have been a time of increased mutual cooperation in the field of ethics and social responsibility—between not only national but also foreign and international centers and organizations. In the given period, the following centres remained particularly active: the Department of Philosophy at Kraków University of Economics, which regularly organized conferences devoted to various aspects of ethics in business activity; the Institute of Cultural Studies at Adam Mickiewicz University in Poznań, attached to which the Polish Business Ethics Association EBEN Poland has been operating since 2000; the Department of Microeconomics and Institutional Economics at Wrocław University of Economics; the Salesian School of Economics and Management in Łódź, annually organizing the “Ethics in Economic Life” conferences, which is currently continued by the Faculty of Economics and Sociology at the University of Lodz, Cardinal Stefan Wyszyński University and the Responsible Business Forum (http://

Likewise, after the financial crisis, it was suggested that economists should make a promise as well (DeMartino, 2011; Gasparski, 2015).
The Business Ethics and Social Innovation Center, as well as the Business Ethics Department of Kozminski University, continue with the activities of CEBI and the former IPS PAS Research Team of Ethics in Economic Life, and in cooperation with the Learned Society of Praxiology (Polish: Towarzystwo Naukowe Prakseologii) and IPS PAS, hold annual conferences on current issues of ethics and corporate social responsibility, and since 1994 organized the monthly National Seminar on Ethics in Business, Economy and Management (Polish: Etyka w Biznesie, Gospodarce i Zarządzaniu), which was recently complemented with issues of business sociology.

The international cooperation consisted in participating in the annual conferences of EBEN, the European Academy of Business in Society (EABIS), the United Nations Development Program (UNDP) and many others, as well as taking part in research programs (for example: Pańkow, Rok, Strumińska-Kutra & Woźniczko, 2010; Kamiński & Sójka, 2013; Rok, 2013; Filek, 2013; Kuraszko, 2014; Fryzel, 2015), including those funded by the European Union. The cooperation with the International Society of Business, Economics and Ethics (ISBEE)—the organizer of the World Business Ethnic Congresses, which is held every four years—was of vital importance. Thus far, the Polish business ethics community has been represented at all Business Ethics Olympics—as these congresses are sometimes referred to. Special volumes dedicated to subsequent congresses (with the exception of the fourth congress) were prepared and published by Transaction Publishers (since 2017 by Routledge) under the auspices of the Learned Society of Praxiology in the series Praxiology: The International Annual of Practical Philosophy and Methodology (Gasparski & Ryan, 1996; Ryan, Gasparski & Enderle, 2000; Loukola & Gasparski, 2012; Airaksinen & Gasparski, 2016).

The formation of the Silesian Centre for Business Ethics and Sustainable Development is another milestone event of the post-congress period. I would like to wish the center major achievements, and to its e-magazine—interesting articles and numerous readers.

References


9 In December 2015, the conference was devoted to the ethics of e-business.
10 The article The Ethical Issue of Corporate Governance and Management Science Theories sent to this congress by Gasparski was published in Global Perspectives on the Ethics of Corporate Governance (2006).
A BRIEF HISTORY OF BUSINESS ETHICS…


A BRIEF HISTORY OF BUSINESS ETHICS…


Dialogue, ethics, economy
The application of dialogue in management
(in the context of business ethics in the German-speaking area)*

Abstract

The article names the conditions that a conversation has to fulfill in order to become a dialogue. The author undertakes to present the philosophy and ethics of dialogue, which were established based on the concept of dialogue. Its representatives include Jürgen Habermas and Karl-Otto Apel. Next, on the example of German business ethics, it is demonstrated how the philosophy and ethics of dialogue could become the foundation of the Republican economic ethics, developed by Peter Ulrich, and corporate ethics, put forward by Horst Steinmann. In the author’s opinion, they may prove useful in developing a new version of business ethics, formed upon reflection about experiences of the financial and economic crisis that began in 2008 and the effects of which are visible to this day.

Keywords: dialogue, philosophy, ethics, economic crisis of 2008, Jürgen Habermas, Karl-Otto Apel, Peter Ulrich, Horst Steinmann

JEL Classification: A13

1. In search of dialogue

It would seem that in the era of information technology development, in which the Internet, e-mail and instant messengers were invented, and the use of mobile phones became widespread, there is an ongoing dialogue taking place within companies. Nothing could be further from the truth.

We no longer have time to engage in dialogue at work; on the contrary, electronic media available in the company bombard us with one-way messages—information. The amount of information collected by companies and passed on to employees is so large that it starts to slip through the internal control, let alone the external one. Disclosing information to unauthorized people frequently brings discredit to companies and can be even used to terrorize them. These billions of pieces of information that someone gathers, reviews, selects and passes on, reduce our time to talk and sometimes prevent us from collecting our own thoughts.

Thus, in the era of ever more perfect communication systems, we have the same amount of—or perhaps less—time at work for holding conversations that could transform into a dialogue.

The overflow of private and business information naturally leads to a situation when a conversation is reduced to an exchange of information. Yet, if we solely exchange information, we do not enter into a dialogue.

And as life demonstrates, rather than acquiring knowledge, i.e., making an effort to synthesize information and trying to understand the laws governing reality, one just needs to read instructions. Instructions, however, do not allow us to see the reality in a broader perspective, do not teach us to ask questions, do not encourage discussion or a joint search for answers, but conversely, they make us unwittingly participate in a society which resembles a supermarket, and its main operating principle is self-service. The instructions show us that we can solve all problems “step by step”, without deeper reflection. Increasingly, it is enough to familiarize yourself with the instructions or to create them. Critical thinking skills are replaced by thinking based on algorithms, which makes us choose alternatives.

And so, we live in a time when the word “menu” is no longer a harbinger of the unknown—of a dish which can be delicious or quite ordinary. Now, the word merely foreshadows possibilities coming from the choice of keys on the keyboard. Thus, there is no need to discover or even know the rules. All we need is a pragmatic choice. Instructions replace knowledge, while the laborious task of acquiring it, holding a discussion and contemplating, is left to specialists, who are behind the closed doors of some research centers.

An even greater threat lies in the fact that instead of seeking wisdom, we resort to passing on sets of information and instructions. They can be easily communicated. A dialogue can be replaced with a reading of instructions.

In a similar manner, issued commands have little to do with dialogue, though they constitute a form of defective communication. Unlike dialogue, they are one-way communication.
Going further in search of a dialogue, it should be noted that the form of conversation called consultation is still not a dialogue, although it may lead to it. Regarding their forms, consultations vary greatly depending on how well-informed about a given situation the person with whom we consult is, as well as to what extent we are willing to follow the offered advice. All of them, however, are only types of conversations and dialogue is still out of the question.

Let us conclude by stating that when we talk, in the majority of cases we do not engage in a dialogue. However, in the contemporary understanding of this word, is what even such authorities as rhetoric and philosophy refer to as dialogue really true dialogue?

2. The experience of philosophy and rhetoric in laying the foundations of dialogue

Few have noticed that despite all the historical discontinuities in the development of the Mediterranean cultures, rhetoric is the only subject that has constantly been taught for 2,500 years. The fact that in the initial period of its development, rhetoric was a weapon of both the advocates and opponents of philosophy demonstrates how much importance was attached to it. Nonetheless, when rhetoric established the tradition of writing “dialogues”, which was continued in the Middle Ages, it reflected a completely different understanding of a dialogue than the one we have today.

The rhetorical-dialectical argument was introduced in philosophy at the end of the 5th century BC by Zeno of Elea. It regarded dialectical reasoning and consisted in proving the theses of Parmenides’ teachings, which were in contradiction to common sense and previous philosophical positions. His treatise was a “defense of Parmenides’ argument against those who tried to make fun of it” (Plato, 2002, p. 17). Therefore, being a defense, it did not provide foundations for holding a dialogue.

Zeno of Elea also wrote his own philosophical theses. A specific phrase is used in Polish for this genre: rozprawa. It means “to think over” and to outwit [Polish: rozprawić się] the opponent using the power of argumentation. It appears that authors of philosophical dissertations frequently lack the ability that every philosopher should demonstrate, i.e., remaining neutral throughout the discussion. Hegel’s famous statement referring to the facts that contradicted his theory—“all the worse for the facts!”—reinforces the belief that this type of dialectical argumentation is not enough to enter into a dialogue, in the contemporary sense of the word. We belong to the camp defending a particular thesis, whereas those who challenge it are considered to be adversaries.

As the democratic spirit grew in Athens, the conversation became a tool for seizing and keeping power. The quality of arguments offered in a conversation allowed the listener to determine the true measure of a speaker. In a democratic
system, a person can gain a political function thanks to convincing argumentation. Nevertheless, the political discourse of Athenian democracy was not a dialogue but a conversation full of rhetorical tricks verging on manipulation.

In the late period of sophistry, eristic emerged as the art of disputation, in line with which the resolution of a dispute is presupposed, in favor of the person using eristic argumentation. Speakers employed rhetorical figures that were a mix of logical argumentation techniques and emphatic statements, intended to convince the listener of their credibility.

A conversation that seeks to impose our own views will not turn into a dialogue since the dialogue is not founded on attempts to persuade one another. What is more, in such a conversation, the arguments of our interlocutor are not even taken into account. Although a dispute is taking place and the arguments are being heard, it is not done in order to consider them, but on the contrary – to refute them. And so, there is another type of conversation which does not turn into a dialogue: a polemic. In polemics, the purpose of conversation boils down to actively forcing our own views on others. To engage in polemics is to wage a war of words; hence, its name derives from polemos, which stands for war. Even though, from the outside, polemics can be perceived as a lively exchange of arguments, it will never become a dialogue as it is all about defending our position using verbal argumentation, and not about exchanging ideas, examining the matter together and in cooperation, arriving at some conclusions.

“Socratic dialogues”, i.e., those in which we can find traces of the thoughts of Socrates himself, can be barely distinguished in Plato’s works. Yet, if it is achieved, the persuasive function of a pedagogical conversation conducted by Socrates will fully reveal itself.

Dialectic, as Socrates understood it, is a specific type of discourse addressed to a student, which is to create a new form of knowledge in his or her soul. As Socrates puts it, it serves its purpose when

the dialectician chooses a proper soul and plants and sows within it discourse accompanied by knowledge—discourse capable of helping itself as well as the man who planted it, which is not barren but produces a seed. (Plato, 1958, p. 78)

According to the Greek philosopher, dialectic is the art of “defining concepts and classifying them” (cf. translator’s note in Plato, 1958, p. 59). The proper cognition lies in drawing valid conclusions by rejecting the paths of reasoning that lead us astray (cf. Zwolski’s commentary in Plato, 1996, p. 70). However, the student
should not challenge the theses of the teacher, and he surely should not try to argue with them by coming up with his own ideas. As mentioned before, the role of a student is to support the thesis, or rather to nod in agreement.

For this reason, a “Socratic dialogue” is actually a monologue—despite Socrates’ declarations that he learns from others. There is a particular point in a “Socratic dialogue” that prevents it from turning into a real dialogue, namely the moment when the other party, or the interlocutor, solely tries to keep up with the flow of his masters’ thoughts. And since an exchange of ideas is not taking place, we cannot speak of dialogue in this case either. Socrates does not engage in a real dialogue, which means he does not take advantage of the wisdom of his interlocutors.

Contrary to popular belief, philosophy does not leave much room for the dialogue in which the master listens carefully to students and allows them to make comments. It usually takes the form of a lecture that leads the student to adopt the master’s viewpoint.

And it is still only part of the truth about the absence of dialogue in philosophy. Plato’s experience proves to be highly informative to us as well. In those fragment of Plato’s writings that present his own views, the interlocutor is, above all, a teacher who, employing rhetorical figures or myths, tries at all cost to impose own—the only valid—vision of reality. In such conversations, Plato becomes a defender of his philosophical system. Particular statements of interlocutors in “Platonic dialogues” represent as if various paths that thoughts of Plato himself follow in order to experience the truth. Yet, these roads go astray. Setting himself an ambitious goal—full knowledge, Plato experiences that it cannot be achieved by thinking. Thus, being aware that the theory of ideas cannot be supported with rational argumentation, Plato resorts to a myth so as to make his system credible in the eyes of his interlocutors.

It is difficult to participate in a philosophical conversation which sets theoretical requirements that high. As in the case of “Socratic dialogues”, an interlocutor can only nod in agreement or refute. What distinguishes Plato’s conversations, however, is the fact that his interlocutors express astonishment and admiration for the unusual images that the master conjures up when he lacks rational argumentation to convince his students of the validity of his theses.

Consequently, the philosophical lectures-conversations led by Plato do not constitute a dialogue in its contemporary sense either.

3. Conditions for dialogue

So far, we have identified the following types of conversations that do not transform into a dialogue: an exchange of information, reading instructions to each other, giving commands, a speech of praise, polemics, an active imposition of one’s own views, a lecture and a monologue of the master. Thus, there is a whole spectrum of possibilities when getting into a conversation: from issuing peremptory commands or advancing our own theses—which we consider the only valid ones and so, we do
not have an obligation to listen to opinion of others—through expressing our view and hearing what our interlocutors have to say, to deliberating together with other people.

During the day, we repeatedly utter so many words, make so many conversations. However, does it mean that we enter into a dialogue? As it follows from the above considerations, we definitely do not. Dialogue is more than just speaking or having a talk.

A dialogue is not any other conversation between two people, but the conversation in which the testimony of the other person is recognized as an indispensable source of knowledge about the subject matter. A dialogue is above all a method of cognition. (Tischner, 1981, p. 182)

Trying to begin a conversation, we should be aware of whom we are addressing. What is the topic of conversation? And why do we start it in the first place? Are we just looking for silent approval or do we want to hear something from others, open to being convinced by them?

The first condition for turning a conversation into a dialogue concerns the ability to listen, which needs to be developed. From the very beginning, we have to be convinced that others can express their opinion and we should be willing to consider their arguments. Once the argumentation of our interlocutor gets through to us and we are able to seriously consider it, a conversation assumes the character of a dialogue.¹ It is therefore about identifying the problem and focusing on solving it together.

For the conversation to be transformed into a dialogue, a person also needs the courage to express their own opinion on what is most important to him or her, i.e., the capacity to become aware of and present their own worldview and the associated system of values to a bigger group of people.

At the same time, we should shake the conviction that the only valid claims are our own, and open ourselves to the criticism and argumentation of others. A dialogue presupposes the courage to question all the assumptions to the point that we might have to reconsider our own position. Accordingly, to turn an ordinary conversation into a dialogue, it is necessary to be able to give up our own world in favor of a common perspective. We should also refer to our own “conceptual apparatus” with reserve. Language must not be a barrier but a bridge. Moreover, it is indispensable to hold no prejudice towards our interlocutors. And following Descartes’ example, we need to become skeptical about the value of arguments advan-

¹ How rich in meaning is the verb to consider. In Polish, roz-ważyć means colloquially in trade: “divide into parts that are equal in weight”. So we have some constants: a specific measure and weighted parts. The emerging arguments are classified according to their weight, grouped and considered. Ważyć (literally: to weigh) is to determine the weight, and in this case to weigh up (roz-ważyć) the gravity of arguments. In turn, in German, we find a new clue. Erortern is to consider, and it means nothing else but “to draw attention to, or to indicate the place (Ort) where the subject of discussion is born.” Cf. Heidegger, 2000, p. 27.
ced by authorities or resulting from what is commonly agreed upon. By doing so, we get the best out of tradition as it is during a dialogue that tradition is “battle tested” and proves its value.

People engaging in dialogue should be thorough, i.e., ready to fully explain the issue in question as well as to understand the thoughts of the other party without distorting them. Listening to something does not necessarily mean paying heed to it or recognizing the strength of the arguments behind it. It takes more than just listening, as taking heed of what others say presupposes that we try to understand their viewpoint in order to eventually grasp the complexity of the issue.\(^2\)

However, the willingness to hear, consider and jointly seek answers is not the only condition for a dialogue. A conversation aspiring to dialogue must be unaffected by non-subject-related argumentation, namely by violence. In a nutshell, if it is to be a dialogue, the conversation must be unconstrained. Interlocutors cannot be scared or see the possibility of aggressive behavior of the other party, or fear even the slightest reprisal. For this reason, in the case of terrorists or representatives of totalitarian systems, one does not enter into a dialogue but into negotiations.

Let us attempt to establish the preconditions for turning a conversation into a dialogue. It is believed that both sides of the dialogue:

1. recognize that rational argumentation is the foundation of a conclusive dialogue.
2. assume that the interlocutors are capable of providing rational arguments which support their views.
3. rule out irrational argumentation.
4. denounce violence.
5. are ready to take back their arguments if proven invalid.
6. by recognizing the strength of rational argumentation, they are able to accept the conclusions to which this argumentation leads.
7. on the basis of conclusions founded on logical argumentation, they are able to jointly establish what rules should be applied in a given situation.
8. by way of rational argumentation, arrive at a conclusion that is acceptable to everyone, not just to those interested in reaping benefits from it.

The philosophy of dialogue shows that if we want to enter into a dialogue, we must not objectify the other person. Someone becomes the participant in a dialogue when we allow his or her personality to reveal itself here and now—in the present (Gegen-wart). The German term best reflects the condition for being a participant in the dialogue. Gegen-wartig, literally: “waiting in front of us”, is someone waiting in a given moment for our arguments. And because of this waiting in front of us, our thoughts are not left alone, but in every moment of the present, they meet the thoughts of other people with whom we are having a dialogue. The other participant in the dialogue constantly reveals to us new possibilities of addressing the issue in question, surprising us with his or her argumentation. Thus, his or her being there is the opposite of the encountered “standing in front of us”, opposite to the certain

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\(^2\) Heidegger emphasizes that “to speak to one another means: to say something, show something to one another, and to entrust one another mutually to what is shown. To speak with one another means: to tell of something jointly, to show to one another [...]” (2000, p. 191).
kind of permanent state which we are not moved by and which shows only its “passive persistence.” Passive persistence is not connected with waiting for something and, as such, it constitutes an objectified being. As Martin Buber points out, the word object (*Gegen-stand*) best describes the still being in front of us, which is incapable of dialogue (cf. Baran, 1987, p. 11).\(^3\)

Let us state it once again: the ability to listen to and accept the arguments of other dialogue participants, and not to treat the person we talk to as an object that has nothing to say, is a necessary condition for the conversation to become a dialogue.

### 4. Ethical dialogue

Not every dialogue has to do with ethics and can be recommended by business ethics as a management tool. An ordinary dialogue cannot solve a conflict situation for the benefit of all. A dialogue can be held as a type of negotiation in order to determine the best use of resources for satisfying the interest of the conversation participants. An ethical dialogue is distinct from the negotiations in which the course of action is determined on the basis of the expected benefits and anticipated losses.

When a conflict situation arises—and this happens when both parties follow the rules which are “at first glance” worthy of application and, as a result, they adopt contradictory action directives—the participants in the dialogue should turn to ethics. Then, there is a chance that it will be possible to solve the conflict if both parties recognize certain ethical principles. This way, an ordinary dialogue turns into an ethical dialogue, which lies within the scope of business ethics.

The indisputable requirements for an ethical dialogue are (cf. Apel, 1997, p. 85):

1. the intelligibility of what is being said;
2. the recognition of truth as an overriding value;
3. the assumption of truthfulness;
4. the endeavor to demonstrate the moral validity of one’s own solutions that are proposed in the course of the discussion.

These principles of ethical dialogue must be accepted by the parties. Otherwise, an ethical dialogue becomes impossible.

By way of argumentation, critical consideration and reasonable acceptance, the parties in an ethical dialogue jointly (Habermas, 2000, p. 55):

1. establish the veracity of statements (cognitive rationality);
2. examine and recognize the effectiveness of intentional actions (instrumental rationality);
3. assess the aptness of specific (moral) standards of behavior in a given case and in given circumstances (moral-practical rationality).

\(^3\) Thus, only a person constantly developing his or her own abilities can participate in a dialogue, and is not an object that stands still in front of us. The idiomatic expression of “talking to the wall” carries profound wisdom. The basis of a dialogue is therefore a meeting that takes place in a present moment and with someone who gets into a conversation with us while displaying his or her intellectual involvement.
In this context, it becomes visible what importance and sense the application of ethical principles has in the argumentation during a dialogue. An ethical dialogue makes use of the regulatory potential of ethics. Ethical principles, aspiring to universal validity, provide an argumentative base on the long way towards reaching a consensus. This way is marked by:

1. seeking common reasons for action;
2. making a decision to support argumentation through the application of ethical principles;
3. consciously recognizing the argumentation and jointly considering the arguments that are based on ethical norms and principles;
4. accepting those ethical arguments of which we were convinced during the discussion;
5. reorganizing or supplementing the personal motivational system with the directives that we worked out together.

As the first step towards an ethical dialogue, we need to acknowledge the existence of a problem, of an issue worth examining in an ethical perspective. Next, in the dialogue, we should answer the question of why the problem occurs. Does it arise from an error, omission or due to unforeseen circumstances? Is the problem directly related to the activities of our organization? Can we hear out all the people affected by the issue? At the same time, we should try to conduct a thought experiment together, which consist in imagining how the other people engaged in the dialogue assess a given problem situation. It is crucial to remain open to the ethical argumentation of others throughout the dialogue and to notice what was invisible from our perspective. By doing so, we can also find the courage to change our own moral judgment. A subsequent task that participants in an ethical dialogue have to undertake is to explain that the essence of the matter that they agreed poses an ethical problem. In order to do so, it has to be translated into ethical terms. Then, the dialogue should result in suggestions on how to solve the problem based on the application of ethical norms and principles. These suggestions should be considered together, and thus, we should encourage our interlocutors to present the ethical argumentation that led them to the proposed solutions. And since ethical standpoints are revealed in the dialogue, we should discuss how to bring about the situation in which, working on different ethical assumptions, we will be able to unanimously resolve the conflict situation.

Ethical principles must be used in a dialogue in a sensible way, i.e., choosing norms that are rationally applicable in a given case, while taking into account all aspects of their application.

In order to choose moral norms and ethical concepts that will solve the issue in question, we can apply two particularly useful rules: the *Prima Facie* principle and the principle of double effect.

An ethical dialogue should make us choose a reasonable action, that is, the one which adheres to ethical standards and respects ethical principles that are possible to implement. We should also avoid solutions which, though admittedly well perceived from the perspective of ethics, are not to be achieved in practice. During a dialogue,
ethics takes a non-rigorous form, possible to implement. Interlocutors often try to reasonably get out of a situation in which strict adherence to all moral principles may cause more harm than good. Ethics is by no means inclined to enforce the rule “let justice be done, and let the world perish.” The parties should, however, establish which norms must not—on no account—be violated in a given situation.

Therefore, it is necessary to determine the scope of responsibility and the ways to meet its requirements, to fully realize that in certain circumstances, taking responsibility involves making choices and disregarding less important imperatives, such as the principle of kindness, so as to reach the absolute ethical minimum. Because in some cases we are unable to achieve all moral standards, we should mention in the discussion each and every time that we have a responsibility to work towards the change of a situation which still does not fully meet the ethical requirements. Hence, an ethical dialogue is the search for an optimal solution, which takes into consideration the situation as well as the organizational and life necessities and requirements; it is a sustained effort to determine a certain minimum of ethical requirements that in a given situation have to be complied with. An ethical dialogue should make us adopt a responsible stance (cf. Apel, 1992, p. 16).

An ethical dialogue can thus reveal the power of ethical thinking, which is applied when our predispositions (courage, virtue) acquired in the process of our upbringing, allowing us to act quickly and intuitively, are no longer enough to take the proper action. Engaging in an ethical dialogue allows us not only to use the intellectual potential and coupled strength of feedback that was created thanks to the joint mental effort, but also to resort to the collective wisdom which was professionally accumulated throughout centuries of ethical considerations. As a consequence, if we agree to participate in an ethical dialogue, our actions become more efficient since they are more acceptable, less conflicting and they readily achieve the goals that are set in front of us.

To facilitate an ethical dialogue, we can distinguish four closely interacting elements in what is being said (cf. Brown, 1997, p. 12):

1. proposals for solving the problem, suggested ways of bringing the situation to an acceptable state;
2. observations, or showing the root of the problem;
3. assessments of a given situation, pointing to obligations that we and the organization have to shoulder;
4. hidden assumptions on the basis of which the solution to the problem is put forward.

To provide an example, let us consider a fragment of ethical dialogue containing all four elements:

1. Observation: The number of incidents of breaking into the IT systems of the company is increasing.
2. Proposal: It is necessary to take measures in order to protect the privacy of our clients.
3. Imperative: We are obliged to guarantee the confidentiality of data.
Assumptions: Respect for the privacy lies in the canon of the European tradition, provides the foundation for one of the basic norms and is a requirement resulting from Immanuel Kant's practical imperative.

As it follows from the foregoing deliberations, an ethical dialogue is the only dialogue that can be promoted by business ethics, because it is the dialogue that defends the interests of all people, and not just of advocacy groups or of commercial organizations.

5. The role of dialogue in business in the context of business ethics

The importance of all the above-mentioned conditions for entering into and conducting an ethical dialogue is particularly apparent during conflict situations that occur in economic life. In these situations, we are always tempted to either reduce the possibility of holding a reliable dialogue or to turn the considerations into a search for ways of safeguarding our individual interests so as to produce desired economic outcomes. What is more, an ethical dialogue is necessary. A great example is provided by the sphere of Swiss and German political culture, where economic projects and strategies are lively discussed and if they do not fulfill ethical and social requirements, they are subject to severe criticism.

For this reason, the business ethics of the German-speaking area could not ignore the possibility of using an ethical dialogue for introducing moral norms into economic life.

Consequently, ethical dialogue plays a key role in both the Republican, integrative economic ethics of the Swiss scholar Peter Ulrich as well as in the corporate ethics based on agreement-oriented management, presented by the German economist, Horst Steinmann.

According to Ulrich, the two perspectives on economic activity—the economic and the ethical—can be integrated. Both the economic calculation and the moral evaluation of economic decisions form the basis for argumentation in the dialogue that takes place between entrepreneurs and society. Taking public opinion into account is a real and crucial factor that entrepreneurs must consider if they wish to avoid incurring unexpected expenses or even having their business project banned altogether.

And so, the integrative ethics of Peter Ulrich aim at making a moral assessment of anticipated actions already at the level of the business project creation. Undertaking these actions should depend not only on the profit they will bring, but also on whether they can be judged as reasonable and justified to society.

An entrepreneur is simultaneously a citizen, and of a special kind—a quasi-public person. In this sense, in real economic decisions, two types of responsibility overlap: economic and civic, and what connects them is moral responsibility. The dialogue between entrepreneurs and society as well as social debates on, for example, the future of atomic energy, is where the usefulness of an ethicist becomes apparent.
As Peter Ulrich writes, in the economy, moral responsibility is inseparably linked to political co-responsibility. It is realized in building a consensus among all the people who will be affected by the decisions.

Dialogue between entrepreneurs and stakeholders, social dialogue (e.g. on minimum wages) and public debate are “meta-institutions” which implement moral values in a business activity. What they try to pursue is life politics. It involves creating opportunities for economic development that bring life satisfaction to all citizens. Thanks to it, society develops harmoniously, maintaining its vitality.

Public dialogue takes place within a free, liberal democratic society, in which economic necessities do not lead to economic determinism, but in the process of deliberation, they are presented as facts which should be taken into account. It results in searching for the best solutions in the ethical, social and civic terms, which will pursue life politics, while allowing for an economic reality that is determined by economic necessities.

Entrepreneurs need to engage in a dialogue with stakeholders and, at the same time, by means of political dialogue, they should work out a reasonable distribution of mutual obligations. All conflicts of interests and values between entrepreneurs and stakeholders should be solved based on ethical justification. Yet, although ethical arguments are decisive, the stakeholders may not always be right. Dialogue, therefore, ensures a state of equilibrium, albeit unstable, between the interests of entrepreneurs and society.

In Ulrich’s view, a dialogue takes place between an entrepreneur or entrepreneurs and local communities or society. On the other hand, Horst Steinmann’s ethics of dialogical management oriented towards communication maintains that dialogue begins in an enterprise.

According to Horst Steinmann, the technical reason indicates what measures can be adopted, while the economic reason assesses which means and goals are profitable. Nonetheless, in certain circumstances, using the principle of profit maximization as the only criterion for making economic decisions may give rise to concern. It is a formal principle that may point to any solution, including illegal or unethical ones as well.

Hence, the input of practical reason is still necessary. It tries to help us choose the right goals and means. Then, it becomes clear why ethical dialogue is the best tool to achieve the goals of practical reason.

It is important that dialogue bring out the dilemmas that are created by conflicting directives, which result from the principle of economic efficiency and the imperatives of morality. Dilemmas are identified much faster in a dialogue between co-managers and staff than in the company manager’s solitary search. It is in dialogue where the argumentation on benefits and losses is best presented, and it is what makes a joint decision which respects moral norms and the principles of economic efficiency easiest to reach. Moreover, an animated dialogue makes it possible to look for truly alternative solutions that can rule out the very possibility of conflict.
Horst Steinmann notes that since ethics should serve the function of correcting decisions that are based solely on the profit maximization principle, when those decisions lead to a conflict between an enterprise and its employees or society, the task of an ethical dialogue is to keep the peace, i.e., to find a solution that is satisfactory to both parties engaged in the dialogue.

It is understandable that in Horst Steinmann’s view the best corporate culture is a culture open to argumentation. In the dialogues conducted within an enterprise, ethical rules are realistically implemented in the management and organizational life processes as the tools of arbitration and regulating intra-organizational behaviors.

The German economist asserts that management oriented towards profit should be turned into communication-oriented management. It makes up an organization in which all parties share a mutual trust. At the same time, it increases the likelihood that internal associates of the company will, through dialogue, undertake the initiative to resolve moral dilemmas at lower levels of management themselves.

As Horst Steinmann observes, in the times of moral relativism, or even of amorality, the only way for moral norms to be recognized is through ethical dialogue. Concrete solutions that participants in the dialogue agree on take the form of a contract specifying which norms apply to everyone. Such values as honesty, promise-keeping, justice, respect for others, reasonable forbearance as well as consistency in thought and deed are the arguments that appear in the dialogue between entrepreneurs and their staff.

At the enterprise level, there are a number of ongoing conflicts which Steinmann refers to as ad hoc conflicts. They can be settled in a dialogue with all the parties who experience the sense of injustice.

The actual role of an entrepreneur and a leader is to conduct the conversation in a way that the positions which at the beginning of the discussion were causing controversy can be reconciled. All the same, achieving a consensus should consist in establishing not only the means, but also—if possible—the objectives of a business activity. Therefore, the goal of leadership ethics is political in character, as it should solve conflicts.

Steinmann distinguishes one more important function of a dialogue. As he points out, only when the theory of socially responsible management (stakeholder theory) is combined with the imperative to engage in a dialogue can we challenge its false assumption that managers are the ones who know best what interest was violated and what is good for their co-workers, clients, investors and the external environment of the company. In a dialogue, the wrongdoings are spelled out, and the real ways of compensating them are jointly discussed. Dialogue allows the compensation process to take place as it is used to discuss the balancing of interests as well as to show the possibility of abandoning the strategy that acts against the interests of the parties to the dialogue.

While drawing attention to the importance of dialogue within the company, Horst Steinmann also emphasizes its role in maintaining social peace. A dialogue with employees allows entrepreneurs to notice the sphere of social obligations and, by pointing to ecological problems, to keep the “environmental peace.” An
international dialogue, on the other hand, maintains world peace through discussions with other communities which aim at working out the basis of justice in global economic relations. By doing so, they create a self-commitment to fight for the change of unjust law, or at least to not make use of it while investing in countries that enforce it.

The critique of both versions of dialogical business ethics raises the question whether a dialogue is always possible in the real life of an enterprise, for example, when it is necessary to make a quick decision or when the secrets of a company cannot be revealed and, consequently, the dialogue participants do not have the full information needed to make the right ethical evaluation. Yet, despite these reservations, the postulate of engaging in a dialogue in every situation can be seen as a kind of ideal aim that one should strive to achieve, always taking into account the circumstances that are determined by a situation of making a decision in economic life.

The application of an ethical dialogue as a management tool is even more conditional. It is due to the fact that the staff’s and managers’ level of morality must make it possible to apply ethical arguments, and these arguments should be able to influence the course of the economic activity.

Thus, the moral awareness of the staff should be at least at the conventional level; and the management should be at the third level, the most mature one, i.e., the ethical level. People at the third level of moral development, who recognize as good those things that are good for all people, and not just for their own company or their society, are capable of changing an ordinary dialogue, which involves aligning individual interests as well as determining and allocating obligations and benefits, into an ethical dialogue, in which the activities of the company are jointly considered in terms of the good of all people and not just the stakeholders.

Considering the activity of a company in the economic, legal or even cultural context does not offer such a possibility. Only ethics provide a universal perspective. Hence, we talk about the need for an ethical dialogue.

At the end, this long and seemingly roundabout way allowed us to capture the essence of an ethical message for the business world. A dialogue in management is nowadays a necessity, and it has to be an ethical dialogue, the characteristics of which we uncovered by clearing up misunderstandings regarding its substance. Only by searching for solutions that are based on universal principles, i.e., ethics, and are satisfactory to all can we contribute to the construction of an order in the globalized world, and thus avert the conflicts which make it impossible to do fair business.

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The ethical and praxeological conceptions of an act and its evaluation*

Abstract

The conception of an act and its evaluation constitute the most interesting and important moral subject which consists of a complex set of theoretical and practical issues. The article includes St. Thomas’ conception of the definition of the goodness of an act, Tatarkiewicz’s theory of rightness of an act as a source of its evaluation as well as Kotarbinski’s considerations which deal with the analysis of an act from an efficiency perspective. They have all contributed to the definition of an act in its several variants and provided the possibility of classification of evaluation of an act on the ethical and praxeological plane.

Keywords: goodness, rightness, efficiency

JEL Classification: A13

1. Introduction

For business ethics, as for any normatively defined field, evaluation criteria are the most important. I wish to examine these criteria in order to answer the question regarding the importance of this type of considerations for business ethics. From the practical point of view, these issues constitute a starting point for the formulation of professional codes, and from the theoretical perspective, they allow for a broader reflection on the moral dimension of responsibility of particular employees and companies as well as on the phenomenon of trust and justice. They include such basic elements of morality as:

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...analysis of human activity and its sources dependent on the subject’s efficiency as well as external circumstances,

(2) the norm of action—what criteria must be met by a right, righteous and efficient act as well as by the performer of such an act,

(3) internal and external conditions that positively or negatively affect an act, its effects and the attitude of its performer.

The most important question resulting from the confrontation of ethics with praxeology concerns the relationship—which occurs or not—between a right, efficient and righteous action. All these types of acts and their corresponding evaluations are connected by a common way of understanding ethics as a science of human self-fulfilment. It deals with the most widely understood human activity seen as a means of man’s self-realisation and the preservation of man’s presence in the world. Its various dimensions are characterised in detail in the works of, among others: Saint Thomas Aquinas, Kant, Tatarkiewicz, and Kotarbiński.

2. Ethics as a science of human self-fulfilment

Since the description, understanding and interpretation of such a complex issue as the basis of moral evaluations cannot be reduced to a single model of justification, I will refer to both classical and contemporary approaches in my inquiries. For this reason, such terms as action, act and deed are treated synonymously. I have been encouraged to outline a common, normative plane for praxeology and ethics by reading the work of Ernst Tugendhat entitled Lectures on Ethics (2004) and the great treatise of Robert Spaemann entitled Happiness and Benevolence (1997). These monographs consider two threads characteristic of the experience of contemporary ethics. The first of these threads concerns the possibility of justifying moral norms, i.e. providing an objective and rational basis for moral judgments. The other thread results from the need to make a radical revision of the source concepts of morality, such as: good, bad, morally righteous, efficient or useful. It is an attempt to lead them out of the framework of religious or metaphysical concepts into a broader, inter-subjective field of experience. I will treat the statements and suggestions contained there as the premises for my own considerations. To avoid unnecessary summaries, I will limit myself to providing a few statements that give the character and direction to my inquiries. To some extent, they also provide justification for them.

Historically, there have been two ways of justifying moral judgments: authoritative (external to the individual and the community) and autonomous (in which it is assumed that the source of ethical judgments is either the individual or the community itself). Nowadays, as Tugendhat points out, only explanations referring to autonomy are taken as their basis. Kantianism and opportunism are an expression of this tendency.
Neither of the two positions is backed by sufficient moral arguments compatible with experience. The weakness of utilitarianism includes the fact that it places doing good and not doing evil on one scale as well as the fact that it cannot do justice to interpersonal obligations; Kant derived the categorical imperative from practical reason is presented as an evident overreach of Kantianism.

The question about the maxims, in the case of which one cannot want them to work as universal laws, requires to place ourselves in the position of an individual and to ask which maxims referring to the others cannot be accepted by her. (Tugendhat, 2004, p. L)

Autonomously justified morality can only be thought of being provided if an individual asks what mutual requirements he or she can justify. And autonomy cannot be understood—as in Kant’s philosophy—as the autonomy of an individual, but only as “[…] a reciprocal autonomy, i.e. each person attaches equal significance to his own will and of the others” (Tugendhat, 2004, p. LI).

A moral contract based on mutual benefits determines the scope of mutual requirements of members of a given community arising in relation to the idea of a good man. An outrage and a sense of guilt, for one reason or another, are always felt in relation to the concept of a good man. This moral contract includes not only agreement on the good for each partner but also on what everyone thinks is good, what everyone wants to approve of. In this sense, the good has both an autonomous dimension, because everyone is objectively entitled to it, and an instrumental one, because it constitutes the content of mutual obligations of members of a given community. This results in another aspect of autonomy, i.e. equality based on the common approval of the good and subordinate to the idea of symmetry. According to this point of view, all people, if they are interested in cooperating with others, have an interest in ensuring that everyone involved agrees to observe a certain system of norms, and thus approves of certain goods.

Moral norms are based on the Golden Rule which recommends that you act towards others as you would like them to treat you. In other words, the Golden Rule is contained in Kant’s imperative—“act in such a way that you treat humanity, whether in your own person or in the person of any other, never merely as a means to an end but always at the same time as an end.” The Golden Rule with its message “do not instrumentalise anyone” covers all specific norms. Three sets of rules derive directly from it:

1. the rule not to harm others,
2. the rule to help others,
3. and the rule of cooperation, i.e. do not lie and keep the terms of a contract.

On this path, only fragmentarily presented here, one can assume that Kant’s imperative and the Golden Rule point to the source, personal experience of the good. Only a person (Aristotle would add that a morally upstanding person, and therefore a courageous one), due to his or her agency such as will and reason, can act in accordance with the presentation of rules, i.e. normative rules of conduct.
The justification of moral judgments requires a proper distinction between reasons and motives of human action.

Reasons are the reasons for the validity of utterances: motives are the reasons of a different kind. They are the reasons for a given action, for a given way of acting [...] or for the acceptance of a given moral system. (Tugendhat, 2004, p. 25)

From this last statement, it follows that ethical reasons for conduct are not the same as its motives since they concern its various dimensions. Another assumption, which is seen as fundamental for ethics, is connected with the central place that the Golden Rule, and therefore the categorical imperative of Kant, has in it. The Golden Rule is re-interpreted due to the manner of its justification and conditions of validity. Regardless of these differences, from the point of view of ethics, man cannot be treated instrumentally as a means of action, and at the same time is obliged to respect others.

Some ethicists fear that this rule does not apply in the area of praxeology.

So, does a conduct ideal from the point of view of the science of action—praxeology—need to be negatively evaluated from the point of view of ethics? According to Kotarbiński, necessity and life practice force a person to choose the most efficient means to achieve the desired goal. (Drabarek, 2004, p. 48)

In other words, can the effects of an action, or more precisely its efficiency, be separated from the performer of the act and the personal character of free and rational human actions? It is also possible to ask a question from a completely different position: does praxeology bring any new ideas or creative solutions to the field of ethics or enrich its reflection on the sources and determinants of human self-fulfillment?

3. Righteous, right and efficient act

I have chosen such authors as: Saint Thomas Aquinas, Tatarkiewicz, and Kotarbiński to show that moral norms can be studied as a basis for evaluating actions and their determinants from various perspectives. There are three types of justification in the proposed positions: metaphysical (Saint Thomas Aquinas), analytical (Tatarkiewicz) and praxeological (Kotarbiński).

Saint Thomas assumes that the objective norm of morality is determined by the rational human nature. The natural law is written into it, and practical reason, i.e. conscience, recognises its content. What is evaluated in a human act is its object, i.e. “[...] what the human act is objectively directed at due to its nature, that is, the result of an act at which accomplishment it aims by the power of its own internal purpose” (Szostek, 1980, p. 23). Another component of an act is the purpose of the subject, also called the purpose of the person acting, the purpose of
the performer of the act or the intent, i.e. why the acting person wants the act committed. The third element is a set of circumstances: who, what, how, where, when, by what means, etc. Thomas assumes that an action takes on its species-defined morality from a moral object. An act intentionally evil cannot become good due to circumstances, nor can any, even the noblest object, change the negative quality of an act.

Therefore, the object of an act, namely the content of the intended and realised good, is evaluated. A judgement of conscience determines what to do and what to avoid in a given situation. It is not a simple message, as it requires that the subject meets the appropriate conditions, above all, that the performer of a given act has the ability to perform self-evaluation. An important role in this process is also played by objective difficulties which not everyone can overcome and not in all situations. The source of norms is universal law characterised by a universal and unchanged nature. Moral prohibitions or requirements do not result from the reflection of conscience, but from its imperative. A righteous act combines the features of a right and good act. Therefore, it remains in harmony with the rational nature and corresponds to the position and dignity of the person. In this approach, the rational nature of man is the so-called objective norm of morality, and conscience, due to its subject-related dimension, is defined as a subjective norm. To act rationally means to affirm the dignity of every human being through the right choice of values. The idea of the golden mean has a double meaning in this context since it affects the objective value of both people and goods to the realisation of which everyone is obliged by virtue of natural law.

It is worth confronting this position with the views of Władysław Tatarkiewicz on the moral foundations of right action.

If I want to act morally and understand by it that I want to do as much good as possible, this means that I want to commit the right act. If ethics is to provide rules of moral conduct, this means that it has to provide such rules that whoever acts in accordance with these rules commits a right act. (Tatarkiewicz, 1971, p. 140)

According to Tatarkiewicz, the morality of an act is in its rightness which is measured by “doing as much good as possible”. Let us determine with the author of On the Absoluteness of Good [O bezwględności dobra] important features of human actions. First of all, an act does not represent a certain value only in itself but also because of its effects. In the latter case, an act is a means to achieve a certain state of affairs that represents some sort of positive or negative value. While acting, we are usually interested in its effects, as they change reality around us, introducing good or evil into it. We have various possibilities of action, but only those acts are right whose effects create the most good. “If I want to do as much good as possible, this means I want to commit a right act”. Three conclusions that are important for understanding Tatarkiewicz’s position are derived from this assumption. Firstly, right acts are identical with moral action, and even with morality. Secondly, the author advocates the absoluteness and objectivity of values, at the same time granting rules of right conduct, i.e. norms, the feature of
relativism and objectivity. Thirdly, Tatarkiewicz points to a clear difference that exists in the basis for evaluating a morally good act and a right act. Not every good deed is right, which becomes fully understandable taking into account the specificity of these criteria.

Why do such differences exist? The author of the treatise On the Absolute-ness of Good [O bezwzględności dobra] explains that the rightness of an act does not depend on the intentions of the performer but on the objective measure of the good which is verified by a simple procedure, namely by adding and subtracting the values of positive and negative effects of a given act. What has been achieved through a given action is the objective good or evil. These differences depend on different scopes and determinants of what is good and what is right in an act. Let us explain in more detail what these determinants are. If an object with specific properties is good, then all objects having these properties are also good. On the other hand, the rightness of an act is determined by the specific circumstances in which it occurs. Other actions with similar characteristics may or may not be judged as right. Thus, the absoluteness of good does not coincide with the condition associated with rightness. It is the results, the effects of the action that determine whether it is right or not. Consequently, a good act is not always a right act, as the rightness of an act consists of sets of characteristics and circumstances such as the acting person, time, place, and the presence and influence of other people and objects. Some of these are permanent and objective, while others are accidental and situational. All of these together determine the conditions under which a given act occurred and what role the subject played in this act. Specific situations create a background—a kind of a challenge for an individual’s action, and only from this perspective can it be evaluated. An act is, therefore, objectively and individually right as it is right in certain situations and due to certain individual properties. The rules to which right actions are subordinate are always individually and conditionally binding. Each time they must be considered based on a given situation, which excludes the possibility of using universally and objectively valid rules in the field of ethics. These could be contradictory to the reality of specific situations and, at the same time, contrary to the human condition.

If ethics is expected to provide rules—says Tatarkiewicz—then these are not supposed to be individual rules but rather universal and unconditional rules that can indicate a right act to everyone who wishes to act rightly. However, considering how we live and act, albeit not unique, are nevertheless variable and diverse, and the possibility of the existence of universal and unconditional rules must be questioned. (Tatarkiewicz, 1971, p. 143)

Even if inductively we adopt a certain set of rules of right action, it does not mean that they should be used in an unchanged form in all cases, incidents and situations. The relativity of these rules requires from subjects not only the use of universally accepted rules but also the creation of rules in individual cases. The performer’s activity cannot be limited to the application of rules recognised in social practices but also requires a reflection and work regarding his or her action. Acts are of a creative nature as their main function is change, and thus a positive or
negative intervention into the existing system. The specific acts are influenced by the individual character of man and his decisions along with the practical dispositions acquired in the course of life. Knowledge and practice stimulate each other and ultimately determine the extent to which the subject can be creative in his or her actions. These elements make up an act and, as a result, lead to the identification of several of its properties assessed in terms of value, rightness, morality, and merit.

The value of an action is based on its rightness, and therefore refers directly to its effects and is subject to specific moral obligations. In turn, the moral quality of the action is determined by the merit of its performer. The will and intent of a given act are evaluated in action through introspection on the part of its performer. Tatarkiewicz adds that:

Equally entitled is a judgment about a man based on the amount of good he intends to do and a judgment about the man based on the effort he makes to achieve the said good. A man who leads a holy life, even if he leads it without effort, is worthy of admiration, so is the man who strives for perfection even if, for some unfortunate circumstances, the result of his effort is imperfect. (1971, p. 148).

Undoubtedly, this accurate observation informs us that evaluations of acts are much more individually and situationally varied than our ability to reduce them to specific rules.

It seems, therefore, that Tatarkiewicz assesses human action from two perspectives: from the perspective of the intentions and choices made by the subject and from the perspective of qualitative changes caused by a given act. They include the sphere of facts in the form of effects of a given action as well as the scope of the merit of the subject. The evaluation of the rightness of a particular action requires empirical knowledge about the individual subject and the conditions under which the act was committed. At the same time, one cannot refer to the universal features of the human nature or the judgments of practical reason, i.e. conscience, as Saint Thomas did; or Kant, who adopted universal, a priori principles as the basis of morality, underestimating its empirical dependence on specific circumstances. Not only the action based on the same maxim, i.e. moral rule, can have various effects but also the merits of a particular subject cannot be generalised. At the same time, without these assumptions, it would not be possible to adopt a fixed, definite measure of good results. Therefore, if we did not assume along with the classics that man is capable of reflecting on his behaviour, development and self-fulfilment, then the rightness of an act would have a completely ambivalent character. There is no radical change or re-evaluation in this field. It is the narrative layer that has fundamentally changed – from the metaphysical description we have moved to the level of experience. A right act is considered on the basis of the quality of changes that it introduces into the existing reality, and not from the ontic positions of the foundations of the human nature and its dynamics. The analysis carried out by Tatarkiewicz includes other properties of acts and points to other rules that guide them. The context decides, therefore, that the
subject’s specific creativity, understood as an attitude, disposition, or merit prevails in this description. It should be noted that Aristotle, pointing to the right or an appropriate measure of prudent action in relation to the specific circumstances, took into account the reflection and inventiveness of the performer.

Using the distinction introduced by Tugendhat between reasons and motives, it can be said that for Tatarkiewicz motives are the most important in ethics and that they set the standards of right conduct. This attitude toward morality brings closer together the views of Tatarkiewicz and Kotarbiński. These philosophers were aware of the fact that an act is dually creative as the changes it causes in the actors and the modifications it introduces into the world in the form of specific effects. Among other things, they can be subjected to axiological-metaphysical, analytical or praxeological studies.

Kotarbiński developed the aforementioned studies in which he proposed a separate qualification of “efficient action” based on its efficiency. For the author of Praxiology. An Introduction to the Science of Efficient Action (Traktat o dobry robocie), praxeology provides appropriate methodological tools to identify different ways of acting and systematise them. Kotarbiński understands by praxeology the science of methods of doing anything, the science that considers action from the point of view of efficiency, and detached from working conditions specific only for a given specialty, as well as from any kind of emotional assessment. This science can be called methodology—the author adds—since it treats about methods, and it can be called general methodology since it concerns methods of all actions. The so-called methodology of sciences, i.e. the study of methods of scientific research, is the field of applications, thus a narrower field, since scientific research is only one form of action in general. (Kotarbiński, 1938, pp. 612–613)

Praxeology, due to its assumptions and research methods, deals exclusively with the issue of efficiency of action, omitting all ethical and aesthetic evaluations that are related to emotional or moral preferences. The author, therefore, does not question their validity, but they are not in the field of his interest, as they are not a subject of knowledge but feelings. The praxiologist has the following tasks: analysis of concepts concerning all purposeful action and criticism of given methods of action, taking into account their efficiency, effectiveness, and purposefulness. The criticism is based on the typology of an act and the setting of standards, i.e. certain codified advice which contains indications relating to the achievement of greater efficiency. Ultimately, praxeology aims at clarification, accumulation, and systematisation of experience of homo faber related to the efficient action (Kotarbiński, 1972, p. 501).

As the efficiency of man’s action is at the heart of Kotarbiński’s interests, i.e., the very way in which he understands action is modified. According to the author of Praxiology. An Introduction to the Science of Efficient Action, action encompass deeds, acts, and active behaviour, such as speaking or thinking. An act is determined by external and internal conditions that constitute the possibilities of action. Externally, this possibility is determined by a lack of obstacles apart from
the intent of the performer of a given act. Internally, such possibilities occur in connection with the dispositions of the performer for carrying out a specific act, i.e. will, strength, knowledge, and efficiency. Kotarbiński refers to the tradition of Aristotle, yet endows these concepts with a specific meaning adequate to the norm of efficient action. First of all, they should be read along with the courage which the performers of the deed are ascribed. Its measure is the creative attitude of the performer to his or her own action which is assessed on the basis of the amount of energy and resolve involved in a given act. The creative act is characterised by a kind of originality of the work and its products, which results from the ingenuity of the intentions of the performer, along with the goals and plans that he or she has followed. The energy and efficiency of an act in connection with its economy in total make up its practicality, while its efficiency and economy determine the technical value of a given action. Kotarbiński also reflects on what properties of human action enable the subject to achieve the intended work. Consistency in the pursuit of a given goal, i.e. determination in action, regardless of the emerging obstacles, comes to the fore. Apart from determination, Kotarbiński emphasises the importance of a well-thought-out strategy of action, influencing its efficiency and connected with its “suitability”. This term encompasses individual skills and talents of the subject which can vary—from incompetence to a kind of mastery. Kotarbiński also appreciates the importance of economy which indicates particular skills associated with the use of resources and manifests itself in the form of efficiency and savings.

Actions carried out in teams of people resemble a fight (a certain form of competition) between rationally acting opponents. Some rules of efficient action also come down to it. I will forgo the description of these principles in order to reflect on the efficiency of action seen mainly from the economic point of view. Two of its features are worth mentioning; the economy of action, which requires a special attitude on the part of the subject to the means which he or she intends to use. On the other hand, such an economical approach requires the opening of the subject to thought experiments; hence ingenuity becomes important as well as the performer’s creative attitude based on the practice of acting and making the right choices. Kotarbiński, after Aristotle, says that man can learn efficient action only through acting.

Is it possible to use evil means or break the ethical rules of behaviour for optimal efficiency? Does the resolve of a subject consist of pursuing his or her goals using all means available?

The end never justifies evil means—explains Kotarbiński—even the necessary ones, if only the resignation from this goal would not be something worse. There are endless possible choices, hence let us not set goals which would necessitate the loss of what is more valuable than the goals themselves. And if we really need to pursue a given goal which entails the necessary sacrifices deemed worth making, let us show due resolve. (Kotarbiński, 1999, p. 445)
Let us try to divide this statement into three threads that will make it easier to understand his position. Firstly, the author says that the end never justifies evil means if its abandonment does not result in even worse consequences. The example of war comes to mind—the combat requires the use of evil means, but it would be even worse if we abandoned any defensive actions. Then Kotarbiński recommends that we do not choose such goals for the achievement of which we would lose what is more valuable than the set goals. There is also no shortage of examples confirming the rightness of this statement. Then, the philosopher says that if we have to pursue the goal that requires sacrifices, then we should maintain consistency, and therefore due resolve. He also emphasises that these must be special goals worth making sacrifices. Let us refer again to the example of war, in this case, we can accept the above arguments without leaning towards quietism and fatalism criticised by Kotarbiński. These arguments are not easy for ethics, as they require the reconciliation of ethical norms with these special cases. Let us repeat after Tatarkiewicz that not every right act is absolutely good and that motives behind the act determine it. Let us look at these issues from the position of Saint Thomas and Kant, as both philosophers agree with Kotarbiński that the end never justifies evil means. The remaining statements, allowing evil means under very clearly defined conditions, are perceived as critical issues in ethics, i.e. such issues that will always raise doubts and anxiety from the practical point of view. In these cases, moral decisions are at an individual’s discretion and must be considered in relation to a specific situation. That is where the creative role of conscience can be seen, as its judgements are based on the subjective ability to evaluate one’s own actions and oneself as their performer. Neither fear of relativism in ethics should dictate final decisions, nor should the aversion to fundamentalism justify the postulated principles.

4. Conclusions

Saint Thomas, Tatarkiewicz and Kotarbiński successively addressed issues related to the foundations of human moral activity. Their considerations have provided explanations concerning the internal and external effects of an action as well as what the goodness, rightness, and efficiency of an act are and how they should be achieved. Their reflections concern the main reasons and motives of action in relation to its various components and determinants. Consequently, these reflections determine the need to include separate evaluations of action in relation to its various functions and methods of implementation. The goodness, rightness, effectiveness, and efficiency of the subject’s action corresponds to the category of deeds assessed as morally righteous and right, as well as in a broader sense, to the category of efficient actions. The goodness of action—as a source of its evaluation—has been analysed based on the choice of individual, social, economic, political
and cultural praxis. In this field, not only the theoretical foundations of morality are taken into account but also the empirical foundations of social approval of what are considered morally good and right.

These considerations show that praxeology complements ethicists’ studies in terms of the possibility of man’s complete self-fulfilment which is determined by his versatile activity. The efficiency of action and the related skills of the subject mean for an individual and the community no more and no less but the good life and well-being. According to Aristotle, this is what is needed to be happy and, referring to the Golden Rule and Kant’s imperative; we can say that efficiency of action enables various forms of work and cooperation with others.

References


Reputation and its measurement
An institutional approach

Abstract
The article deals with the issue of identifying and measuring institutions. As an example, reputation was taken into consideration. The analysis leads to the conclusion that reputation could be treated as an institution and could be measured in the context of its impact on economic outcomes. This measurement can be carried out at three levels of detail: micro, meso and macro, among these the third is the least recognised in new institutional economics.

Keywords: institution, reputation, economic outcomes, institutional economics

JEL Classification: A12, B52, Z13

1. Introduction

A measure of the attractiveness of a research approach is the explanatory and predictive capability of the theories developed within it. The experience of the last dozen or so years has proven many weaknesses in mainstream economics. This explains the growing popularity of heterodox trends, including the institutional approach, which is interesting, as it provides an opportunity to create a wide cooperation platform for a diverse group of representatives of social sciences—not

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† The growing importance of the institutional approach can be confirmed by the awarding in 2016 of the Nobel Prize in Economics to Oliver Hart and Bengt Holmström for their contribution to the development of contract theory.
only economists but also sociologists, lawyers, political scientists, ethnologists and social-cultural anthropologists or social psychologists. However, any further development of the institutional approach will depend to a large extent on the ability to develop a research methodology within it that would enable us to go beyond the statement that “institutions are important” and that would allow for a better understanding of the mechanisms of impact that various institutions exert on the behaviour of entities.2

When designing the methodology of research relating to the influence exerted by institutions, one of two basic orientations can be adopted. The first one assumes a strong, unbreakable links between institutions creating a specific institutional system the existence of which prevents disaggregation. In such a situation, it would be advisable to study not the impact of individual institutions but rather the relationships between the shape of the institutional matrix and various economic parameters. An example of using this type of approach is research on Varieties of Capitalism (VoC) (cf. Hodgson, 1996; Coates, 2000, 2001; Amable, 2003; Sapir, 2006; Lane & Myant, 2007; Hancké, 2009; Nölke & Vliegenthart, 2009; Farkas, 2011; Bohle & Greskovits, 2012). Another orientation should be adopted if the strength of connections does not impose the necessity of considering the impact of institutions in an aggregate way or when the identified institutions are so autonomous that their impact can be analysed in isolation from other elements of the institutional system (which does not exclude taking into consideration the context of this system). This approach is characteristic, for example, of research on the importance of property rights (cf. Demsetz, 1967; Alchian & Demsetz, 1973; Furubotn & Pejovich, 1974; Pejovich, 1990; Ostrom & Schlager, 1996; Schulz, Parisi & Depoorter, 2002). In this article, the latter of the presented orientations has been adopted. The aim of the article is to conceptualise the phenomenon of the reputation as a significant institution regulating the behaviour of entities as well as to present problems related to the measurement of reputation and its influence. The subject of the analysis, therefore, single, relatively autonomous institution and its impact on the micro, meso and macro sphere. The paper is of a conceptual nature.

2. Institutions and their importance

The term “institution” is complex, multidimensional and ambiguous, which means that it has not yet been possible to develop a definition that would be universally accepted. The creation of such a definition is difficult and less likely that this concept occurs in various social sciences, where it is sometimes understood differently. For Thorstein Veblen, seen as the founder of institutionalism, social institutions were “in substance, prevalent habits of thought with respect to particular relations and particular functions of the individual and of the community, while economic institutions were habitual methods of carrying on the life process of the

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2 The term “entity” in this context refers not only to people but also to organisations or communities, e.g.: groups within an organisation or communities within a state.
community in contact with the material environment in which it lives” (2008, pp. 161, 163). According to Gustav von Schmoller (as cited in Furubotn & Richter, 2000, p. 6), institutions were “a partial order for community life which serves specific purposes and which has the capacity to undergo further evolution independently.” John R. Commons had a more comprehensive view of institutions defining them as

Collective action ranges all the way from unorganized custom to the many organized going concerns, such as the family, the corporation, the trade association, the trade union, the reserve system, the state. (1931, p. 648)

In the approach proposed by this author, institutions were not only cognitive schemes or regulatory mechanisms but could also take the form of organisations that were manifestations of “unorganised forms of action”. Although the current view seems to be that institutions and organisations are separate entities, sometimes also among contemporary authors, there are some approaches indicating that they do not consider this dichotomy. For example, for Avner Greif, institutions are a system of principles, beliefs, norms and organisations (2006, pp. 36–37).

Most scholars dealing with institutions treat them as rules, “formal and informal principles of conduct” (Ząbkowicz, 2015, p. 12). This can be clearly seen in the definition of institutions provided by Elinor Ostrom for whom institutions are

the sets of working rules that are used to determine who is eligible to make decisions in some arena, what actions are allowed or constrained, what aggregation rules will be used, what procedures must be followed, what information must or must not be provided, and what payoffs will be assigned to individuals dependent on their actions. (1990, p. 51)

Douglass C. North strongly advocated strict separation of institutions and organisations. He pointed out that:

institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. (1990, p. 3)

Organisations are players, participants of the game, and according to this author, “conceptually what must be clearly differentiated are the rules from the players” (1990, p. 4). North’s view of institutions as the rules of the game has gained popularity not only in economics but also in other social sciences. This is visible, among others, in the way institutions are defined by economic sociologists. For example, Witold Morawski believes that:

institutions are in fact systems of stimuli and anti-stimuli, which, if well devised, make people—players—conclude that by acting together in a spirit of cooperation, they can increase the pool of winnings. (2016, p. 231)
In the opinion of Piotr Chmielewski, “institutions include formal and informal rules and sanctions related to compliance with these rules, creating a structure for human action and behaviour, i.e. reducing the uncertainty associated with human activity” (2011, p. 258).

Summing up the presented definitional considerations, it can be concluded that institutions are rules or sets of rules that create a structure of incentives and sanctions, ordering the way entities (persons, organisations) interact with each other. Institutions play a very important role in social and economic life. It should be noted that through directing undertaken actions they lead to the formation and consolidation of behavioural patterns and can even affect the form of a mental reflection of the reality that arises in the minds of entities operating in a given institutional environment. As pointed out by Geoffrey M. Hodgson, institutions can “create stable expectations of the behaviour of others. Generally, institutions enable ordered thought, expectation, and action by imposing form and consistency on human activities” (2006, p. 2). Due to this fact, behaviour becomes more predictable, which limits uncertainty and creates conditions for the occurrence of the phenomenon of trust. It can also be assumed that “institutions are a binder linking the past with the future” (Gruszewska, 2011, p. 50). They combine both dimensions in the sense that their shape is usually determined historically, but at the same time, the existing institutions, by creating barriers and incentives, form patterns of behaviour that affect future activities of entities.

3. Reputation in the institutional context

The term “reputation” is as difficult to define as the term “institution”. The reasons for the lack of the possibility to create a commonly accepted definition of reputation are similar—reputation is a complex and multidimensional phenomenon that is the subject of research in various social sciences (economics, management sciences, sociology), which makes it difficult to reach a consensus. At the most general level, it is indicated that reputation is “a set of attributes ascribed to a firm, inferred from the firm’s past actions” (Weigelt & Camerer, 1988, p. 44), or more broadly, it is “a record of past deeds and the characteristics of the individual which can be inferred from these deeds” (Sztompka, 2007, p. 166). Such a general definition of reputation is, however, insufficient. It should be noted that its formation in relation to an entity (regardless of whether it is an individual or an organisation) occurs over a long-term period in which the entity may undertake different actions, signalling different, sometimes even contradictory, characteristics. Recognising reputation as a “record of past deeds” also requires answering the question of where the record is made or who makes it, which would allow us to identify the “creator” of reputation.

In solving the problem of signalling different characteristics, it can be helpful to refer to the definition formulated by Paul Herbig and John Milewicz, who indicated that:
REPUTATION AND ITS MEASUREMENT

Reputation is the estimation of the consistency over time of an attribute of an entity. This estimation is based on the entity’s willingness and ability repeatedly to perform an activity in a similar fashion. (1995, p. 24)

This definition shows that reputation arises only when the actions of the subject are characterised by a relatively consistent pattern. This pattern is interpreted by other entities assessing the behaviour of the subject. Therefore, reputation is not the property of the subject, but it is “attributed” by the evaluators. In the context of the assessment, it is also pointed out that reputation can be stratifying, as entities differ in terms of the outcome of the evaluation.¹

Reputation is based on the characteristics of the subject signalled by a pattern of his or her previous actions which is consistent over time. This means that reputation is rooted in the past. At the same time, however, reputation refers to the future. Keeping one’s reputation requires in fact behaviour consistent with the pattern formed, which raises expectations as to the future behaviour of the subject. According to Dennis Chong, “a person builds a reputation by following a course of action that creates information and expectations about himself among others” (1992, p. 683). In this sense, reputation governs the behaviour of the subject. In the opinion of Tomasz J. Dąbrowski, it is a kind of promise made for the future through consistent actions in the past. If the promise is kept, reputation is strengthened; whereas ceasing to keep the promise would mean weakening reputation, which motivates the subject to keep his or her behaviour in line with expectations. Thus, “reputation links [...] the past and the present with the future” (2016, p. 63).

Summing up the current definitional considerations, one can assume that reputation is a widely shared, quite stable assessment (having a potentially stratifying character), based on a consistent pattern of the entity’s activities, including its ability and readiness to meet the expectations determined by this model. References to reputation appeared already in the work of institutionalists: Oliver E. Williamson drew attention to it in the context of governing structures (cf. Williamson, 1991a, 1991b),² Paul R. Milgrom, D.C. North and Barry R. Weingast (1990) referred to it as a mechanism co-creating the conditions for limiting opportunistic behaviour. A. Greif (1993) considered reputation in relation to the agency theory, while E. Ostrom (1998) treated it as an important element of the second generation of models of rationality, taking into account the relationship between reputation, trust, reciprocity and the level of cooperation.

Despite such a broad reference to reputation in various contexts and in relation to key theories of institutional economics (especially new institutional economics—the transaction costs theory, contract theory and agency theory), reputation has not been considered as an institution per se. One of the reasons for this

¹ The idea of comparing the assessments of individual entities as a reflection of the state of their reputation is the foundation of the creation of all sorts of rankings that result from measuring reputation.

² O.E. Williamson referred to the reputation effect even in his Nobel lecture on the economics of transaction costs (2015).
may be the sometimes-raised doubt about the power of influence that reputation has on the actual behaviour of individuals. It is claimed that this impact is not so high due to limitations in access to information on the reputation of individual entities. It seems, however, that this approach does not consider changes in the visibility of reputation caused by new technologies. These technologies drastically reduce the costs of both dissemination and obtaining information, making them practically negligible. Thus, the evaluation contained in reputation ceases to be private information and becomes generally accessible information. It is no longer based solely on previous direct experiences or information exchange within a narrow group but becomes “common knowledge”, which must be considered by entities when making decisions about their future activities.

The basic feature of an institution is to reduce uncertainty and reputation undoubtedly plays such a role. It is a kind of informal behaviour regulator, as it sets expectations towards the manner of the entity’s behaviour and creates incentives to act in accordance with these expectations; there are also sanctions (loss of reputation) when the entity takes actions that are contradictory to expectations. Consequently, the entity’s behaviour becomes more predictable, which is the basis for trusting the entity, and subsequently developing a trust-based relationship.

4. Measuring reputation and its impact

The complexity of reputation makes it difficult to develop measuring methods. The main problem that requires solving is the lack of one commonly accepted definition of reputation. As T.J. Dąbrowski points out, this fact means that “already at the beginning of work on the measurement method, the basic question arises what should be its subject” (2011, p. 269). A different way of defining reputation will lead to different answers to the question of how to measure it. Most often, for the purpose of measurement, it is assumed that reputation is a widely shared assessment, having a relative character, and thus stratifying the evaluated subjects. This approach forms the foundation of all measurement methods based on the ranking philosophy. According to V.P. Rindova and C.J. Fombrun, “reputational rankings reflect an ordering, a status hierarchy with implications about the superiority and inferiority of its members” (1999, p. 700). The rankings allow one to determine who has a better, and who has a worse reputation. However, they require a high level of recognition of entities so that their reputation is clearly visible to a wide range of evaluators.6

5 Websites and online platforms that allow for making assessments that are visible and available to all users are such an example.
6 A wide overview of reputation rankings can be found in Fombrun (2007). The AMAC/WMAC and RQ rankings have the longest history and the greatest recognition. The description of their construction methodologies can be found on the following websites: http://fortune.com/worlds-most-admired-companies and http://www.theharrispoll.com/reputation-quotient.
The results of reputation rankings usually differ from each other, sometimes quite decisively. Firstly, due to the specificity of reputation, which is a complex and multidimensional construct, and therefore difficult to measure directly, the measurement is primarily indirect—in the rating construction, the characteristics that shape reputation are evaluated. A lack of consent as to what features determine the subject’s reputation and, consequently, what should be included in the research, leads to differences in the results of measurements. Secondly, research carried out for ranking purposes includes various groups that evaluate a given subject. The selection of these groups is important, as each of them draws attention to other characteristics that shape reputation. A wider or narrower range of groups included will, therefore, have an impact on the results obtained.

From the point of view of assessing the importance of reputation as an institution, however, it seems that what is relevant is not so much the measurement of reputation itself but rather the study of its impact, especially in the economic sphere. This research in its simplest form would include the relationship between the state of reputation (or change in this state) or its role and economic outcomes achieved. Such research can be conducted at the micro level (individual persons, e.g.: CEOs or individual organisations, e.g.: enterprises or universities), at the meso level (groups of enterprises or entire sectors) or at the macro level (states or institutional systems).

So far, the impact of reputation at the micro level has been best recognised. The results of existing studies generally confirm the beneficial effects of good reputation on the financial performance of enterprises as well as the ability of enterprises to maintain above-average performance over a longer period (cf. Roberts & Dowling, 2002). There are also studies that may indicate a positive impact of reputation at the meso level. An interesting case in this regard is described by P. Sztompka, referring to the results of research conducted by J.C. Coleman (1988) and B.D. Richman (2006), who analysed the New York Community of Jewish entrepreneurs dealing in the diamond trade. These researchers drew attention to the strong ties of trust that exist in this community, determined by the rational pursuit on the part of its individual members of maintaining their reputation. Their shared concern for good reputation means that:

large, multi-million transactions take place here without signing contracts, without notaries, courts, and only directly, verbally. In the evening, one dealer hands another a bag of diamonds worth several million dollars to examine their quality and buy or return the next day. Due to this fact, the entire community saves on transaction costs: salaries of notaries and lawyers, arbitration costs or trial costs, and thus obtains a market advantage and, as a result, a lucrative monopoly. (Sztompka, 2016, p. 288).

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The greatest challenge seems to be the study of reputation impact at the macro level. From the point of view of examining reputation as an institution, it would be most appropriate to seek the answer to the question about the existence of a relationship between the role played by reputation in the institutional system in a given country or group of countries and various general measures of the level of economic development. It is also possible to focus on narrower issues relating to more specific aspects of the relationship between the importance of reputation in the context of selected elements of the institutional system and less aggregated indicators of economic performance. For example, to examine the relationship between the role of reputation in various corporate governance systems (more on the subject in Adamska & Dąbrowski, 2015) and the level of control costs in these systems.

5. Conclusions

The growing popularity of the institutional approach in social sciences, including economics, is largely due to its inclusive nature, whose manifestation is the broad definition of the notion of an institution itself. This allows the concept to be applied in relation to a very wide range of mechanisms regulating the behaviour of entities and excludes the creation of a closed catalogue of institutions. At the same time, the adoption of such a philosophy confronts researchers with the need to determine each time whether a given mechanism is an institution or not. The paper shows that reputation can be regarded as an institution, which opens the way to further research on the role it plays in the economic sphere. At the same time, it has been noted that the scope of this research includes three levels: micro, meso, and macro, indicating the last level as the least-known area.

References


Cultural and religious attitude to banking in the great world religions*

Abstract

The article examines the attitude of the great world religions (Judaism, Christianity, Islam, Buddhism, Hinduism, and Confucianism) toward the world of finance, including banking. The issue of usury plays a key role in the evolution of ethical aspects related to obtaining compensation for money lending. The presented analysis also focuses on other aspects of banking activities, such as saving, investing and the institutional development of the banking sector. The author underlines the far-reaching convergence between the religions in this area, in spite of the considerable variation in historical and geographical conditions of their formation. The importance of cultural (religious) differences, including some fundamental nuances that affect the banking management in different regions. For successful development, large multinational corporations have to take into consideration the above-mentioned circumstances, regardless of the globalisation processes.

Keywords: banking, great world religions, cultural differences

JEL Classification: G21, Z12

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1. Introduction

Banking belongs to those economic activities for which cultural determinants, including religious ones (especially in the case of Islam), play a special role. The current attitude to banking activities is largely a result of the centuries-long formation of attitudes and cultural patterns for which religion has been of fundamental importance. It is characterised by relatively high durability, as changes occur very slowly, despite progressing globalisation and harmonisation of bank activities (Kurkliński, 2011, p. 213). The dominant model of banking developed along with the formation of mature capitalism, and then it spread worldwide. Relatively universal rules of money circulation were confronted with local cultural (religious) determinants, though only in the case of Muslim countries this led to the creation of a different model. In general, the axiological approach of particular religions to financial issues is characterised by far-reaching similarities, despite being developed in different geographical and historical conditions. Thus, one can put forward a research hypothesis that the essence of attitude towards banking (saving-lending) has been subject to similar influences around the world and that the existing differences concern the intensity of the evolution of attitudes and certain cultural (religious) nuances. However, these differences are so important that they can significantly affect the development of the banking sector in particular regions, especially in the Arab world and South-East Asia. Therefore, the aim of the article is to show the influence of individual world religions on the perception of the financial world, including banking, and the consequences for its development.

2. Banking in Judaism and Christianity

In the period of antiquity, banking activities appeared along with the spread of metal-based currency. Primarily, this concerned the phenomenon of money lending accompanied by the expectation of receiving appropriate compensation, i.e. mainly interest, in return. The moral stance on and religious attitude towards this practice formed almost simultaneously. Already Aristotle believed that such a way of earning money was contrary to nature, although his negative moral judgment concerned mainly the exploitation of the borrower’s economic situation to coerce the acceptance of increased interest (Taeusch, 1942, p. 294). However, for economic history and development of banking, the perception of this phenomenon by all the great world religions has been crucial (and to some extent still is). Although the development of the attitude towards this phenomenon has been similar, its evolution and intensity have varied. This is evident in the current Islamic banking system, rigorously prohibiting the use of interest rates on loans, which has created a different model of banks’ operations. All the major religions, at least at their inception, had, in principle, a negative attitude towards any interest rate charged for money lending, and the differences concerned only certain nuances (Kietliński, 2005, pp. 43–59). In
In the *Old Testament*, it is not unequivocally determined whether the term usury referred to any case of demanding compensation for money lent or whether it concerned the application of excessive interest rates. In the *New Testament*, the faithful are specifically recommended to lend money without interest (Luke 6.34–35) (Wierzbicki, 2011). This approach will persist within the Church, and the departure from it will take several centuries. Other nuances include the fact to whom a loan would be granted. Initially, it was allowed to lend money at interest to “others” but not to “one’s own”—*Deuteronomy* (23.20–21) (Higginson, Parsons, & Clough, 2008; Taeusch, 1942, p. 293). At first, this view was common to Christianity and Judaism, but persisted only in the Jewish community. Thus, in medieval Europe, dominated by Christianity, the sphere of money circulation was mainly in the hands of the Jews, though not exclusively. During the middle Ages, dealing with money lending was highly morally reprehensible and was strongly stigmatised by the Church. This approach mainly concerned Christians, but it extended to believers of other faiths, including the Jews.

The needs of economic development, forcing the spread of the commodity-monetary relations, had an impact on the religious interpretations formulated by both religions. The followers of Judaism, however, were more flexible in that area and quickly adapted to the changing conditions. For example, in Poland, the ban on lending at interest between Jews (i.e. between “one’s own”) was abolished by the Jewish self-government—the Council of the Four Lands—as early as in 1607. This decision contributed to the development of the credit and financial system that the community dealt in. National and international trade turnover, as well as the bill of exchange transactions accompanying it, increased. The goods were paid with bills of exchange; however, the problem was the credibility of their issuers and their frequent dishonesty. This led to the adoption of very restrictive sanctions for issuing an uncovered bill of exchange. The degree of normalisation of this area of activity is also seen in the decision of the Poznan kahal setting the maximum interest rate in relations between the Jews at 25% (Jezierski & Leszczyńska, 1998, p. 57).

1 There are views that it was not the prohibition and condemnation of the use of usury by both the Catholic Church and Islam that were the main reason for such widespread popularity of financial (banking) activity among the Jews, but that it was determined by religion and culture that included in children’s education the arithmetic skills and money circulation. The concept of acquisition of assets came to the Western Europe from the Middle East (Botticini & Eckstein, 2012).

2 “Preachers of the thirteenth-century cursing moneylenders sought to prove how great enemies of God, man and nature they were. After all, even blasphemers, murderers and debauchers do not sin permanently, if only because of fatigue. The moneylender, however, even while sleeping, multiplies his wicked gains without labour that God commanded. Selling waiting time for money, although time belongs to everyone. The moneylender demands more than he has lent, committing a sin against nature, for sterile money does not beget money. The faithful learn from exempla about sophisticated hellish torments of moneylenders…” (Kracik, 2004, p. 2).

3 The Council of Four Lands (Waad Arba Aracot) was the supreme Jewish authority in the First Polish Republic. The community had a large degree of autonomy in terms of state institutions of a legislative, executive, judicial and religious nature. Along with the crisis of the Polish state, the independence of the Jewish minority was also reduced, and with the advent of the Partitions period, it was almost completely abolished (Siewierski, 2010, pp. 73–74).
The Christian world recognised the need to increase money circulation. Initially, starting with the twelfth century, the region of Central and Northern Italy was affected to the largest extent. There was a growing demand for loans, including investment loans, associated with an increased risk and related expectations of adequate compensation for the lender. The first parabank-type institutions started to emerge. It was a difficult situation for the Catholic Church to accept, and hence it reprimanded the moneylenders intensely. However, theologians and moralists’ interpretation did not play such a key role as the “word of God” spread by the clergy, causing social condemnation of usury. Gradually, over time, the Church authorities changed their approach to the ongoing economic changes, especially the growing importance of financial transactions (including the Franciscan Bernardine of Siena, who pointed to various aspects of usury—real and apparent—and recommended temperance in its assessment). The repression of moneylenders reduced. The slow liberalisation of the attitude towards usury was uneven in Europe, for example, its first harbingers reached Central and Eastern Europe with a significant delay at the turn of the thirteenth and fourteenth centuries. The need to find a theological justification for receiving compensation for money lending led to the indication and recognition by the Church of the possibility of receiving a rent, i.e. the right to annual income from the debtor’s land for the period until the debt was recovered. Thus, the term purchase ground rent appeared—wyderkaf. Pope Innocent IV announced that the compensation not exceeding the normal income from land worth as much as the amount of money lent was not usury. Acceptable forms of lending also included hire purchase.

The concept of Italian Franciscans—pious banks (montes pietatis) became another form of avoiding the actual usury and protecting the poorest. Officially, the Catholic Church lifted the usury ban in 1830, and ultimately sanctioned usury in the new Code of Canon Law of 1917 (Kracik, 2004, p. 9).

In the Reformation movements, the attitude towards money lending at interest looked similar to that of the Catholic Church. Martin Luther loudly rebuked this practice, calling it wicked. The Anglican theologians took a similar position. John Calvin made the breach by making a distinction between the consumer loan and the production loan, the latter allowing the use of interest. There was no question; however, of complete freedom in this area, hence the controlling role was entrusted to the ecclesiastical consistory. Over time, in view of the huge amount of cases of this nature, attention began to focus only on the drastic cases of the usurious approach, leaving a relatively large degree of freedom in the remaining cases. Calvinism reconciled religion and the world of money, contributing to the development of a new Protestant mentality that appreciated such values as work and well-being. The hard-earned money that should be invested in order to further multiply goods, and not used to indulge in ostentatious consumption personified

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4 Another type of a compromise solution was to accept the rules of *lucrum cessans* and *damnum emergens* (meaning compensation for not being able to use one’s money) as well as *periculum sortis* (credit risk compensation related to, for example, maritime transport). In addition, it became permissible to punish the debtor for late repayment of the loan (*poena conventionalis*) (Kracik, 2004, pp. 4–5).
by the splendour of the Baroque, deserved praise (Kracik, 2004, pp. 7–8). The emerging Protestant culture along with the strong development of the commodity and monetary economy provided a good basis for developing banking operations. This happened largely outside Jewish communities. Due to their expulsions, the Jews were not considered an important social group in the countries of Western Europe. Moreover, the more liberal position of the Protestant Churches (adopted from Calvinism) encouraged their followers to deal in finances. Max Weber was the proponent of the thesis that Protestantism contributed to the development of the capitalist economy (especially in the version of ascetic Calvinism). In The Protestant Ethic and the Spirit of Capitalism, he particularly points out the factors that played a key role in this process: praising hard work, reliability, keeping commitments, honesty in commercial transactions (i.e. strengthening mutual trust), striving to increase assets, saving and investing capital rather than focusing on consumption (The latest edition: Weber, 2010). The significance of these aspects in the attitude to economic life as well as the sphere of finance and banking could not and still cannot be undermined (e.g.: the idea of a bank, a private enterprise serving as an institution of public trust). Nevertheless, in later years, a group of critics of M. Weber’s views has significantly grown, though he also has his followers, which is reflected by the decades-long yet still heated discussion on the subject ongoing in the international as well as the national arena (Collins, 1980, pp. 925–942; Lehmann, 1987, pp. 307–320; Iwanicki, 2012, pp. 11–19 and many other publications).

With regard to the key issue of usury, formally and independently of the position of the Catholic Church or the Protestant religion, the secular authorities of most countries have also been and still are influenced by cultural determinants (above all determinants originating from religious foundations). Therefore, they have tried to regulate the issue of charging interest on loans, which continues to this day, sometimes with serious reversals. For instance, the adoption in Poland in 2005 the law prohibiting the charging of excessive interest or statutory restrictions on lending regarding commission and interest. Some restrictive regulations are enforced in Germany, France, Italy, and the USA.

3. Islam and other religions and the development of banking

All the world’s great religions neither have been nor are neutral to the essence and principles of banking activity. The issue of usury plays a special role, but other aspects, such as the question of saving, are also important. In this respect, Islam deserves special attention, along with the development of its own model of Islamic banking. Other religions such as Buddhism, Hinduism and Confucianism should also be taken into account.
3.1. Islam

The influence of Islam is most often cited as an example of far-reaching interference of religion in the functioning of banks, and thus—in determining their development. Islamic banking\(^5\), although it stands out from other world religions, does not dominate in Muslim countries, with the exception of Iran (100%). Only in a few countries, it constitutes approx. 50% share of the banking sector (the rest is traditional banking—commercial), and, for example, in Saudi Arabia, it is below 40%. In many cases, Islamic banks are of marginal importance (Górak-Sosnowska & Masiukiewicz, 2013, p. 72). Islam itself does not play such an overwhelming role as seems to be attributed to this religion in countries with transatlantic culture. For comparison, the declarations of the frequency of participation in weekly religious practices in Poland (57%) are higher than in Turkey, Iran, Iraq or Egypt. In our country, 33.4% of the respondents of the World Values Survey expressed great trust in the Church and 34.3% expressed considerable trust, while the total share for Turkey was 28% and for Jordan 6% (Górak-Sosnowska & Masiukiewicz, 2013, pp. 15–16). However, Islam offers an alternative to the western model of banks. Not all researchers agree on such far-reaching differences from traditional commercial banking (Czerniak, 2010, pp. 48–50). Nevertheless, these are not general views and the above remarks do emphasise the fact that in the Muslim countries the religion has a significant impact on the banking sector, both in institutional terms and in terms of society’s attitude towards such economic activity.

Sharia law, which is based on the spiritual interpretation of the texts of the Quran, the Sunnah and other holy books made by the high-ranking clergy, is of key importance to banking. Islamic banking itself was established relatively late—in the second half of the 20\(^\text{th}\) century (Czerniak, 2010, p. 7). It was a result of a theoretically conceived concept, which was largely a response to the competing economies: socialist (social responsibility) and capitalist – classical (efficiency) (Arif, 1985, pp. 79–83). According to its assumptions, Islamic economics should be guided by (Azid, 2010, pp. 165–194):

1. social justice;
2. elimination of poverty;
3. reducing economic inequalities;
4. freeing society from corruption;
5. introduction of an interest-free system;
6. acting to further the glory of Allah as the overriding goal.

\(^5\) The literature mentions that the correct form of the adjective derived from the word Islam is Muslim (cf. Górak-Sosnowska & Masiukiewicz, 2013, p. 10). However, the Polish Dictionary allows the use of the term “Islamic”, not only in the current Internet version but also in the older printed version of 1983 (Szymczak, 1983, p. 809).
At the heart of Islamic banking, there are several prohibitions derived from the Quran, including (Czerniak, 2010, pp. 8–9):

1. *riba* (the prohibition of usury, treated as the collection of all kinds of interest on loans and deposits),
2. *gharar* (the ban on trade in goods with no fixed price, quality or quantity, which are not owned by the seller – futures contracts, for example, meet this criterion),
3. *maysir* (the ban on gambling, i.e. engaging in random—speculative—transactions),
4. *haram* (the prohibition of participation—in any way, including financial—in the production, sale or consumption of goods prohibited by Islamic religion: tobacco, pork, weapons, gambling, pornography, etc.).

In order to provide services to business entities as well as individuals in Islamic banking, the following financial instruments are used (Jurkowska, 2012, pp. 334–335):

1. *wadiah*—the formula of safekeeping (guaranteed security) of deposits with the possibility of either charging the client a fee or the payment of a special gratuity for the “trust” shown to the bank, as part of its profits (*hibah*),
2. *mudharabah*—a contract between the bank (the provider of capital only) and the entrepreneur (the provider of knowledge, management, work), based on the principle of sharing the profit (risk sharing), without the right to the return of capital in the event of a loss,
3. *musyarakah*—another type of contract based on the proportional participation of the parties in the profit and loss of the venture (investment)—as in the joint venture agreements known to us, but both parties jointly manage and finance a given project,
4. *murabahah* and *bai’ muajall*—purchase and resale transactions with a fixed margin, differing in terms of the time of deferred payment in the latter case,
5. *ijarahthumma Bai’*—special hire purchase,
6. *ijarah*—Islamic equivalent of leasing,
7. *wakalah*—brokerage for which fees are charged,
8. *gard*—lending without formal compensation for the creditor, the debtor may only pay a discretionary gratuity.

In terms of the importance of religious aspects for banking, among the distinguishing features of Islamic banks, attention should be paid to Sharia councils present in every bank, made up of specialists in the interpretation and examination of compliance of offered financial products with Islamic law.

On the one hand, the above-mentioned principles of operation and applied instruments show significant differences between Islamic banking (the role of debt—debt based and risk sharing) and classical banking (the role of debt—debt-based and risk transfer) (Jurkowska, 2012, p. 336). On the other hand, there are opinions mentioning the existence of only formal, religious-doctrinal differences, which are present in practice to only a small extent (Kuran, 1995, p. 171), as well
as pointing to a departure from the first model in favour of the latter one, typical of commercial banking (Farooq, 2007, pp. 67–88; Hasan & Dridi, 2010, pp. 670–688). The sensitivity of Islamic banking to the recent financial crisis can be seen as a kind of verifier. Most of the studies described in the literature tend to demonstrate a greater resilience of Islamic banks to crisis phenomena. However, is this the result of a different model, developed on a religious basis, or is it associated with the development phase of the Islamic banking services market (Jurkowska, 2012, p. 340) and a different macroeconomic situation of the economies of Muslim countries? For some researchers, this question remains open (Napoleoni, 2008; Al-Hamzani, 2008; Özturk, n.d.).

3.2. Buddhism

The principle of integrity is fundamental to Buddhism. It appreciates the work in which people can use their skills and knowledge, which provides an opportunity to solve social problems and achieve nirvana, i.e. the state of perfection. The ethos of work dominates over technology and capital, hence preferences for small and medium-sized enterprises. The question of financing is of secondary importance and, as in other religions; there is the condemnation of usury. Buddhism, however, very clearly indicates the need to save, even a quarter of the income. The saved funds should be spent not on consumption but on investments and assistance for poor people affected by disasters. What matters is the spiritual, not the material growth (Kietliński, 2005, pp. 46–47). The main principles of ethics apply to (Kietliński, 2005, p. 35):

1. work that should be done in a spirit of kindness towards the environment (animate and inanimate),
2. achieving salvation through work and consumption,
3. the prohibition of wasting the Earth’s resources and a need to seek a balance between production and consumption,
4. searching for solutions, including better and safer innovations in global terms, in the area of environmental protection,
5. respect among people, prevalent also in the area of economic relations.

3.3. Hinduism

Hinduism is one of the oldest religions in the world. Its origin dates back to the period before 2000 BC and refers mainly to the community inhabiting the Indian Peninsula. Its consistent foundations have ideologically favoured the maintenance and sanctioning of a system based on castes and family. The religious foundations are based on the conviction concerning the moral order of the world and the caste

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6 It is mentioned in reports issued by the IFSB, IMF, McKinsey, as well as by Napoleoni (2008), Al-Hamzani (2008), and Özürk (n.d.). A different opinion was formulated by Czerniak (2011, p. 213) onwards, with whose viewpoint Masiukiewicz strongly polemicises in the book of Górak-Sosnowska. Masiukiewicz (2013, pp. 281, 294), agreeing with the previously quoted views by highlighting the lack of bankruptcy of Islamic banks throughout history and the absence of systemic crises.
obligation (*dharma*), the retribution for deeds (*karman*), and the circle of existence (*sansara*). Hinduism is characterised by a strong interference of religious doctrine in the sphere of socio-economic relations and ritualisation of the majority of elements of life. Its ethical principles, which are also the road to happiness, include (Horodecka, 2011, p. 14):

1. striving for moral perfection (*dharma*),
2. honesty in achieving wealth, power and benefits (*artha*),
3. achieving sensual pleasure (*kama*),
4. appreciation for such values as: mercy, truthfulness, responsibility, and not doing evil.

In Hinduism, one finds the condemnation of usury, initially treated as lending money for any fee, not only an excessive one. This approach is found in the ancient manuscripts from the period 2000–1400 years BC (*Vedic*), and the subsequent *Sutra* (700–100 years BC). For example, *Vasishth*, the creator of law from that period recognised in the history of India, introduced the principle that members of the upper castes (*Brahmanas*—priests and *Kshatriyas*—warriors) could not engage in the profession of money lending. However, from the second century onwards, the notion of usury was related to charging excessive interest, above the socially recognised level, as it is perceived nowadays (Visser & McIntosh, 1998, pp. 175–189).

### 3.4. Confucianism

Confucianism is not a religion *sensu stricto*. It initiated in China with Confucius in the 5th century BC as a philosophical-ethical system, and only later gained the status of a religion (Chmielecki, 2012, p. 84). It is a combination of social, political, ethical and religious concepts (Crim, 1989, pp. 188–189). The importance of Confucianism for the countries of Southeast Asia is comparable to the role of Christianity in Europe’s development. Confucian values prevail everywhere from everyday life to the economy and finances (Sobieraj, 2005, p. 1). These include good manners, hard work, savings, perseverance, as well as loyalty to family and superiors (Szolton, 2002, p. 5). The collectivist approach, opposing individualism, is of key importance. The group and long-term group interests are raised on the pedestal, and better results are achieved while maintaining harmony both internal (acceptance of the hierarchy in the family or organisation) and external (good relations with the environment with mutual respect between the parties—the issue of “saving face”).

An important feature of Confucian societies is the predominance of ethics instead of law in management (Szolton, 2002, p. 6). Confucianism demands compliance with the following five virtues: benevolence (*ren*), justice (*yi*), decency (*li*), wisdom (*zhi*), and integrity (*xin*), e.g., being true to one’s word.

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7 Hinduism clearly accentuates asceticism, unlike Buddhism, which is hostile to extreme asceticism (Gellner, 2009, pp. 48–62).
8 In the Far East societies, the fear of shame and the loss of a widely understood reputation, or “face”, plays a very important role. One of Chinese proverbs says: “Face is like the bark of a tree; without its bark, the tree dies” (Yeung & Tung, 1996, p. 57).
In companies, managers should act in accordance with these principles, at the same time showing a protective attitude towards loyal subordinates (e.g., the Japanese lifetime employment model) (Chmielecki, 2012, p. 90).

Cultural and religious determinants of Southeast Asia have led to the creation of powerful banking groups, insurance, factoring, leasing, and commercial and industrial companies. The last ones play a prominent role, as they provide the founding capital. The ownership of capital, in the Confucian philosophy, is associated with privilege and power. Banking organisations, characterised by a hierarchical structure, have advantages and disadvantages that manifest themselves depending on the circumstances (as it is difficult to say whether a given organisational culture is good or bad, as its assessment depends on the determinants affecting this particular enterprise, i.e. a bank, e.g.: expansion in foreign markets or the phase of the macroeconomic cycle). Centralisation and speed of decision-making can be conducive to achieving success or can bring reverse effects. In addition, a long-term view adopted by the management plays an important role in this culture, i.e. resigning from short-term profits in favour of security and sustainable development over a long-time horizon. This also applies to family thinking about the future of children and grandchildren, and not only about maximising current benefits. Therefore, the influence of Confucianism on South-East Asian banking is undeniably visible (Szoltun, 2002, pp. 7–8).

4. Conclusions

The quoted examples and numerous publications provide a great deal of evidence pointing to the impact of religion (regardless of its type) on people’s behaviour concerning the economic (financial) sphere (Iannaccone, 1998, pp. 1465–1496). This impact applies primarily to management but also to the attitude towards individual institutions, products and activities, including banking. On the one hand, there are different values, norms or attitudes resulting from different cultures and religions. For example, Confucianism promotes harmonious relationships and adaptation to the environment, while Protestantism focuses on rationalism and imperious mastering of reality (Chmielecki, 2012, p. 82). On the other hand, the far-reaching convergence of a large number of moral judgments, prohibitions and requirements of all the world’s great religions, despite the fact that they have developed in such different historical and geographical conditions, can be surprisingly seen. The flagship and prime examples are the condemnation of usury (with the exception of views expressed by Confucius, who saw nothing wrong in receiving compensation for money lending) as well as praise of saving and allocating profits for investments instead of consumption. It is interesting, therefore, that only in the case of Islamic banking there exists a different model of banks’ operations. There are also opinions, however, that the presented differences between the Islamic model and the traditional banking model have a more facade character and that in their essence both banking system are characterised by a large degree of similari-
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	y. Nonetheless, the strength of Islam has been so great that religious values have become partly dominant. Other religions have not left such a strong mark on the way banks operate. With regard to Hinduism, Buddhism and Confucianism, it is probably a result of a stronger influence of colonial and postcolonial processes. However, one cannot ignore the more nuanced differences that have very serious consequences for the development of the banking sector, which is particularly evident in the context of operations of banks with foreign capital in an unfamiliar cultural environment. One can cite the example of the British HSBC bank, which has achieved tremendous success in Southeast Asia (where it originated), yet it has not managed to break through in Europe, apart from its native UK. Therefore, the need for good knowledge of local determinants is crucial. Social sensitivity concerning financial issues, including the approach to money (e.g., frequent but also different treatment of these issues as taboo subjects), does not allow us to ignore even minor cultural aspects. This cautionary remark concerns particularly the attitudes of ethnocentric foreign investors, often observed at the head office level of international banks as well as among their representatives (expatriates) delegated to bank branches.

References


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The economic ethics of Calvinism
The reconciliation of piety and wealth *

Abstract

The doctrine of predestination in the Lutheran and Calvinist theology, along with the assumption of a radical separation of nature and grace as well as the material and spiritual realm, had a significant impact on social life. The salvation of the soul, the soteriological dimension of human destiny, remained dependent on the grace of God (predestination), undeserved and unfathomable. The earthly reality, the institution of the Church and good works could in no way contribute to the salvation of the soul. Martin Luther, especially at the initial stage of his reformation activities, focused on private spirituality, considering the earthly dimension of reality to be the domain of the secular power. John Calvin and his successors justified in their teachings a different attitude manifested in the interest in the earthly world based on religious ethics. The doctrine of predestination, therefore, did not result in, as one would expect, quietism but in activism. The Calvinists believed that predestination was not manifested in single good deeds but in a certain methodology of systematised life based on religious ethics. Religiousness was supposed to be expressed through activity in the world and was meant to show the glory of its Creator. Work, thrift and honesty were supposed to lead to the rebirth, i.e. “sanctification” of the world, and were the essence of what Max Weber called the spirit of capitalism. Calvinism led to changes in the approach to such economic issues as money lending at interest, work or enrichment.

Keywords: Calvinism, predestination, social and political thought, work, capitalism

JEL Classification: A13, Z12

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1. Introduction

Medieval thought perceived economic issues as part of morality which was derived from theology. All earthly pursuits of people were evaluated through the prism of one system based on the hierarchy of values whose nature was determined by the spiritual destiny of mankind— salvation. Economic transactions were less market-related and more related to moral standards derived from the Catholic religion. Economic issues were of not much interest to scholastic philosophy. One may find it interesting that this philosophy for centuries considered the problem of ownership, attempting to determine whether it had a natural character or whether it resulted from convention, i.e. it was based on positive law. This intellectual dilemma has never been resolved. The Reformer Martin Luther found intellectual scholasticism offensive.Regarding the issue of ownership, he allegedly concluded that it was pointless to consider something which could not be solved through reflection (Rothbard, 2006, p. 139). A significant change in the approach to economic issues was introduced by the Reformation. It abolished the hierarchy of the Church organisation, and as a result, also the traditional formulas of thinking about the world. Lutheranism, compared to Catholicism, was characterised by far more developed democratism of religion (the priesthood of all believers). However, in terms of social issues, including the approach to economic activity, it did not go beyond the established doctrine of the Catholic Church, for example, its rigorous treatment of the profit obtained from money lending at interest. Major changes in thinking about the economic sphere were brought about by Calvinism.1 However, it would have been impossible without the pioneering theology of Mar-

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1 The concept of “Calvinism” is generally associated with the religious ideas professed by religious communities and individuals under the influence of the teachings of John Calvin. The term “Calvinism” as related to the religious worldview of the followers of Calvin suggests a direct link between Calvin and the thought of his successors. This relationship, however, is complex as Calvin was not the sole creator of Calvinism, i.e. the Reformed Tradition. Calvin’s theology in the Reformed Tradition never had a regulatory status, in contrast to the legacy of Luther which had an undisputed position among the Lutheran confessional communities. The Reformed Theology was expressed in several documents, such as the First and Second Helvetic Confession, Consensus Tigurinus (Consensus of Zurich), the Heidelberg Catechism, the Belgian Confession, the Canons of Dort and the Westminster Standards. These documents expressed the collective thought and were products of particular communities and circumstances in which they found themselves, not the thoughts of a specific person. The concept of Calvinism, forged by the Lutherans as a polemical tool to damage the reputation of the Reformed Protestants, is not a good instrument for analysing modern thought. The terms Reformed Theology and Reformed Orthodoxy are definitely better suited for this purpose, as they reflect the fact that the so-called Calvinists continued the thought not only of Calvin but also of other reformers, creating the tradition of the Reformed denominations. Calvin was an important but not the sole or dominant source of this tradition (Trueman, 2004, pp. 225–226). The use of the term “Calvinism” in relation to the whole of Reformed Theology is acceptable and convenient, but not quite correct, as it implies the movement focused primarily on incorporating the intellectual legacy of Calvin. It can be proven, however, that scholars from a historical point of view referred to as Calvinists maintained freedom in their views to use the theological and methodological sources other than the writings of Calvin. According to Alister McGrath, the biographer of the Reformer from Geneva, Calvin could remain the most important star on the Calvinist firmament, but there were others who modified his thought and method with their own thoughts and methods (2009, p. 294).
tin Luther from which the religious roots of Calvinism sprang, though in terms of knowledge about the world surrounding man Calvinist teachings introduced a completely new quality.

The aim of the article is an attempt to answer the question concerning the nature of innovativeness found in the Calvinist approach to basic economic issues, such as money circulation or labour, and their theological grounding. The author assumes that the doctrine of predestination and the original sin resulting from the theological conviction of the radical separation of the grace of God and nature (the spirit and the matter). This has been the key doctrine of Protestantism, including Calvinism, and it was significant for the Calvinist social teachings. The change of approach to money lending at interest, called usury at the time, and to work, especially physical labour, is a result of the theological assumption about the ineffectiveness of human worldly deeds for the receipt of God’s grace necessary for the salvation of the soul. The doctrine of predestination stating that salvation comes only by the grace of God, not as a reward for good deeds, did not lead to apathy and inactivity but instead increased involvement in the worldly affairs.

Due to its limited size, the text presents in a simplified manner the main theological motivation important from the point of view of the aim of the article and the attitude of the followers of Calvinism towards economic issues. It is worth noting that the economic topic was a sort of marginal theme for the Protestant Calvinist thinkers, significant not from the theological point of view, but due to the fact that the followers of Calvinism were among those social groups that were the most interested in changes in the approach to economic issues.

The relationship between Calvinism and the development of modern capitalism was detailed by Max Weber in *The Protestant Ethic and the Spirit of Capitalism* (1905), thereby giving rise to the ongoing debate over the influence of Calvinism on the modern West. Weber did not expand the dominant in Protestantism theme concerning the awareness of the dualism of nature and grace, and the material and spiritual world. The said dualism came from the doctrine of the original sin and was important for the formation of the social life of the followers of Calvinism. This was put forth by Richard H. Tawney in *Religion and the Rise of Capitalism. A Historical Study*, in 1926, which complemented Weber’s theories.

The article is a review and analysis of selected texts by Martin Luther and John Calvin.

## 2. Protestant dualism of matter and spirit

A starting point for the examination of the issue, i.e. Calvinist economic thought, is the theological doctrine of the original sin, a strong feature of Lutheranism and Calvinism. In the theology of Martin Luther, the original sin was presented as an event dramatic in its consequences for humanity which had lost the opportunity of the love of God, and therefore of doing good. Contrary to the Catholic theology that regarded the original sin only as the cause of the damaging and weakening of
human nature, Luther argued that the sin of the first parents has resulted in a total degradation of humanity. People retained only the capability for sin (1517, theses 4–7), and a propensity for evil, and they were incapable of loving God (theses 13, 16–18), lacking any faith or goodness. They lost the correct precept and good will (thesis 34). Man can do good only by the grace of God, i.e., predestined. According to Luther:

Not that the righteous person does nothing, but that one’s works do not make him or her righteous, rather that one’s righteousness creates works. (thesis 40)

The grace of God meant that the fulfilment of the moral law became a source of pleasure for the predestined (theses 73–75). As a voluntarist, Luther attributed to God infinite omnipotence and did not recognise the existence of the free will of man. In the face of the corruption of human reason and will, it was impossible to speak of the truth of human cognition and the freedom of human actions. Reason, helpless in its search of truth, was perceived as blind and devoid of knowledge, unable to indicate the will to do righteous things, thus man was incapable of doing good. Mind was in error; the will was broken. This anthropological pessimism led to the thesis about justification (salvation) only by grace (sola gratia) and about the worthlessness of human actions in this matter (Hervada, 2013, p. 130). In thus formulated order of salvation, the law, including the law of nature, seemed unnecessary, as the order of grace and faith did not require it. Similarly, the order of law, including the law of nature, was considered as unrelated to the question of the salvation of the soul, and related exclusively to earthly life. The presented stance was related to the theory of the two kingdoms of St. Augustine, based on severing the unity between the natural and the supernatural realm. The goal of the spiritual kingdom, i.e. the salvation by the grace of God and the resulting faith, was in no way associated with the goal of the earthly kingdom—earthly life of man. The connection between those two realms had been broken. The spiritual realm was ruled by the Word of God, while the earthly realm by the law of nature and the statutory law (Hervada, 2013, p. 131).

According to Luther, God was not speaking through the priesthood or the institutions created by the human hand, but directly to the human heart and only to it. The previously existing mediation between the realm of the spirit and the realm of the senses had become obsolete, as the human soul did not need for its salvation institutions “of this world”, created by people. It was the communion with the Creator that was important for the soul. The material world and social relations could not in the slightest ease the soul’s reception of the grace of God. As a consequence of the original sin, they became a sphere of chaos and cruelty, an unsanctified desert unsuitable for sanctification. The external, material realm was deprived of any influence on the Christian religiousness, which opened the door to its “secularisation” and the separation of the spiritual and the secular realms that previously coexisted in a close relationship based on the assumptions of Thomism.
about the grace of God complementing and enriching earthly life. According to the Protestants, the only thing that enriched earthly life and Christianity was the revealed Word of God (Tawney, 1926, pp. 96–97).

Such an important religious change introduced by Luther and the intellectual paths leading to it are matters for theologians’ considerations. However, the effect of that religious change on social teachings was tremendous. Since salvation became solely dependent on the influence of the grace of God on the soul of an individual, then the entire religious organisation acting as an intermediary between the soul and its Creator in the form of institutions, systematic worship and the Church hierarchy became unnecessary. It dismantled the medieval notion of the hierarchy of values as relating to the common spiritual goal and society as a body consisting of members labouring in a wide range of activities to achieve that spiritual goal. Grace no longer complemented nature but became its opposite. Man’s activity as a member of society was no longer considered as an activity of the child of God, since the matters of the world ceased to influence salvation; deeds lost their soteriological meaning. For Christians, the Bible and their own conscience were supposed to be a sufficient guide. Potentially, everybody could be predestined, but only the spiritual sphere, the human soul, could participate in predestination. The consequence of Luther’s theological reasoning was a radical division of the material and spiritual realm (Tawney, 1926, p. 98). The material realm was incompatible with the spiritual realm, and regulations issued by religious or secular institutions did not matter for the Christian ethic. The heart of a Christian could be guided only by the dictates of the gospel, without coercion (Tawney, 1926, p. 100). A peculiar side effect of creating the theological assumption of worthlessness of the earthly world (nature) and human deeds for the salvation of the soul was the liberation of the earthly reality from spiritual obligations. Worldly affairs, including economic activities, which used to be tied to religious commandments, could follow their own path and develop according to their own rules. In this process, the second denomination of Protestantism—Calvinism, which brought the religious ethics into the world, proved useful. From now on, it was to serve the development of earthly reality, which though devoid of the grace of God, remained to be one of God’s creations. The duty of man should be taking care of the world, the work of the Creator, and the mitigation of the consequences of the original sin.

3. Calvinist affirmation of the world and the spirit of capitalism

Calvinism grew out of Lutheranism, adopted the principles of *sola scriptura*, *sola fide* and *sola gratia*, and continued Luther’s doctrine on the separation of the earthly and spiritual realms. This did not, however, result in a detachment from the earthly reality, as was largely the case in Lutheranism. The area of interest of John Calvin was not only the spiritual sphere of individuals but also their external environment. The Reformer from Geneva recognised the need of reconstruction of the
institutional Church rejected by Luther in favour of private religiousness and of the renewal of society by taking religious control over private and public life. Calvinism was to be a life path not just for an individual but also for a community (Tawney, 1926, p. 102).

Lutheranism perceived economic life in a peasant’s way, with a certain degree of mysticism. Calvinism was largely an urban movement. It spread throughout Europe mostly thanks to not overly wealthy merchants and artisans who needed credit for their business development more than wealthy merchants did. The existing Christian ethic controlling economic issues (e.g.: borrowing and lending money) was more of a hindrance in their activities than a guide. Those groups sought to liberate the economy and subordinate it to the norms of a different kind that would not remain so heavily dependent on religious morality. Calvinism considered in its teachings the position and aspirations of people involved in trade and crafts (Tawney, 1926, p. 104). As noted by Max Weber, the Protestants, and especially the Calvinists, showed a specific propensity for rationalism, unprecedented among the Catholics, which resulted not from external historical and political determinants but from the permanent internal specificity. A greater detachment of Catholicism from life and certain asceticism of its ideals influenced the indifference of its followers towards the earthly realm. A Catholic cared more for safe and peaceful life, and less for wealth and honours. Referring to the idea that one either eats well or sleeps well, it can be said that a Protestant liked to eat well, while a Catholic preferred to sleep well (1994, pp. 23–25). It is difficult, however, not to see that the Calvinists, especially from the merchant and artisan strata, were sincerely religious and equally ascetic as religious Catholics. The comparison between the Catholic detachment from worldly life, monastic asceticism and ecclesiastical piety and the Protestant participation in the production of goods and capitalist profits showed, however, some inner similarity (1994, p. 26). The Protestant piety freed from the Church and monastic walls became the permanent piety in the world. Hence Weber’s statement that the inner relationship between the spirit of Protestantism and capitalist culture must be sought not in the materialistic thinking but in the purely religious characteristics (1994, p. 29).

The Calvinists believed that God demanded from his believers no single good deed but the holiness of the whole life. The religious moral practice was supposed to be a way of life. In the transformation of the entire life, the influence of grace was what led man into the state of grace. Life’s transcendental goal was salvation. Thus, life was completely rationalised and dominated by one principal: Making the world a better place was the enhancement of the glory of God. Such a life allowed one to overcome the state of nature as it helped to free a person from irrational drives and impose self-control over one’s actions and allowed one to reflect on the ethical consequences on one’s actions. Rationalisation endowed the Calvinist religiousness with its specific, ascetic qualities (Weber, 1994, pp. 103–105).

A conscious life was supposed to be orderly and harmonious, far from thoughtless living, and an ascetic way of life served that purpose. In Catholicism, the more ascetic life man led, the more distant from the everyday life he became. A Catholic’s holy life was to consist in overcoming obstacles of everyday life.
This discrepancy between holy life and secular life was cancelled by Martin Luther, and Calvinism followed in his footsteps. People who were focused on their inner lives, instead of gathering in monasteries, could realise their ascetic ideals in their worldly lives because of Calvinism. The Calvinist faith was supposed to be practised especially in everyday working life. The spiritual aristocracy of monks was to be replaced with the spiritual aristocracy of the predestined by God in this world (Weber, 1994, pp. 107–108).

John Calvin, the Reformer, had a strict approach to economic issues, although with a high degree of understanding of human material aspirations. In contrast to Luther, he did not consider the world of people’s material motivations with such great suspicion and did not perceive economic issues as completely devoid of influence on spirituality. Luther’s approach to economic issues had a traditionalistic character, which was a result of belief in predestination also in the simplest life matters. The man was supposed to stay in the condition and profession that God ordained and in his earthly ambitions were not to exceed his social status. The faith in predestination meant to Luther obedience to God along with unconditional submission to the existing situation. Luther stopped short of the new approach combining work with religious principles, the idea of testing one’s religious stance in the proper way of living and working, which was so important for the Calvinists (Weber, 1994, pp. 69–70).

The doctrine of predestination, associating salvation solely with the grace of God encompassing only the predestined ones, resulted in the recognition of human efforts as inconsequential in the matter of salvation. According to Calvin and his successors, the meaning of human life on earth was not salvation but praising the glory of God through prayer, and, above all, through action. Through toil and labour the “sanctification” (renewal) of the world was to be achieved—the main goal of earthly life. The ability to carry out such methodical work was a proof of predestination and was recognised as a sign of being predestined, justified from sin by grace. The grace of God was a gift, not a reward. According to Calvin: “…the gift of good works […] shows, that we have received the Spirit of adoption” (2008, Book III, Ch. 14:6–11, 16). Grace had, therefore, a transformational quality – making people presented with that gift capable of transforming their own lives (McGrath, 2009, p. 336). The followers of Calvinism were convinced that the duty of a Christian was to discipline one’s private life and create a “sanctified” society in which individual duties were performed by people aware that they were constantly watched by the Creator and that their time was inexorably passing (Tawney, 1926, pp. 108–109). In the eyes of God, a form of life that was useful to society was the worthiest of praise. Christians were encouraged, and even forced, to become engaged and involved in the world. Calvin’s teachings may be called “anti-theological theology” in the sense that his concept was not associated with the complete absence of theology but rather with the clear emphasis on the affirmation of the world. The secularisation of sanctity present in Calvin’s thought
assumed the enclosing of the sphere of human existence within the limits of divine sanctification and human sacrifice. The main pillar of that kind of life was to be the sanctification of work (McGrath, 2009, p. 311).

How to recognise who is predestined and who is not? Although Calvin stressed that good deeds were not the foundation of salvation, he did not oppose their perception as the basic elements of salvation. He stated: “Conscience being thus founded, built up, and established, is farther established by the consideration of works, inasmuch as they are proofs of God dwelling and reigning in us” (2008, Book III, Ch. 14:18). Anxiety and uncertainty concerning the salvation of the soul associated with predestination were a sign of Reformed spirituality. Calvinist preachers and theologians pacified the faithful, preaching that by fulfilling their daily duties and living in accordance with the precepts of religion, they were in fact the predestined ones, as good life was treated as a consequence of salvation. Thus, there was a psychological emphasis on proving one’s own predestination to oneself and to the world by showing certain signs, such as praising God through conscientious work in His world (McGrath, 2009, pp. 338–339). Therefore, there existed a certain compulsion to demonstrate one’s predestination. The doctrine of predestination, which says that human salvation or condemnation is predestined by the will of God, might have seemed cruel and resulted in quietism, abandoning any attempts and efforts, as well as in submission to the judgment of the Almighty God. In practice, however, the situation was reversed—in the effort to follow the signs of salvation, man constantly undertook activity in the world (McGrath, 2009, pp. 340–341). Calvinism created a completely different than in Catholicism and Lutheranism relationship between religious life and worldly activity. Especially because of the Puritans, a radical turn to the material realm was made, and earthly life was interpreted as a task (Weber, 1994, pp. 72–73).

A new attitude to work, especially physical labour, is one of the most important aspects of Calvin’s legacy. Until the time of the Reformation, physical labour was treated as a necessity, a repulsive and degrading activity. Such an attitude towards work was the remnant of ancient Greece, in which the sphere of private life (gr. idion), including also physical labour (usually performed by slaves), was considered as the domain of necessity contrasted with the political sphere seen as the domain of freedom. Aristotelianism, followed by Thomist philosophy, recognised work as a means to satisfy one’s needs, and thus to achieve happiness. The principle of the golden mean called for moderation, maintaining the balance between work and leisure. Work was not considered as valuable in itself but as a means to meet human needs.

In all the Protestant denominations, the performance of duties within secular professions was evaluated from the moral point of view. This novel approach was a consequence of attributing religious significance to secular daily work. The concept of the profession-vocation was created. The moral improvement was perceived as the centre of life accepted by God. The improvement, however, was to be achieved not by means of earthly monastic asceticism but by the fulfilment of earthly duties arising from the position of each person. In teachings of Luther, convinced of the necessity of man’s obedience to any authority and his
submission to a designated life role and situation, the idea of the profession as a vocation, though stressed, did not affect the relationship between the religious stance and the practice of everyday life (Weber, 1994, pp. 64, 72). The situation was different in Calvinism.

Calvinism radically changed the approach to work, especially physical labour (Rothbard, 2006, pp. 141–142). It became the activity the worthiest of recognition among all the other activities, since work was treated not as a paid occupation but as a careful and productive use of talents and capabilities that man was endowed with. Work was seen as a spiritual activity, as a socially beneficial form of prayer (McGrath, 2009, p. 344). A truly religious Calvinist treated work not as a source of income but as an activity which had value in itself. As noted by Weber, this way of thinking could not be the consequence of low or high remuneration but rather a result of a sort of educational process (1994, pp. 43–44). It was associated with the process of “rationalisation of religion”\(^2\), i.e. stripping religion of magical and irrational forms of search for salvation in favour of focusing on the world (and acting within the worldly sphere). Asceticism was pulled out of monasteries and work became an ascetic means *par excellence* (Weber, 1994, p. 121).

Work acquired a special significance among the late Calvinists—the Puritans. In this context, it is worth mentioning Richard Baxter and Benjamin Franklin. Richard Baxter’s *Christian Directory* is a compendium of Puritan moral theology. As a Puritan, Baxter drew readers’ attention to the issue of time, its waste was recognised as the first and greatest sin. Life was perceived as too short to spend time on idle talk, entertainment, luxury, or long sleep. Thus—in his opinion—man wasted his vocation. Idleness was equally sinful for Baxter. The apotheosis of hard work was encountered throughout his major work (Weber, 1994, pp. 145–150). Similar teachings were found in Benjamin Franklin’s *Poor Richard’s Almanac*. It praises hard work, frugality, honesty, honouring a given word, and respecting time, i.e. the values which, according to Weber, while followed created the spirit of modern capitalism. Some of the statements made by Franklin are widely known (“Remember, that time is money”, “Money can beget money”, “Have you something to do tomorrow; do it today”, “Therefore never keep borrowed money an hour beyond the time you promised, lest a disappointment shuts your friends’ purse forever”, “The way to wealth leads through industry and frugality”, “Without industry and frugality nothing will do, with them, everything”, “Early to bed and early to rise makes a man health, wealthy and wise”, “Diligence is the mother of good luck”, “Half a truth is often a great lie”, “Well done is better than well said”) (Franklin, 1900, pp. 13, 41–42, 44–46).

\(^2\) Weber argued that the rationalisation of religion, already noticeable among the ancient Israelites, was because of the urban strata of craftsmen and merchants (Weber, 2002, pp. 368–369). Within the framework of Calvinism, the process of rationalising religion and ethics derived from it was advanced much further. Industry, frugality, reliability and honouring one’s word were elements of rationalised ethic. These ideals were valued by Calvinist small merchants and craftsmen, as these translated into success in their businesses, and thus soothed their anxiety about the salvation of their souls.
Among the followers of the Reformed religion, a positive attitude to wealth dominated as some saw it as a sign of being predestined. The followers of Calvinism in the United States in the 19th century were characterised by this approach. John D. Rockefeller, Sr. thought of his fortune as a sort of divine reward for his faith. Other successful people treated individual and national wealth as a sign of God’s grace. The emergence of the “Theology of Prosperity” in the 1970s was seen as a deformed Calvinist work ethic (McGrath, 2009, pp. 354–355).

Regarding poverty, the Calvinists did not distinguish economic and moral motives. Poverty was treated as a result of misfortune or laziness. The remedy was work. Calvin recalled in this context the words of Saint Paul stating that: “The one who is unwilling to work shall not eat” (2 Thes 3:10) (Tawney, 1926, p. 114). The idleness of begging was perceived as a sin against God and a social evil. At the other extreme, he placed merchants’ business ventures, their prudence and thrift, treating their economic activity as both a Christian virtue and a material benefit for society. The same combination of religious zeal and practicality was responsible for the attack on gambling, sumptuous clothes or tolerance for lack of moderation in food and drink. The essence of the social science created by Calvin and developed by his successors was an attempt to crystallise a moral ideal of society’s daily life. Calvinism abolished monasticism only to make a big monastery of secular reality (Tawney, 1926, p. 115).

As it is known, the Calvinist social ethics had roots in urban entrepreneurship of craftsmen and merchants. Thus, it must have taken a stance concerning the long-debated issue of money lending at interest, known at the time as usury. Calvin’s attitude to usury was, one might say, measured. He believed that conducting financial interests was moral provided the income did not exceed a specified maximum. The security for the money borrowed could not be exaggerated. Calvin considered the interests of both parties. The creditor’s profit could not have been so large that it would have made him rich at a rapid pace at the expense of the debtor’s excessive effort or so large that the latter would have been left without the profits from his work (Tawney, 1926, p. 106). Loans for the poor were to be interest-free. Calvin emphasised the distinction between a loan for the poor and a commercial loan given for profit, between the profits (or lack thereof) obtained due to the poor people’s necessity and the profits that merchants could have gained by lending their capital, for example, to other merchants. He also believed that the income from usury should not be the basis for supporting oneself, and therefore no one should work as a professional moneylender. Calvin’s approach changed the direction of debate about money lending, as he believed that the issue should not be considered from the doctrinal perspective but as an element of social relations within a particular Christian community, taking into account the circumstances of a given place and time. The conclusion, resulting from the discussion on money lending taken up by Calvin, was the recognition of credit as a normal and necessary part of social life (Rothbard, 2006, p. 140; Tawney, 1926, p. 107).

The Reformer, referring to the message conveyed in the Word of God, pointed to its ambiguity in relation to usury. He decided that the excerpts of the Old Testament treating usury as a sin against mercy (Exodus 22:25, Leviticus
25:35-37, Deuteronomy 23:19-20, Ezekiel 18:13, Luke 6:35) were no longer congruent with the realities of those times. In addition, he pointed to an ambiguous attitude to usury on the part of Jews who did not receive interest from credits granted to the Jews but allowed it in respect to non-Jews. He did not agree with the argument raised by Aristotle (2003, Book I, 3:19), who noted that money was “sterile”, i.e. it could not multiply as wheat or cattle, hence the lending of money at interest was contrary to nature, as it contributed to their “multiplication”. “Infertility” of money resulted, according to the philosopher, from the fact that it was not a natural phenomenon as exchange was, but it was created by the law as a means of exchange. Exchange itself existed as something natural and original. According to Calvin, the payment for the use of capital was as reasonable as the payment for the lease of land. He left to an individual’s conscience the decision whether the size of the payment was not contrary to the sense of fairness. Calvin hoped that people would be moderate in their commercial ventures, using their Christian common sense. His economic beliefs were part of process of acceptance of commercial realities and related aspirations, also financial ones, spreading among his contemporaries (Tawney, 1926, pp. 107–108).

The Dutch Calvinist Claude Saumaise (Latin name: Claudius Salmasius; 1588–1653) went much further in his reflection on usury. In several works published in Leyden in the years 1630–1645, began by De usuristiber in 1630, Salmasius put an end to the dilemmas related to interest derived from loans. He clearly stated that money lending at interest is an economic activity which, as any other activity, had a price regulated by market competition. Salmasius also had the courage to conclude that there were no axiological arguments against usury, that such arguments could not be deduced either from the law of God or the laws of nature. Although, based on the Old Testament, the Jews forbade usury against other Jews, but that prohibition was rather a political or tribal act than an expression of specific morality referring to economic transactions. Jesus did not teach anything about politics or economics. According to Salmasius, the law banning usury was only the Pope’s will, hence the Calvinists were not required to abide by it (Tawney, 1926, p. 144). In Salmasius’s opinion, usury was a sort of compensation for, first of all, the inability to use the lent money, and also for the risk associated with the possibility of its loss. Salmasius also voiced his opinion on the controversial issues of lending money to poor people at interest. He said that the poor should be treated as any other borrowers. He argued that the seller of bread was not required to ask the customers if they were rich or poor, why, therefore, such a duty should be imposed on money lenders? (Tawney, 1926, p. 145)

4. Conclusions

The separation of the material and spiritual realm as well as the state of nature and the state of grace made on the basis of the Protestant theology as a consequence of original sin combined with the principle of predestination had a great social signi-
ficance. In the world of earthly life, it was impossible to find the means that could be used to receive God’s grace, i.e. salvation. Martin Luther and the followers of Lutheranism saw such a state of affairs as a reason for renouncing worldly aspirations, instead focusing on personal spirituality, leaving the worldly affairs to the secular power whose mission was to limit evil by means of the sword. A completely different approach to the said dualism was represented by Calvin and his successors, especially the Puritans. Their position can be defined as the affirmation of the earthly reality and the desire to make the world a better place based on religious pragmatism associated with rationalising religious ethics and endowing it with utility-related properties. Thanks to Calvinism, from the onset affirming the world, considerable progress in the approach to the economic sphere, especially to the matter of work and circulation of money, was made. Especially the late Calvinists, the Puritans, created on the foundation of religious values a work culture based on conscientiousness, honesty and honouring one’s word. Weber in his *The Protestant Ethic and the Spirit of Capitalism* wrote that the question concerning the forces driving the development of modern capitalism is first and foremost the question not about the source of the necessary money but about the development of the spirit. Wherever the spirit of capitalism was alive, it found financial resources as a means of its operation, but never the other way around (Weber, 1994, p. 49).

References


The meritocracy or “responsibility elite”? 
An evangelical approach to the issue of social elites*

Abstract

The notion of meritocracy is among the keywords used to describe the contemporary world. Increasingly, it has become a central concept of an order with globalization and the impact of free-market philosophy on society and culture as the main factors. The concept of meritocracy examines the nature of elites. On the one hand, meritocratic elites come from groups selected for their merits and competences; on the other hand, they avoid their responsibility towards society and culture. Amongst many counterproposals, it seems worthwhile to present the evangelical concept of elites embedded in evangelical social teaching. Evangelical theology introduces the idea of responsibility elites in its social discourse. According to evangelical theologians, in order to overcome the growing social, economic and cultural crisis of today, it might be necessary to rehabilitate the notion of the common good. Considered from a sociological and a theological standpoint, responsibility elites play a significant role in spreading the concept of the common good.

The article presents theological guidelines for evangelical teachings on elites as well as evangelical proposals concerning the subject matter, collating them with a comprehensive assessment of meritocratic elites.

Keywords: meritocracy, elite, evangelical, church, Protestant Reformation

JEL Classification: Z12, Z13

1. Introduction

In the context of transformations brought by postmodernity or late modernity (as Anthony Giddens maintains), the topic of elites is essentially connected with the blurring of “rigid” social categories, with the weakening of what is social, what is related to a community. Split into an infinite number of groups and individuals, the society is disintegrating in the conflict of particular interests. The pace of changes that each individual experiences keeps postmodern people feeling lost and torn; they “flounder through the mismatched fragments of sensations, experiences and adventures, which they unavailingly try (if has not given up hope yet) to piece together into a meaningful image of life with its ‘purpose’ and ‘direction’” (Bauman, 1994, p. 38).

As the group to which an average individual looks up to, and which defines and represents the ways and styles of life that are rooted in specific values and norms, the elite takes on a special role in this reality. What is also characteristic of the postmodern era is the fact that the specificity of the individualistic culture of “liquid reality” relates to them as well. Elites withdraw from their role of being a guide and a leader. They are not preoccupied with conducting any social mission.

Such an attitude of the modern world elite became the subject of criticism made from the standpoint of evangelical theology. The key word of this criticism is responsibility, or rather lack of it, in the groups that make up the modern elite. In the view of the Evangelical Church, theology must formulate and present the concept of the elite and present it to the masses.

2. The meritocratic elite of the globalized world

The article Repairing the Rungs on the Ladder, published on February 9, 2013, in “The Economist”, contains a short but clear-cut analysis of social changes associated with the rise of the new world elite. In order to illustrate how it functions, the author of the article recalls the concept of meritocracy, a term coined and forwarded by a sociologist and a member of the British Labour party, Michael Young in 1958, in The Rise of the Meritocracy. Young describes a society in which the elite class based on the Competence Principle is replacing the elite by birth. The birth hierarchy gives way to the hierarchy of talents. In a meritocracy, social position depends on one’s intelligence and education verified according to objective measures. Nonetheless, Young asserts that meritocracy is not the key to building a just and a happy society, but rather a way of replacing one elite with another, separating themselves from the masses and laying down the criteria for inclusion in, and, exclusion from their circles. However, unlike the old elite based on birth, the new meritocratic elite lacks a system of specific values.
As stated by the author of the article published in *The Economist*, “the world is starting to look a bit like Young’s nightmare vision.” The new meritocratic elite of the world gains power and profits, primarily owing to globalization and the ever-expanding global economy.

The top 1% have seen their incomes soar because of the premium that a globalised high-tech economy places on brainy people. Business-school-educated elite whose members marry one another and spend their money wisely on Mandarin lessons and Economist subscriptions for their children are replacing the aristocracy that gambled its money away on “wine, women and song”.

Repeatedly, statistics point to a constant trend: the gap between the rich and the poor is becoming wider. The financial crisis that broke out in 2008 with the bankruptcy of Lehman Brothers and the collapse of the mortgage market revealed the scale of profits that financial institutions shared. Largely, these institutions sought to achieve the biggest profits possible; disregarding the rules that until that point had given the credibility to the financial institutions. The slogan that drove the market was, “greed is good”. The economic stratification of societies occurs on both internal and international levels, and the inequalities grow on a global scale, as defined in the North-South scheme.

2.1. The global economy

The formation of the meritocratic elite coincides with globalization processes. Manuel Castells, author of *The Network Society* – a key position in the field of Internet sociology, depicts a global economy that, with the spread of the Internet, is developing at a constantly increasing pace (2007, p. 107). Importantly, Castells stresses that the global economy is not the same as the world economy since it is not the sum of individual national economies, but a supra-national structure characterized by the ability to operate as a whole in real time or in a particular timeframe on a planetary scale. As it is growing and spreading, economies of individual countries are more and more dependent on the achievements of the “globalized core”. In Castells’ opinion, this core encompasses financial markets, international trade, transnational production, science and technology as well as the specialized workforce (2007, p. 108).

The meritocratic elite that influences the functioning of societies is a product of the specialized workforce. Castells writes about such specialized workforce not only with regard to its highly qualified members but also to those who are increasingly in demand and who, therefore, do not fall under normal regulations on immigration laws, payment terms and working conditions. Everyone who can create and add and unusual benefit, in any given market, has a chance to explore markets globally.

The global economy is typified by a fundamental asymmetry between countries, which is determined by their level of integration, competitiveness potential and share of benefits from economic development. The asymmetry also extends to
regions within countries. It results in the progressive economic stratification of the world population, which ultimately sets a global trend of increased inequalities and social exclusion.

The stratification is twofold: on the one hand, valuable segments of territories and groups of people are included in the global networks of value creation and appropriation of wealth; on the other hand, everything and everyone who, from the perspective of these networks, are deprived of value or loses value is separated from these networks and eventually, left to themselves. Since the positions within the networks can change, countries, regions and populations are in constant motion, which entails structurally induced instability.

2.2. The meritocratic elite

The global economy creates the meritocratic elite, who continues to set new boundaries and establishes new mechanisms of including or excluding people from its ranks. The ideology of the free market, which applies the principles of valuation in terms of profitability, as well as unbridled consumerism, favour the formation of the meritocratic elite: they take the responsibility for the world off its members’ shoulders and offer the masses a possibility of consumption in which fixed categories are lost, transforming living into collecting sensations.

Young’s vision is materializing. It is enough to take a trip to the modern agora, i.e. Internet forums: a big part of expressed opinions is grounded in dogmatic thinking in terms of “economicism” and a free market. Alain Touraine writes about the dominant interpretive discourse, applying it to the political sphere (2007, p. 16). His concept explains the judgement that is widespread in numerous countries, expressed in a simple phrase: “if you are poor, you are stupid”, where stupid is not so much about being “unresourceful” as being “untalented, unintelligent”. Predispositions and specialized education became another criterion that explained increasing social differences, while the astronomical bonuses that the financiers of the City of London awarded to themselves can be regarded a symbol of a growing split in societies. The meritocratic discourse, at times full of contempt for the people who did not manage to obtain education that brings high salaries and respect in the society, frequently ascribes the contribution to state revenue solely to specialist from the elites and, consequently, perceives the rest of people as a burden weighing down the arithmetic bars of GDP. This discourse is one of the factors brutalizing the public space and atomising the society.

Vilfredo Pareto and Gaetano Mosca, who sparked off a debate about the elites in sociology, were basing it on the assumption that:

in every society there is, and must be, a minority that rules over the rest of society; this minority—the “political class” or “governing elite”, composed of those who occupy the posts of political command and, more vaguely, those who can directly influence political decisions. (Bottomore, 1964, p. 105)
The composition of elites changes over time due to a recruitment of new members from lower social classes, an inclusion of new groups, and sometimes a complete replacement of one elite with the other during a revolution. Pareto and Mosca, however, differed on how they analysed the essence of the process that they referred to as “circulation of elites”. Pareto insisted on making a sharp distinction between rulers and ruled, not recognizing the specificity of democracy in this aspect. Mosca took into account the heterogeneity of elites (Bottomore, 1964, p. 106). He believed that there was a difference between a modern democracy and other types of political systems; rather than direct domination, recognising an interaction between elites and the ruled ones. He anticipated the emergence of new elites through the representation of new interests, e.g. economic or technological. In a democracy, elites can form freely, and the political system presupposes regulated competition for power between them. In Pareto’s approach, the notion of elite can have two meanings. In a broader sense, elite is a group that gained an advantage over other groups in some field. In its narrow sense, elite is a group of people governing a given political organism—the power elite.

Nowadays, it is apparent that the traditional discourse on elites is becoming somewhat outdated. In Smooth Modernity, Zygmunt Bauman offers a vivid description of the elite of the contemporary post-modernist era:

The contemporary global elite is shaped by the pattern of the old-style “absentee landlords”. It can rule without burdening itself with the chores of administration, management, welfare concerns, or, for that matter, with the mission of “bringing light”, “reforming the ways”, morally uplifting, “civilizing” and cultural crusades. Active engagement in the life of subordinate populations is no longer needed (on the contrary, it is actively avoided as unnecessarily costly and ineffective)—and so the “bigger” is not just not better any more, but devoid of rational sense. (Bauman, 2006, p. 23)

Therefore, various social commentators face the task of formulating a new concept of an elite, which would replace the meritocratic ideal and would allow social organisms to function. Individual philanthropic acts performed by world idols of meritocracy, such as Bill Gates or Steve Jobs, are not enough. Meritocratic elites must develop their ethos, going beyond the mere pursuit of wealth and extreme individualism that evades responsibility for the world in which they live. In the post-modern era, in the era of an “orchestra without a conductor”, as Pierre Bourdieu defines the society (Jacyno, 1997, p. 13), if not in the face of “the decline of the social”, as Alain Touraine (2006, p. 118) puts it, this task seems harder but also more urgent than ever before.

3. The concept of an elite in evangelical theology

More and more frequently, Christian churches respond to specific problems that are associated with social changes, stepping into the area of sociological research and employing the language, methods and concepts of sociology. Among various
axiologies and standpoints on which the social commentators base, the Evangelical theology occupies a prominent place. From the very beginning, Evangelicalism of both the Reformed and Lutheran tradition put emphasis on social sciences by placing them in the general structure of theological discourse and by stressing their importance for the Christian life of every believer.

Contemporary evangelical churches uphold the tradition of commenting on social phenomena. The Evangelical Church in Germany plays a crucial role in this respect, mostly owing to its size. Grounding on the evangelical principles of theology and on the sociological reflection, it brings the assumptions of Lutheran social science up to date. In a similar manner, the financial crisis of 2008 and the progressive stratification of Western societies have become the reason for reinterpreting the position and role of elites in society.

As in the case of other studies, evangelical theologians draw attention to a complex of factors that form the context for the topic of elites, namely: globalization, individualism and increasing social inequalities. These factors coincide with the group of other social trends that mark the postmodern era. For this reason, the authors of the document *Evangelische Verantwortungseliten* (Evangelical responsibility elites), which constitutes the main evangelical platform for presenting a contemporary theological interpretation of the position that elites take in the society (2011, p. 14), refer to the phenomenon called *the war for talent*. It contributes to the growth of the meritocratic elite, but at the same time, it exempts the elite from the imperative to take responsibility for the society in which they live. Nonetheless, in the magazine *Wie ein Riss in einer hohen Mauer*, theologians partially agree with the assessments that connect the financial crisis of 2008 to the irresponsible attitude of some of the elite members who “were exercising their liberties only to achieve their own, particular goals” (2009, p. 11). What proves this statement is the fact that the Lutheran interpretation introduced an antinomic perception of the elite through its two faces,

which it showed on different occasions and in different social contexts. On the one hand, the elite is subject to critical judgment in situations involving the status of unearned privileges, reinforcement of social inequalities, arrogance and abuse of power. Such a character of elites is incompatible with the biblical patterns of successful social life. On the other hand, the creation of a human is expressed in people possessing different talents and abilities. Hence, in every social order, there are functional and social differences, which can be limited but not eliminated. (Evangelische Verantwortungseliten, 2011, p. 22)

The Evangelical perspective warns against rushing to judgments and emphasizes that we cannot attribute every symptom of the crisis and painful changes to a particular person, thoughtlessly putting the blame on “those above”. As for the profound social transformations, let us recall that responsibility is the keyword in the functioning of each and every society; thus, the discourse on the elites as well as their behaviour have to be responsible.
3.1. The concept of an elite as a function of the universal priesthood doctrine

The Reformed social science was founded on a few basic elements, which include teachings about two kingdoms—worldly and spiritual, which God uses in steering the fate of the world; teachings about the office and vocation; teachings about the universal priesthood. The latter referred to the theological dimension of reality and was related to the Lutheran criticism of monasticism. The theological interpretation encompassed all dimensions of social life and despite a clear division into “secular” and “spiritual”, it was a theological monism in which everything is subordinated to the relationship of God to man. Consequently, the domain of society and the domain of church interpenetrate. The same principle applies to the concept of elites.

The doctrine of the universal priesthood presupposed that the Church is formed on the equality of all baptized people and rejected the ontological distinctness of those who were ordained. Yet, in society as well as in the Church community, the doctrine of universal priesthood recognized a variety of offices and functions without introducing any absolute unification. Therefore, in the Church, it assumes the variety of ministries, which nowadays can be expressed as a varying degree of commitment. The functions people serve in the Christian community can be their main occupation, additional ministry or a remunerated service. The central element in this scheme is the theological principle of equal participation of all Christians in the priesthood as well as the common task, which is to “help people live by faith and die in faith”. This theological nature and a common goal of the Christian community are the foundation of equality. Theologians point out that in Lutheranism, the ecclesiastical system proves the universal priesthood principle with its criterion of selecting a governing body of the Church. Representatives of the clergy and lay people, who either fulfil their professional duties in the Church or are not, employed by the Church, lead the ecclesial community—“it is contained within the pool of various talents and functions.”

Yet, when it comes to the quality of diversity, a clerical function occupies a special place in the Church. In section XIV of the Augsburg Confession, Philip Melanchthon writes:

> Of Ecclesiastical Order, they teach that no one should publicly teach in the Church or administer the Sacraments unless he be regularly called. (Księgi Wyznaniowe..., 1999, p. 146)

In the section VIII of the Confession, the Church is defined as the “congregation of saints, in which the Gospel is faithfully taught, and the sacraments are rightly administered” (Księgi Wyznaniowe..., 1999, p. 145). It means that to carry out these specific acts, one must hold an appropriate office in the Church, which does not involve achieving any special spiritual status that would entail an irreversible imprint. Rather, it consists of a particular responsibility, which is related to the held office and specific competences.
3.2. The concept of an elite as a function of the Lutheran social science

The ecclesial system, which in its unity of purpose and essence assumed a functional diversity, is reflected in Lutheran social science. The Lutheran Reformation depicted society as a system of estates and offices, in which everyone performs their function pursuing their calling. In line with this interpretation, the State, like the Church, was to fulfill the function of managing society in accordance with the principles of the Gospel. It was portrayed in Luther’s two kingdoms doctrine. Thus, the social science assumed differences between members of society, in keeping with appointed office and competences that correspond to an individual vocation. Nonetheless, in the context of the basic purpose of the existence of a hierarchical social structure, which was God’s rule in the world, it recognized the equality of all its members.

The necessity for an office of priesthood within the Church, which is associated with serving specific functions and bearing special responsibilities, leads to an analogous conclusion in relation to society and the state. The reformers quickly realized that the Reformation could not occur without the support of the social elites. In the theological equality of all the baptized, the social theory of Lutheranism had to take into account inequalities, which were ascribed to functions. In this way, the Lutheran Reformation extended, to a certain degree, the existence of a social hierarchy model, dividing society members into estates made up of Christians, equal before God.

The concepts of estate and office must be completed with the concept of vocation, which in Lutheranism is connected with a specific theological and ethical dimension. To have a calling is to acknowledge one’s estate as determined by God and to perform the related duties following God’s commandment. It leads to identifying the duties that arise from the fact of coexisting in society with those that stem from the fact of being a Christian. The Lutheran ethics of vocation was developing in the process of criticizing monasticism and “deeds of false piety” and affirming “secular deeds”. Every vocation and every estate was a place where the Christian life of “reasonable service” (Rom 12: 1) to others before God was fulfilled. The consequence of such ethics was not an escape from the world but an involvement in the world, “the inner world life”, as written by the famous Lutheran theologian Dietrich Bonhoeffer (Kopiec, 2008, p. 235).

The elements of the Lutheran concept still exist in the structure of German society, despite a number of factors that drained it, as well as its state and even the Church from various components of Reformed theology. Evangelicalism is also present in the life of German society nowadays, and because of the institutions that determined its shape after the Second World War, the expression “Protestant mafia” come into common use Lutheran theologians also draw attention to an “evangelical face” of the changes in Germany in 1989 (Evangelische Verantwortungseliten, 2011, p. 15).
4. Modern elites from the evangelical standpoint

The assessment of the crisis of elites, referring both to their internal condition and to the perception of elites by society, as well as the theological interpretation of their place in society result in constructing an evangelical model of an elite. In this construct, not only the critique of a contemporary society, but also the increasingly apparent anthropological crisis are reflected.

Lutheran theology was founded on the doctrine of justification of man by God that comes through faith alone. From the perspective of social science, apart from other dimensions, the justification means that human activity can be good, just and useful, regardless of a rank on the social ladder and the prestige associated with the social position. The dictatorship of the success cult stands in deep contradiction to the doctrine of justification. Lutheran theologians remind that the Lutheran doctrine of vocation was subject to criticism by Max Weber, who saw it as the reinforcement of medieval social systems with the rigid assignment of functions within such a system. In his opinion, it led to social stagnation, as personal success and prosperity were not the goals of entering any profession or career path. The theologians, though indirectly, refute Weber’s accusations. In the modern era, each person makes a career choice by themselves, according to the criterion of financial success and social recognition. An individual became responsible for his or her own fate. Yet, Lutheran theologians ask a question whether this responsibility has not become an excuse for society to blame individuals for their professional failures, a lost job or work-related unethical compromise. Is financial success indeed the only criterion that allows evaluating human choices? A human is more than just the sum of results and success. Bauman answers this question in a straightforward way:

In the land of the individual freedom of choice, the option to escape individualization and to refuse participation in the individualizing game is emphatically not on the agenda… The individual’s self-containment and self-sufficiency may be another illusion: that men and women have no one to blame for their frustrations and troubles do not need now to mean, any more than in the past, that they can protect themselves against frustration through using their own domestic appliances or pull themselves out of trouble. (2006, p. 53)

The Reformation has always placed a strong emphasis on education. Luther’s Catechisms were the first documents of this kind in history that were to spread religious knowledge among commoners. Filip Melanchton, Luther’s closest collaborator, was conferred the title of Praeceptor Germaniae (the teacher of Germany). Failure to provide a child with education was seen as negligence: “You deprive the state, the principality, the city of salvation, comfort, a cornerstone, helpers and saviours”—wrote Luther (Evangelische Verantwortungseliten, 2011, p. 27). In the social order determined by the doctrine of vocation, however, education, aspirations and striving for success are means to achieving the overriding goal; it is also because, contrary to the prevailing trends, individual efforts must be supported and must take into account the common good.
Hence, in the context of anthropology conditioned by the doctrine of justification by faith, vocation is a key notion related to the social science, and to its branch dealing with the issue of elites. In light of the discourse that includes the concept of universal priesthood and the theology of office and vocation, it has to be stated that in society, there exists a diversity of talents and competences in true, anthropological equality. Inequalities in the distribution of rewards and privileges, perceived as a mechanism regulating social development, are a response to this diversity. Utopian dreams of egalitarian societies without elites led to the formation of a new, non-functional and irresponsible elite.

Democratic and open societies need talents and efforts, results and creativity, leadership and responsibility in order to secure a bright future for as many as possible, and with it – freedom and prosperity. (Evangelische Verantwortungseliten, 2011, p. 25)

Still, rewarding efforts and competences do not mean that the measures against inequalities, unjust divisions and social exclusion are not being implemented. Society cannot be seen as an epiphenomenon of the economy, because then it turns into an unstructured group of competing units.

According to Lutheran theologians, the predicted decline of what is “social” must be prevented by rehabilitating the notion of common good. The image of the Kingdom of God materializing itself has always been strong in the Protestant tradition – in its extreme form presented by the 19th-century liberal theology, it boiled down to identifying the progress of civilization with the arrival of the God’s Kingdom on earth. Nevertheless, the theological view of creation presupposes the pursuit of improving reality. Elites perform a special function in this programme. Their role is fundamental in societies that more and more frequently do not have leaders, just numerous advisers—experts, but lack figures of authority, and in which the mass media floods reality with worthless content, creating – to use the term coined by Jean Baudrillard—a hyperreality. Theologians underline that the life programme of self-improvement, self-fulfilment, career and life success, often used in reference to elite members, must include the care for what is common. The good and development of society rest, primarily, on elites.

For this reason, responsibility is the keyword related to the Lutheran model of the elite. Owing to their position in society and the trust placed in them, elites must be responsible. That is to say, they should not just act in their own interest but also consider others, taking into account the social dimension.

In addition, elites must seek to strengthen the democratic order, which is not simply about a narrowly understood political dimension but about building a free, pluralistic and an open society. In a democracy, people do not become members of elites on a whim and irrevocably; the society gives them the benefit of the doubt. They are to take responsibility for particular tasks in specific areas of activity. It does not mean, however, that such responsibility refers only to specific functions resulting from person’s competences. And so the economic elite cannot limit their
the economic growth, the cultural elite—to development in arts, and the ecclesiastical elite—to the functioning of church institutions. Elites must keep in mind the complementarily understood well-being of society.

5. Conclusions

The Evangelical Church sees its role in implementing the concept of responsibility elite by strengthening the evangelical identity among members of various elites. This function is to consist in updating the notion of vocation, ability and responsibility, explaining what the Evangelical identity and the Evangelical ethos of elite are all about, as well as cooperating with and drawing on the experience and diverse competences of elites. The church should appear as interesting and constantly be learning, addressing the elites in areas of their interest. It must put itself in the vanguard of the process for overcoming social disintegration and to setting an example of taking responsibility for the community.

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Were capitalists interested only in profit in the 19th century?
An example of Jan Gottlieb Bloch

Abstract

The social class which was the *spiritus movens* of rapid economic transformation in the lands of the Kingdom of Poland in the nineteenth century was the bourgeoisie. In the public sphere, there is still a strong conviction among contemporary Poles about the moral defects of capitalists, for whom, according to the prevailing stereotypes, only profit was important. The author of this article, to contradict this claim, gives an example of the life and actions of Jan Gottlieb Bloch (1836–1902).

The aim of the article is to present the broad economic, social and scientific activity of Bloch as a member of the bourgeoisie of the Kingdom of Poland. The author also points to the need for further research on the work of Jan Bloch, especially in the field of his economic and irenological writing.

**Keywords:** nineteenth-century capitalism, the Kingdom of Poland, the bourgeoisie, Jan Gottlieb Bloch

**JEL Classification:** Z13

1. Introduction

The Kingdom of Poland was experiencing rapid economic development in the second half of the 19th century, which resulted in changes in almost every sphere of life. Industrialisation intensified, the development of the railway revolutionised
transport, and cities and commerce were growing. The social class that was the *spiritus movens* of these changes was the bourgeoisie. In the public sphere, contemporary Poles are still quite strongly convinced that capitalists were morally defective and, according to common stereotypes, the only thing they cared for was their profit. This belief is primarily a result of socialist propaganda, which at the time of the Polish People’s Republic presented the bourgeoisie in a unanimously negative light. The reality, however, was different from the image presented by the creators of historical policy under the communist regime. Members of the Polish bourgeoisie were involved in various social activities, sponsored public utility institutions, and dealt with philanthropy and patronage (more in Kołodziejczyk, 1974). Around their factories, especially the bigger ones, they built houses, schools and hospitals for their workers. The goal of this work is to present the vast social involvement of one member of the Polish bourgeoisie, Jan Gottlieb Bloch (1836–1902), to exemplify the multidimensional social activity of the capitalist class in the Kingdom of Poland in the second half of the 19th century.

Jan Bloch was a railway tycoon, capitalist, great philanthropist and a man of science. He was a candidate for the Nobel Peace Prize in 1902 as the author of a multi-volume work, titled *Future war and its economic consequences*, hailed as “the bible of pacifism”. Bloch in his comprehensive work advocated the ideals of entrepreneurship, civic attitude, and raising the quality of education and science; in other words, he advocated raising the quality of life of civilised society.

2. From rags to riches

Jan Gottlieb Bloch (1836–1902)\(^1\) was born into a large Jewish family in Radom, one of nine children. The Blochs ran quite a large fabric dyeing shop; however, the financial problems that they experienced because of the economic restrictions\(^2\) in the aftermath of the November Uprising forced them to apply for the help of the magistrate, which they used for many years to come. This was probably the reason why Jan decided to leave his family. In 1850 (when he was 14), he moved to Warsaw, where he became an intern at a bank owned by the Toeplitzes and started attending the Real Gymnasium. A year later he changed his denomination to Evangelical Reformed, which was most likely intended to facilitate his career.\(^3\)

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1. Bloch’s biography, or elements of it, can be found in: Bocheński, 1969; Bocheński, 1985; Kołodziejczyk, 1974, 1983; Małecka, 2000; Żor, 2005; 2014; Pieczewski, 2016.

2. After the suppression of the November Uprising, the tsarist government, in addition to the use of repression, also introduced economic restrictions in the form of high tariffs on goods produced in the Kingdom of Poland and exported to Russia. Therefore, these restrictions mainly affected the textile industry, i.e. the basic occupation and livelihood of the Blochs.

3. Jews, about 10% of the Kingdom of Poland population at the time, did not have civic or citizenship rights. A way for them to make a career was to change their denomination to Christianity. It could be seen in numerous cases of Judaism being abandoned, especially by Jewish members of the wealthy middle class. They adopted Protestantism most often—it was less rigorous than Catholicism, more rational and closer to Judaistic deism. (cf. Hertz, 2003, pp. 150–151).
Another religious metamorphosis came when he was 20 and became a Catholic (Kołodziejczyk, 1983). He then started work as a controller at the Hołyński family estate in Podole. However, his career really took off when he went to Russia in 1856. Initially, he worked as a builder at a steam mill in St. Petersburg. Next, he found employment as a subcontractor at the construction of the Saint Petersburg–Warsaw Railway and became one of the railway builders in Russia during the railway boom. There has never been a clear explanation regarding how he got into the society of railway tycoons. One thing is clear, however—during the time of primitive accumulation, Bloch was successful. We know it because he appears in the Russian archives in 1860, four years after his arrival, as a serious entrepreneur—the owner of “Enterprise Bloch” (more details in Kołodziejczyk, 1983). His stay in Russia not only earned him a fortune but also resulted in marriage to Emilia Kronenberg, a daughter of a renowned doctor from Moscow – Henryk Kronenberg (30/08/1862), a beautiful and gifted woman, with whom he had five children (a son and four daughters). After marrying, the Blochs settled in Warsaw and bought a villa in Marszałkowska Street, known today as the Bloch palace. Emilia was a niece of Leopold Kronenberg and the two families competed against each other to become the best in the world of industry and finance.

Unlike Kronenberg, Bloch did not participate in the preparations for the January Uprising, nor did he fight in it. His biographers believe that he did not want to take sides in the conflict (Żor, [n.d.], pp. 8–9). He left Warsaw and went to Berlin to complete his education. He did not go to regular university; instead, he obtained knowledge in economics, finance, and statistics, which he later used in his work and scientific enquiries. At that time, he got acquainted with the German Historical School. Fascinated by it, he adopted its goals and methods used in economic research, which clearly influenced his later writings on the economy.

It was typical of Polish capitalism at the time to join different types of economic activities. And so Bloch, having returned to Warsaw, set up a large bank. However, he did not run any large-scale business. Together with Leopold Kronenberg and the Natanson family, he focused on creating Bank Handlowy (1870). Bloch was one of the main shareholders of the bank and initially one of its managers, but he eventually decided to limit his contribution to just ownership. He was also one of the co-founders of the Warsaw Insurance Association. In 1873, he became president of the Warsaw Stock Exchange and remained in the post for 12 years. For many years he was also an “Elder” of the Merchants Assembly in Warsaw and a member of the top management of the Credit Association of Warsaw. Bloch invested his capital in various industrial enterprises; among others, he bought, rebuilt and modernised a steam mill and built a mechanical bakery hiring 150 people, and he also bought and modernised sugar plants (“Częstocice” in

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4 Kołodziejczyk assumes that Bloch obtained initial financing for his enterprises from Nicholas Skvorcov—a Russian merchant and industrialist (more details in Kołodziejczyk, 1983).

5 The battle between these two entrepreneurs was fought mainly for obtaining a concession to build railways. Their antagonisms evolved into almost open argument in the press and even literature. A clear example of this is the pamphlet about Bloch, inspired by Kronenberg, by Józef Ignacy Kraszewski from 1875 Roboty i prace. Sceny i charaktery współczesne. Bloch is presented here in a negative light as Mr Płocki.
Radomskie, “Dobrzelin” in Kutnowskie, and “Żytyń” in Wołyń), creating one of the first cartels in Poland. He also worked in forest industry in Wołyń, building large sawmills and manufactures of railway sleepers, which were later used in building the railway. He set up the first factory of flooring and plywood in Poland (Zor, [n.d.], p. 5). Bloch was also a landowner and bought the Łęczna mansion in Lubelskie in 1883.

Bloch was incredibly entrepreneurial and active. He reached the peak of his career in 1875 (aged 39). He partook in various types of initiatives: industrial, financial, social, and literary. To his contemporaries, however, he was primarily the “King of the Railways”. Later, he was also nicknamed the “Father of Modern Pacifism”.

3. “King of the Railways”

Bloch earned this title because he earned a fortune building railways in the Russian Empire and the Kingdom of Poland (Surmacz, 2008). When he returned to the Kingdom of Poland, he continued his work on railways. In 1861, together with Leopold Kronenberg, he tried to obtain a concession to build the Vistula line. In 1862, Enterprise Bloch worked on building stations from Daugavpils to Warsaw. At the same time, the Saint Petersburg–Warsaw Railway was opened, forking to Vilnius–Kaunas–Virbalis and Daugavpils–Riga, which were co-authored and co-built by Bloch (Bąbiak, 2005, p. 8). Bloch’s competition with Kronenberg—a Polish railway magnate, just as powerful as he was⁶—made him try and obtain an independent concession to build a short but extremely important and profitable railway branch from Koluszki station, located on the Warsaw–Vienna line, to Łódź—a rapidly developing textile industry centre. Although entrepreneurs from Łódź had been fighting for this concession for years, Tsar Alexander II granted it to Bloch’s company in 1865. It built the 27.5 kilometre-long line in only three months (more details in Pieczewski, 2014). Completing this investment granted Bloch large profits and a great deal of publicity. From that time, his name could be found in almost every railway enterprise in the Kingdom of Poland in the last forty years of the 19th century.

In 1867, the success of the factorial line in Łódź encouraged him to apply for permission to build a line from Piotrków to Ostrowiec, in cooperation with Z. Wielkopolski, L. and H. Epstein, L. and W. Laski and S.A. Fraenkel. This attempt did not succeed (Bąbiak, 2005, p. 48). Undeterred, Bloch decided to start building the Liepāja railway, joining the port Liepāja in the Baltic Sea with Kaisiadorys, located on the Saint Petersburg–Warsaw line. The two-year-long investment did not make him much money, but it solidified his image as a trustworthy entrepreneur. When building railways, Bloch was assisted by professionals. The designer and person responsible for the technical side of the investments

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⁶ Leopold Kronenberg was the owner of the majority stock in the Vienna–Warsaw railway and monopolised the creation of the Terespol railway.
was, in most cases, the engineer Hipolit Cieszkowski, and the works were usually organised by his brother-in-law—Maksymilian Jellinek (Żor, [n.d.], p. 6).

In 1873, the conflict with Kronenberg intensified. It happened during their battle for the concession to build the Vistula River Railroad, including the route from Kovel to Mława, leading through Warsaw. The stocks turned out to be immensely popular. The two great rivals tried to surpass one another and borrowed money from banks and even private individuals to get the majority stake. Kronenberg won the battle and collected around 70% of the stocks. Bloch, owning ca. 30% of it, effectively hindered his opponent. Even though this spectacular “battle for the railway”, in which both parties resorted to means of shaping public opinion, was won by Kronenberg, the final victor of the “railway war” was Bloch (Żor, [n.d.], p. 7).

In 1874 Bloch, together with S.A. Fraenkl and W. Rau, tried again to obtain a concession to build a mining railroad from Piotrków to Ostrowiec. A year later, he bought the majority stake of the Kiev-Brest Railway, and later of the Odessa Railway. He also obtained concessions for the Brest–Grajewo Railway and the Dębлин–Dąbrowa Railway. In 1878, he set up and chaired the South-Western Railways Company, managing three of the more important routes in the European part of the Russian Empire (Brest–Kiev, Brest–Grajewo, Kiev–Odessa) (Bąbiak, 2005, p. 49). In 1876, Bloch became the Chairman of the Committee of Representatives of Railroads of the Empire and the Kingdom of Poland and a member of the National Committee for Controlling Railroads’ Income and Expenditure. Thus, he managed the Railway from the Black Sea to the Baltic Sea, from Odessa to Grajewo, which amounted to over 3000 kilometres of railroads in the Empire and the Kingdom (Żor, [n.d.], p. 7). In 1881, the Tsar approved the statute of the Dębлин–Dąbrowa Railway Company. After many years of work, this was a great success for Bloch and his associates. Started in 1882, the construction of the longest railroad in the Kingdom was finished in 1885 at 462 km (Podolska-Meducka, 2014, p. 87–100).

4. Bloch’s social activities

Apart from his industrial and railway engagements, Bloch was heavily involved in a wide range of multi-dimensional social activities. The list of his achievements in this context is very long and contradicts the common belief that capitalists of the “golden age” were interested only in their own gains.

In 1879, he set up in Warsaw the first truly working Bureau of Statistics in the Kingdom of Poland. Operating on its founder’s own resources, it tried to collect statistical data regarding industry, commerce, agriculture and everyday life. Bloch appreciated the great importance that statistical information had for scientific research. He emphasised:
Modern science rightfully expects from a historian a different, more thorough
evidence, which can be found in numbers. They are mute but impartial witnesses
and convey truth better than even the most faithful chronicles. (Bloch, 1883, p. I)

The work of the Bureau was at the time so innovative that the imperial gov-
ernment, and, even worse, the whole of Polish society often took a dim view of it.
Bolesław Prus, one of the Bureau workers, shared his thoughts on this situation in
“Kurier Codzienny”:

Twenty years have passed since the enfranchisement of peasants. Despite this,
we know absolutely nothing about how this momentous change influenced the
well-being, mentality and morality of the most numerous class of our
compatriots. […] Our patriots complain, as they used to, about the unfortunate
location of our country, but...Alas! This cruel world works in such a way that
even the most emotional yearnings cannot replace statistical data, and the most
ardent patriotism – a statistical bureau. […] The statistical food of the bureau
made me fat [...] but we could do nothing. All the ideas of our director were
faced with... the cold blood of the country’s “citizens” and “fervent patriots”. It
happened that we would send thousands of questionnaires, J.G. Bloch would
spend hundreds of roubles on paper and marks and...we would receive five or six
replies, whose authors suggested that we should not be interested in their
affairs... “The old man” is mad, the bureau is confused and doesn’t want to do
what it’s been suggested, salaries are paid, but the numbers...are nowhere to be
seen. Go to hell with this kind of patriotism! (Prus, 1888)

Bloch was also actively engaged in the life of Warsaw. He took part in the
famous sewerage argument. Quite early on, Bloch and his engineer Hipolit
Cieszkowski drew up a plan to instal sewerage for the capital. However, it was
rejected because of its costs. When, several years later, the President of Warsaw
started working on the issue, Bloch raised his strong objection to the plan to install
toilet sewerage and advocated sewage disposal, justifying it with ecological mat-
ters (the sewage was to end up in the Vistula river) (Żor, [n.d.], p. 10). Despite his
opposite stance, in 1882 he became a member of the Committee for Building
Sewage and Waterworks (Bąbiak, 2005, p. 49).

Bloch was also involved in social activities in education. His greatest
achievement in this field was his assistance in creating the University of Technol-
yogy in Warsaw. When Emperor Nicolas II visited the capital in 1897, the Warsaw
community launched a campaign to create a higher technical educational facility.
It worked—the Tsar agreed. Bloch played an important role in this enterprise by
providing, for 100,000 roubles, the space he owned in the centre of Warsaw,
which was later adapted for didactic use (Surmacz, 2008).

His second and biggest educational project, realised in part while he was still
alive, was community centres. These institutions were intended to facilitate the
development of culture and morality among the poorer classes of Polish society.
In his will, he devoted a then huge sum of 250,000 roubles to this end. The mi-
sion to create these community centres was given to his wife (Żor, [n.d.], p. 11).
He was also involved in the life of Jews. The second half of the 19th century saw a government-inspired increase in discrimination against Jews in the empire, and it was planned to introduce it in the Kingdom of Poland.\footnote{Tsar Alexander III, after his enthronement, created a number of anti-Jewish bills, restoring Jewish settlement zones and eliminating them from cities. At the turn of 1881 and 1882, many Russian cities witnessed Jewish pogroms. In December 1881, there was also a pogrom in Warsaw. In the first half of the 19th century on the territory of the Kingdom of Poland, both communities—Polish and Jewish—lived in separated enclaves. The only way for Jews to get assimilated and gain civic and citizenship rights was to change their denomination. At the time of the January Uprising, the uprising government changed the law to grant them equal rights. The relationship between Poles and Jews improved. In the second half of the 19th century, the situation worsened. Anti-Semitism bloomed in Polish society while the Zionist movement gained momentum among Jews. The first mentions of plans to set up a Jewish settlement in Palestine date back to 1876. The first gathering of the Polish Zionists took place in 1884 in Katowice. Cf. Żor, [n.d.], pp. 12–13.} Bloch intended to stop this anti-Semitic trend. The Stock Exchange Committee, chaired by Bloch, appealed to the authorities to ask for a chance to present its views. The authorities agreed and the Committee prepared in the form of a memorial a reply to questions regarding the role of Jews in the economic development of the Kingdom of Poland. The document found its way to the press and resulted in a heated debate on the Jewish community. This argument finally caused the legislators to cease any work on laws discriminating against Jews in the Kingdom of Poland. Bloch achieved his goal but was targetted by anti-Semitic newspapers.\footnote{In 1899, Waclaw Gąsiorowski published a novel titled “Zginęła głupota!” (“Stupidity is Lost!”), whose villain protagonist was Jan Bloch.}

As a renowned railway tycoon, he also paid attention to social issues, which was uncommon at the time. He was the initiator of pension funds, which were intended to provide workers with a fair standard of living after they retired. The project was presented and discussed at the VI Assembly of the Representatives of the Russian Railroads in 1874 (Żor, [n.d.], p. 11). Bloch was also a philanthropist. He was famous for his generosity. He helped build a children’s hospital, organised a credit fund for poor university students, contributed a legate to Warsaw Charity Society, gave land to the Saint Francis de Sales Almshouse, and collected money for charity. In his will, he devoted significant sums of money to charity and offered some to create the “Biblioteka Żydowska” publishing house. His collection of books, 10,000 volumes strong, was given to the Warsaw Public Library (Surmacz, 2008).

One last element of Bloch’s social activism was his participation in social events and patronage of culture and the arts. In this context, he built his family residence in the city centre, which served to show his status but also helped artists find buyers for their works and support them in other ways. He also ran a so-called salon, which was not only a meeting spot but also a platform for exchanging ideas, intellectual debates, and shaping public opinion.

Hensel wrote about Bloch’s salon:

> Although the Bloch palace was not as attractive with its size or architecture as the nearby Kronenberg palace, it became famous because of its salon created by Emilia (Bloch’s wife), which was considered to be the first in the 1880s. It was
visited by several hundred people. Among the most esteemed guests were Wilhelm Rau, Leon Loewenstein, Leon Goldstand, Stanisław Bruno, Juliusz Herman, Mieczysław Epstein, and Jakub Natanson. As for artists, there were most surely their portraitists, among others, Leopold Horowit, Stanisław Makowski, and also Franciszek Kostrzewski and Leon Wyczółkowski. (Hensel, 1974, p. 39)

5. Jan Bloch—the economist

Bloch, apart from his economic and social activities, was also a prolific writer. He wrote over sixty books and articles. Their number would not be shocking if it were not for the fact that some of them were multi-volume works a few thousand pages long. Bloch’s scientific output was closely connected to his practical work. As a rule, the enterprises he participated in as a financier, industrialist or railway builder were closely reflected in his scientific works. As mentioned before, he was fascinated by the German Historical School. He created his writings in its spirit and according to its methods.

His railway experience resulted in many works on the topic (cf. for instance Bloch, 1874, 1875, 1877, 1881). Among them stood out the five-volume book “The impact of railways on the economic condition of Russia” (Bloch, 1878–1880). It was awarded the first prize at the Geographical Congress in Paris. Bloch was ennobled for his writing.

He also published works on economics and finances (cf. Bloch, 1878, 1882). His greatest work was the two-volume “Finances of Russia” (Bloch, 1883) with an appendix concerning the finances of the Kingdom of Poland. This book also received recognition and was awarded the first prize at the Paris world fair.

He also wrote a great deal about his experience as an entrepreneur and landowner. Some outstanding works on industry and agriculture are “On the industry of the Kingdom of Poland” (Bloch, 1884), “Land and its debt in the Kingdom of Poland” (Bloch, 1892), and “On the drainage credit and the condition of domestic and foreign agriculture” (Bloch, 1890). His works were commented on in various ways. It is emphasised that Bloch as an economist cannot be said to belong to any particular school of thought. He was a practical writer, with a mind sensitive to topical issues.

It cannot be doubted that Bloch had a wide range of interests. Apart from those already mentioned, he was also interested in sewage and waterworks in Warsaw (Bloch, 1889), social issues and the Jewish case (Bloch, 1891), and international affairs. However, in the last decade of the 19th century, he was

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9 Bąbiak (2005, pp. 50–53) found 66 articles and books.
11 Bloch was ennobled in 1883. He received the Ogończyk coat of arms and a motto Omnia labor.
12 The work did not survive to this day since almost all its copies were burnt and was not renewed.
13 Jan Bloch wrote several articles on China and Southern Africa, i.a.: J.G. Bloch, 1900b, 1900c, 1902.
almost exclusively preoccupied with the timeless and universal question of war and peace.

6. A theoretician and practitioner for peace

In the last years of his life, Bloch developed an interest in universal issues—of war and peace. Never before had he dealt with military matters, nor had he served in the army.

At the end of the 19th century, tensions were rising because of the preparations for war in Europe. In 1893 France and Russia signed a pact. Austria and Germany started a closer cooperation and the tension between Austria and Russia was growing.

Bloch, on behalf of Warsaw merchants, applied for information on the Kingdom’s defences in case of potential military conflict. To his horror, he realised that the documents contained almost solely military information and lacked any plans regarding provisions, healthcare or civilian evacuation. It was not a trivial matter since the area of the Kingdom was where the opposing forces would clash. His care for the fate of the capital forced him to investigate the matter more closely. Thus, a small essay was created, then a few articles, which eventually evolved into a thorough five-volume, 3000-page long analysis of the many aspects of the war to come (Żor, [n.d.], p. 14) titled “The future of war and its technical, economic and political relations” (1900a). Bloch himself wrote that his original goal was to:

project what conditions a war coming from the West would face and what phenomena it would involve. We didn’t think of purely military studies. What we did find quickly, however, was that if you don’t know exactly what war is, what it will be, what means it employs and what methods, it is impossible to imagine in any clear way how long it will last and how it will affect the population. (Bloch, 1893, p. 576)

He became completely immersed in his work on what turned out to be his life’s masterpiece – suspending his business, he spent many nights writing.

Its essence and message are surprisingly simple. War, in its present shape, makes no sense; there will be no winners and losers. The effort that participating countries put into it weakens them economically, and destabilises them politically and socially. As Grzegorz Bąbiak writes (Bąbiak, 2005, p. 7), Bloch in his considerations proved the unlikelihood of war ever occurring. It was, in a way, an attempt to influence his contemporary statesmen, an attempt to prove that, from the point of view of political logic, war can mean the end of humankind, and so it is impossible.

In his cycle of articles he wrote:

14 In 1893 France and Russia signed a pact. Austria and Germany started a closer cooperation and the tension between Austria and Russia was growing.
A war started by Germany would, in fact, be equal to suicide. It would devoid millions of people of everyday bread, so no ordinary tax collection for the budget would be possible. Meanwhile, for a million strong army that Germany would gather, they would need more than 20 million Deutschmarks a day.

(Bloch, 1901, p. 3)

He tried to prove that the trade issue, which can cause conflict to arise and will most surely be its most dire consequence, can trigger revolutionary changes. He thought that the only way to resolve a conflict peacefully was by means of international treaties, especially “because of America’s competition, gaining an advantage in the European markets with each passing day, and because of the interest of global agriculture” (Bloch, 1901, p. 2). As Bąbiak writes in The Future of War, Bloch also tried to prove that the rapidly developing American economy, which was possessively seeking new buyers, unless faced with unhesitating resistance in a Europe weakened by war, would be able to push it out of its own markets, causing economic losses that would be impossible to make up for (Bąbiak, 2005, p. 14).

Usually, the predictions made by writers in the social sciences are not very precise. In this case, however, Bloch’s accuracy turned out to be outstanding. WWI destabilised Europe. In Russia and Germany, because of the economic and social turmoil, it gave rise to two inhuman ideologies—communism and Nazism. Nazism led to the catastrophe of WWII, while communism, for decades, fuelled military conflicts around the globe. Consequently, in line with Bloch’s predictions, Europe’s civilisational and economic primacy was superseded by America.

The future of war gained Bloch international fame. In August 1898, the young Tsar Nicholas II proposed an initiative to organise an international peace conference in The Hague. He published a manifesto against war, in which he repeated verbatim Bloch’s argumentation (Żor, [n.d.], p. 17). The Hague Peace Conference took place between 18 May and 29 July 1899 in Maison du Bois, in the suburbs of the Hague. It was attended by 26 mainly European states, along with the USA, Mexico, China, Japan, and Persia. The conference passed several conventions and created the Permanent Court of Arbitration. In its closing act, it recommended that states should consider reducing their arms race (Osmańczyk, 1982, p. 261). Bloch was not a member of any of the official 26 state delegations, but he participated in the proceedings as an observer (Malecka, 2000). Although the Hague Conference did not prevent the breakout of The Great War, it was the first such widely attended gathering of this type and definitely drew the attention of international public opinion to matters of peace. Bloch commented on it thus:

Renouncing the madness of the arms race cannot be avoided. But why does it have to cost unnecessary lives and undeserved misery? […] Not all is lost, however. The propaganda of the sane mind and progress must eventually prevail. The results of civilisational work in The Hague—of that we are certain—are just somewhat postponed. (Bloch, 1901, pp. 2–3)
Bloch’s original idea was to create the Museum of War and Peace at Lucerne. The reason behind its creation was to show what war is and why we should strive for global peace. To this purpose, he set up a stock company, which he presided over. Unfortunately, he did not live to see the museum’s opening, which took place several months after his death. Although the museum did not survive WWII, it gave rise to many such facilities created all over the world (Żor, [n.d.], p. 18).

Bloch’s work for peace was met with international recognition. He was nominated for the Nobel Peace Prize by six institutions, including the Polish Academy of Learning. Unfortunately, the most likely recipient of this prize died in 1902, before it was awarded (Bąbiak, 2005, p. 13). Despite his international fame, he was not popular among his compatriots. His pacifist beliefs were in contrast to the atmosphere in his homeland, where the dominating view was that only a universal war could help Poland regain independence. Bloch, however, believed that disarmament was the only chance for the peaceful coexistence of nations. The first step to achieve this was to help countries, and especially their elites, to realise the threats that modern warfare entailed.

7. Conclusions

Jan Bloch was a member of the bourgeoisie in the Kingdom of Poland in the second half of the 19th century. However, he contradicted the stereotype that capitalists were interested only in their own profit. Bloch was active in many fields—he was a man of industry, finance, a railway tycoon, a great community activist, philanthropist, scientist and an advocate for global peace. His biographer, Jan Kołodziejczyk (1983, p. 306–307), wrote:

Bloch was undoubtedly one of the most remarkable representatives of this social class in Poland. Never before and never again will we find a similar case of momentum, diversity of activities, their effectiveness, and the authentic success achieved by him alone. […] And it is likely that here lies one of the reasons why he was so disliked—plain envy.

In Polish historiography, Bloch’s life still awaits thorough analysis. He is known mainly as an entrepreneur and a builder of railways. We know less about his work for peace and do not fully appreciate his contribution in this field. Bloch’s economic work, conducted in the spirit of the German Historical School and contesting the economic reality of the Kingdom of Poland and the Russian Empire, is completely obscure. We can only hope that these areas of his work will one day be more comprehensively analysed by economic and peace scholars.
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Moral and ethical aspects of the Polish transition from communism in the enunciations of the Polish Episcopate

Abstract

The Polish Episcopate critically assessed the social and economic situation in Poland in the period of the transition from communism to democracy and a free-market economy. Privatisation led to production being stopped and to an increase in unemployment. Profit and not human dignity became the measure of labour. The economic and social reality was dominated by the treatment of economics and financial success as of the highest values and the dissemination of the opinion that in politics and economics there are no values.

The political elites showed an inability to develop long-term strategies for getting out of the crisis. The disappearance of the morality of many representatives of public life, which was manifested in universal corruption and the aspiration to improve social status as soon as possible, contributed to this state of affairs. As a result, there was a crisis of the idea of the common wealth and an increase in crime.

The social crisis was particularly visible in moral attitudes, social behaviour, and in the economic sphere, public finance, on the labour market, and in the quickly progressing social stratification.

Keywords: Polish Episcopate, ethics, economy

JEL Classification: A13, Z12

1. Introduction

The Polish Bishops’ Conference is the main organ of the hierarchical church and is of a collective character. It has a canonical legal personality that is recognised by the Polish state. Its decisions are essential for the functioning of the Catholic Church in Polish public life. It publishes documents that make up the social teaching of the Church and engages in a dialogue with political authorities.

The objective of the Polish Bishops’ Conference is to teach and explain basic social problems in the spirit of Christian teaching. After 1989, it was mostly involved in such issues as the model of state-Church relations, the concordat, the constitution, elections, means of social communication, teaching religion in schools, the recovery of Church property, the protection of a conceived life, as well as in the debate preceding Poland’s integration into the European Union. A number of enunciations became a part of the problems associated with the state-Church relations, the influence of Catholics’ electoral decisions on the formation of a democratic system, issues related to the social teaching of the Church such as work, unemployment as well as catechetical, educational and bioethical issues (Skowronek, 2006, p. 317).

The Polish Bishops’ Conference focused on social problems, the situation of the family, its moral condition and the conditions of its material existence. It emphasised the problems of unemployment, social pauperisation, and the need to bring up the young based on Christian and patriotic values. It drew attention to the need to implement an effective, long-term pro-family policy.

The purpose of the following article is to present the ethical aspects of the Polish economic transformation in the light of the enunciation of the Polish Bishops’ Conference. It was a significant element of the program of the official statements issued by the hierarchical Church in Poland, which considered this matter to be of crucial importance in the era of accelerated changes. It was stressed that the economic transformation brought enormous social costs as its course was associated with a lack of respect for basic values and violations of the principles of Christian morality.

When it comes to the research methods employed, a system analysis and the genetic-historical method were particularly significant. The latter, however, is not a consequence of in-depth, archival source research but it complements the system analysis method.

2. The position of the Polish Bishops’ Conference on economic transformations

Economic transformation is a process of creating a new economic system initiated by a formal change of the political system, and thus it is an element of political transformation. The process of transformations in Poland started in 1989, but it is difficult to determine the final date of the economic transformation. Many com-
mentators assert that it has not yet been completed. Even Poland joining the European Union in 2004 did not change the situation much, as the state still pursues an active economic policy in some areas (Báltowski & Miszewski, 2006, p. 328).

The Polish Bishops’ Conference remained deliberately cautious about voicing their opinion on economic changes related to privatisation and ownership transformations. Despite social expectations and the accusations of politicians, it rarely spoke on economic matters. Under conditions of the politicisation of Polish privatisation, an unambiguous stance of the church hierarchy might have been perceived as a manifestation of political commitment (Dylus, 1994, p. 37).

Describing the attitude of the Church to economic transformations, Bishop Tadeusz Pieronek admitted that some serious omissions of the Church could be observed in this sphere.

There was a prevailing conviction that reforms should not be hindered; the government’s actions, whose necessary side effect was the deepening stratification into the rich and the poor, should not be impeded. Moreover, the Church believed that, in the long run, these actions would improve the economic situation. At the same time, however, it was in an uncomfortable political situation not allowing it to oppose the government that came from “Solidarity”, which it supported. (1994/2000, p. 645)

Nonetheless, the Polish Bishops’ Conference emphasised social problems related to the economic transformation. It drew attention to the need for the Church’s presence among the unemployed. It stressed that social problems cause apathy and discouragement, which are used for social manipulation by those who are responsible for the long-lasting economic ruin of Poland (Komunikat z 248. Konferencji Plenarnej Episkopatu Polski, 1991, p. 2). As Aniela Dylus wrote:

After the fall of communism, in some pastoral epistles, the Episcopate articulated its general support for the ongoing reforms. In May 1990, for example, it insisted that no excessive burdens should be placed on society and that they should be spread evenly on every person. In October 1992, the bishops approvingly note that the new structures of a social order are being formed. At the same time, they indicated that the emerging threats in the form of unemployment and the impoverishment of society, especially of the elderly, the disabled and large families, are not an indispensable consequence of the transformation processes. (1994, p. 37)¹

¹ In the message from the 239th Plenary Meeting of the Polish Bishops’ Conference which was held on March 7–8, 1990 in Warsaw, it was emphasized that public authorities should make every effort to ensure that the social costs of the changes were spread as proportionally as possible, taking into account the needs of the most vulnerable and the poorest (cf. Komunikat z 239. Konferencji Plenarnej Episkopatu Polski, 1990, p. 2). While in the message from the 240th Plenary Meeting, which took place on April 30–May 2, 1990 in Warsaw, we can read: “The burdens imposed on society should not be more severe and last longer than necessary.” Cf. Komunikat z 240. Konferencji Plenarnej Episkopatu Polski, 1990, p. 2.
The Polish Bishops’ Conference critically assessed the social situation in the transformation period (Cardinals, Archbishops and Bishops gathered at the 295th Plenary Meeting of the Polish Bishops’ Conference, 1992/2003, p. 1811). It pointed to the need to find ways that would help in breaking down the barriers of social alienation, isolation or indifference (List Episkopatu Polski na uroczystość NMP Królowej Polski 3 maja 1993 r., 1993/2003, p. 1819). In the process of political and economic changes, the Christian principle of the common good should be taken into account, which on the scale of the state involved the good of all social groups and, above all, the family as the basic social unit. Another significant element in the teachings of the Church was the postulate of a just salary, i.e., a salary that could guarantee a decent living, as well as health care and education at an appropriate level and that would be enough to take measures to make employment commonplace. The pursuit of the common good should be associated with preventing the formation of privileged social groups, adjusting salaries to commodity prices, making cultural goods available to the largest part of society possible and eliminating or at least reducing the disproportions between various sectors of the economy. The production of goods should be adapted to the production of consumer services, mainly those provided by the public authorities, while the production method ought to be adapted to the development of science and technology, ensuring that future generations will be able to enjoy a share in the prosperity (262nd Plenary Meeting of the Polish Bishops’ Conference, 1993/2003, pp. 1823–1824).

The Polish hierarchy of the Church stressed that the moral condition of society also left much to be desired. Although society was free from formal atheism, a large part of it lived as if God did not exist, poisoned by camouflaged atheism, secularism and organised, practical materialism. Christians are exposed to the invasion of moral liberalism and face questions such as how to live, whom to listen to and on what foundation they should build their future (262nd Plenary Meeting of the Polish Bishops’ Conference, 1993/2003, pp. 1826–1827). The bishops pointed to the fact that the living standard of families was dropping and that there was a lack of proper social policy, and that the benefits were too low—equal for everyone, but they did not address the real needs of families. Promoting the “country for the strong” vision also had a negative impact on family conditions. They even said that the sharp drop in the standard of living was a punishment for parents for giving life to their children and educating them. The civilisation of money, the culture of welfare and consumerism—long-standing problems of Western Europe—were not favourable to the situation of the family either. They are phenomena that cross national borders and have a disastrous effect on the demographics of Europe (265th Plenary Meeting of the Polish Bishops’ Conference, 1993/2003, p. 1841).

The Polish Bishops’ Conference claimed that evangelisation was also necessary in socio-economic life. Implementing the work of evangelisation, the Church is often mistakenly perceived as a subject of political life, even though it is simply a guardian of moral order and a critical conscience (277th Plenary Meeting of the Polish Bishops’ Conference, 1995/2003, p. 1906). It was emphasised that tolerat-
ing violations of human rights, violations of the principles of social justice, selfish actions targeting the common good, as well as a disregard for elementary moral principles cannot be justified (279th Plenary Meeting of the Polish Bishops’ Conference, 1995/2003, pp. 1931–1933). Ownership transformations led to a production slowdown and an increase in unemployment. Some people were getting rich while others were falling into misery. The pursuit of power went hand in hand with apathy and a withdrawal from social life (Dylus, 1993, p. 365).

The Bishops’ Conference underlined that Poles should stop perceiving the state as a welfare institution but become convinced that they were the subject of rights and duties. It is not the domination of politics over the economy that testifies to the strength of the state but the independence of its citizens, also in terms of economic initiatives. Ownership transformation cannot cause people’s fear of the future and hence, society should be kept informed about their short- and long-term effects. The bishops warned that making use of civic helplessness would turn against those who carry out such transformations (275th Plenary Meeting of the Polish Bishops’ Conference, 1995/2003, p. 1893).

The care for the common good should be creative in character and not limited to criticising proposed solutions. The duty of state authorities is to make a real commitment to building the common good and thus they must give up on using state institutions for their own or the group interests (Cardinals, Archbishops and Bishops gathered at the 303rd Plenary Meeting of the Polish Bishops’ Conference, 2000). Every democratic country should maintain basic ethical standards in legislation and in public life. The very formulation of legal norms, while avoiding answers to questions about their justification, whether in religious faith or universal ethical principles, will not guarantee the preservation or maintenance of moral order. If social life is not based on norms and values, it becomes unstable (261st Plenary Meeting of the Polish Bishops’ Conference, 1993/2003, p. 2464).

The bishops acknowledged that society was aware of the difficulties associated with the systemic transformations; still, it was bearing great costs. The groups of people particularly affected by the transformations included the inhabitants of small towns, the unemployed, the homeless, and people living below the poverty line, who did not have enough means for living. The situation became very difficult for farmers in general, and in particular for the former workers of State Agricultural Farms (Polish: Państwowe Gospodarstwa Rolne), after the collapse of which no reasonable organisational structures were created. Profit and not human dignity became the measure of work (Cardinals, Archbishops and Bishops gathered at the 295th Plenary Meeting of the Polish Bishops’ Conference, 1998/2003, p. 2063). The economic and social realities were dominated by treating the economy and financial success as the highest values, and there was a wide-spread opinion that politics and the economy were governed by no values. It resulted in an embarrassing level of political conflicts and an increasing number of economic crimes. The most frequent elements of political games included hatred, intrigue, distrust and unjustified accusations; religion was treated purely instrumentally. The interests of the party became more important than national interests.
Politicians created moral chaos, which resulted in the blurring of the line between heroism and betrayal, loyalty and conformism (261st Plenary Meeting of the Polish Bishops’ Conference, 1993/2003, p. 2467).

The Polish Bishops’ Conference expressed gratitude to all those who took up the task of carrying out the reforms and drew attention to the inability of the political elite to work out a long-term strategy to recover from the crisis. This was due to the disappearance of morality among many members of public life, which manifested itself in widespread corruption and the pursuit of increasing their own social status as fast as possible. As a consequence, the idea of the common good was in crisis, and crime increased. The bishops noted several successes of the transformation, but at the same time stressed that on the threshold of the third millennium, Poland found itself in a serious crisis, which was expressed in moral attitudes, social behaviour, and in the economic sphere – in public finances, the labour market and the rapidly progressing social stratification. All of these gave rise to even greater public discontent, apathy and a deepening disbelief in a better future (261st Plenary Meeting of the Polish Bishops’ Conference, 1993/2003, p. 2467).

The Church speaks up not because it claims the right to issue expert opinions on social, political or economic matters. It assumes that a professed faith should have consequences in a broadly defined social life. The Church is obliged to expose social sins that cause great social stratification between the wealthy and the poor. The hierarchs emphasised that while speaking about the new “social issue”, the Church does not hope for its own benefits or privileges, nor does it want to impose its concept on anyone (Cardinals, Archbishops and Bishops gathered at the 321st Plenary Meeting of the Polish Bishops’ Conference, 2003, p. 57).

3. The problem of unemployment

The economic transformation was accompanied by phenomena that posed a considerable threat to freedom, since they brought about poverty, anxiety, a shaken sense of security, fear, and the loss of purpose and direction. Some of them are characteristic of building a new system: unemployment, homelessness, disproportions in the standard of living and the collapse of the welfare state. The phenomena specific to the Polish transformation included a fear of the inflow of foreign capital, of being exploited by foreigners and of selling out Polish assets and land (Dylus, 1993, p. 364).

The Bishops’ Conference took the position that it cannot remain indifferent to the growing sense of grievance and social degradation in some social strata and so it acted as a spokesperson for justice, social solidarity and as a defender of those who were suffering the greatest injustice (277th Plenary Meeting of the Polish Bishops’ Conference, 1995/2003, p. 1906).
In 1992, almost 2.5 million people were unemployed, with young people in the majority. Unemployment had a destructive impact on family life, limiting life prospects, and consequently causing a massive impoverishment of society. The group of people whose income did not allow them to reach the minimum subsistence level was growing. This applied mainly to the elderly, large families, single parents and the physically or mentally disabled. As stated in the letter of the Episcopate entitled “Wspólna troska chrześcijańskiego narodu o własną Ojczyznę” [“The Common Concern of the Christian Nation for Its Own Fatherland”]:

We should not let this matter just play out, claiming that they are inevitable consequences of the economic transformation process. If that is the case, then we have all the more reason to look for ways to combat this evil, especially in particular cases. We are pleased to say that the public authorities and trade unions exercise great care searching for the right solutions that would take into account the good of individual people, social groups and, finally, the good of the state, that is, the good of us all. (258th Plenary Meeting of the Polish Bishops’ Conference, 1992/2003, p. 1805)

Unemployment became a threat to social peace and democracy. Society faced problems that had thus far been unknown and usually solved by the state, whose task was to guarantee jobs. As Aniela Dylus explained (2000, p. 5):

This new “social issue” undoubtedly has many faces. Additionally, a difficult situation on the labour market has a negative effect on labour relations. Employees who are blackmailed with the threat of dismissal are forced to accept bad working conditions. They agree on unfair remuneration, the lack of social security, falsification of income data (to lower the social security expenses) and, in general, on objectification.

Negative consequences of the transformation contributed to the increase in social dysfunctions, crime and brutality in interpersonal relations. The solution to this problem was not only in the hands of the state but the whole of society. First of all, it was necessary to rebuild the work ethos, which was burdened with traces of the previous system. What should follow from an economic transformation are opportunities to acquire new qualifications that would make it easier to find a job. The Polish Bishops’ Conference also appealed to the citizens for honesty towards the state. They said it was reprehensible to claim unemployment benefit when one can take up a job. It is stealing from the state and acting to the detriment of the common good. The bishops urged that the main principles of the implemented social reforms should be the care for human beings, social justice, equality of opportunities and the integral development of the nation (Cardinals, Archbishops and Bishops gathered at the 303rd Plenary Meeting of the Polish Bishops’ Conference, 2000/2003).

The Bishops’ Conference emphasised that unemployment affected a large number of Poles and the prospects for the future were not optimistic. The resolution to this new “social issue” depended on building a new culture of life and
labour that would put man at the centre of all social ventures (Plenary Meeting of the Polish Bishops’ Conference, 2001). As manifested in more and more spheres of social life, a person’s dignity and his or her comprehensive development were at stake. Unemployment was regarded as a social disaster, and it became a test which verified social development and progress (Zimoń, 2001).

The social teachings of the church call for us to revise our understanding of the concept of development, which is mistakenly identified solely with material growth. Economic growth, however, does not necessarily lead to an increase in employment. Unemployment, which may appear in countries with a free market economy, can be considered a measure of an economic crisis, but only from an economic perspective. The assumption of a specific economic system leads to a narrowing of the notion of unemployment to so-called involuntary unemployment, i.e., a socio-economic situation in which masses of people are ready to work for any remuneration, even extremely little, and yet there are simply no jobs for them. Such a situation may be the result of the underdevelopment of the entire economy or of a crisis (Zimoń, 2001).

The Church hierarchy pointed to the increasingly noticeable phenomenon of social exclusion, which is the consequence of a suddenly growing disparity between the material situation of those who benefit from the transformation and those who had become its victims. The growing sense of social injustice was also intensified by the fact that a significant number of those benefiting from the economic and political changes were, at the same time, the perpetrators of social miseries. All of this created a threat that large numbers of Poles would stop identifying themselves with the Polish state (Zimoń, 2001).

The bishops expressed their concern about the signs of a deep crisis of the state. Any manifestations of corruption, privatisation, being guided by the interests of a politician’s own party, or pursuing profit at any cost, should be eliminated from social life as soon as possible. Sadly, some Poles recognise these negative phenomena of social life as an ordinary state of affairs and care only for their own profit, without any moral scruples (Cardinals, Archbishops and Bishops gathered at the 321th Plenary Meeting of the Polish Bishops’ Conference, 2003, p. 58).

Significant unemployment, corruption, a lack of vision and no will to solve social problems in the ruling party led to serious social tensions. For this reason, the bishops appealed to politicians to be guided primarily by the common good and not by the selfish interests of individuals, social groups or parties (Słowo Rady Stalej..., 2003, p. 61). As we read in the letter of the Episcopate:

The Church community, within its capabilities, helps and will help people who are affected by poverty. Nonetheless, the bishops strongly emphasise that the solution to economic and social issues, especially unemployment, is above all the task of competent state structures. (Słowo Rady Stalej..., 2003, p. 61)

Unfortunately, it happened that charity was understood instrumentally, as a means for companies to promote themselves. The Church reminds us about the dignity of the impoverished and the need to seek just and permanent solutions to
social problems. Poor citizens have the right to expect that appropriate conditions for them to function in social life will be created for them, which is just as important as providing them with temporary benefits (Dziega, 2005).

The Polish Bishops’ Conference pointed to the negative remnants of the system based on Marxist ideology, which hindered the building of democracy. These were primarily the lack of skills needed to create democracy, and the culture of discussion and political disputes, distrust, impatience, intolerance as well as a lack of knowledge about society, the principles of political life and economic initiative. They led to the emergence of passiveness, frustration, hopelessness and a tendency to emigrate (244th Konferencja Plenarna Episkopatu Polski, 1990/2003, p. 1698). It turned out that freedom, democracy and economy based on sound economic principles require a number of sacrifices and cannot be built in a short period of time. The perpetrators of the injustice done in the previous system were never held accountable for their actions. What is more, the majority of society was convinced that, in the free state, these people benefitted with impunity from the privileges they had gained earlier. The care for private interests and corruption prevailed, and consequently, all sensitivity concerning the common good or the good of man was lost, while individual politicians, as well as the whole political environment, acted in line with the interests of their party (Cardinals, Archbishops and Bishops gathered at the 302nd Plenary Meeting of the Polish Bishops’ Conference, 1999/2003, p. 2105).

The economic transformations contributed to the creation of many pockets of poverty. As a small part of society became prosperous—and is still becoming richer—the differences between the affluent and those living on the verge of poverty grew considerably (Cardinals, Archbishops and Bishops gathered at the 302nd Plenary Meeting of the Polish Bishops’ Conference, 1999/2003, p. 2103). The bishops wrote (pp. 2103–2104):

Apart from the sources of joy and pride, there is also a lot of pain, suffering and disappointment in our homeland caused by the ongoing transformations. This pain sometimes manifests itself as social unrest, strikes or demonstrations. And out of all the forms of protests in a democratic society, strikes are the last resort. The authorities, however, should recognise the needs of society sooner and address them. Such is the role and the duty of the state. [...] We notice the efforts of state authorities associated with fundamental reforms without which it is impossible to imagine the future of Poland. The course of reforms, whose necessity is generally not in question, depends on the level of commitment of the entire nation.

The Polish Bishops’ Conference criticised the promotion of the radical ideology of capitalism, according to which only a system based on the free play of market forces makes it possible to solve any social and economic problems, while all other methods are destined to failure. It led to material and moral deterioration since it distorted the most basic economic relations and discredited such traits as diligence, truthfulness, credibility and initiative (Plenary Meeting of the Polish Bishops’ Conference, 2001). As the bishops wrote:
What must be stated, after twelve years of systemic transformations in Poland, is that many people responsible for the state of public life became uncritically convinced that the fall of Marxism automatically implies the creation of a just society. They also put trust in free-market mechanisms which were to ensure the well-being of each and everyone in all spheres. The collective ideology was replaced with a distorted version of liberalism, which degenerated into a liberal ideology often preached in its vulgarised form, depicting the reality almost exclusively in economic terms. For this reason, the development that was indispensable to our country was identified solely with the economic growth.

4. Conclusions

Initially, the Polish Bishops’ Conference was very careful about making any assessment of the economic transformation, fearing accusations of Church involvement in political matters and not willing to stand against the government composed of the anticomunist opposition. Yet, even in 1992, the critical stance was a dominant one. The Polish economic transformation was assessed negatively, and attention was drawn to the enormous social costs of the transformations and the accompanying decline of morality.

The Polish Bishops’ Conference claimed that building a new system was characterised by a widespread disregard for basic values and the violation of Christian moral principles. The Bishops warned the faithful that Catholic morality should not be reconciled with any form of corruption. They stressed that the state had been transformed into an oligarchic play between interest groups, which violates the rule of law-abidingness of the authorities and caused its citizens harm. It also called for a break with such practices as soon as possible and insisted on the organisation of an authentic state of law (321th Plenary Meeting of the Polish Bishops’ Conference, 2003, p. 57).

The free market economy was not based on ethical principles and for this reason, it turned into a ruthless fight. The consequences were suffered by the part of society that was becoming impoverished and was deprived of any opportunity to improve their standards of living, not able to find themselves in a new reality. The Polish Bishops’ Conference stated that there was an unwritten consent to selfishly organise one’s life without any moral limits, regardless of the damage it inflicts on the community. The Conference criticised the consumer model, relativism, the apotheosis of success and wealth, and the vision of an easy life without dilemmas of conscience.

The bishops called the believers to become more active in political life, reminding them that it was the right and duty of lay people, which resulted from their Christian responsibility for their homeland (Górowska, 2012, p. 72). Political disputes and conflicts lie at the heart of democracy. It is a consequence of competition between various visions of the socio-political and economic reality, which is
being constantly redefined. However, this competition must take place according to certain principles, and in the Polish democracy, they were not being followed.

The Polish Bishops’ Conference denounced attacks on the Church that aimed to achieve political goals. It strongly opposed its moral teachings and activities being ridiculed, unfair accusations being made and at the same time, the spread of anticlericalism. The Conference recognised such actions as unethical and socially destructive. From an ethical perspective, the promotion of the rivalry on a friend-enemy basis is unacceptable in politics. Moreover, it has a negative impact on citizens’ behaviour and discourages them from participating in political life, which in turn translates into very low voter turnout.

References


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The labor issue in the USA in the first half of the 20th century  
The contribution of the Catholic Church to its solution*

Abstract

The stance of the Catholic Church in the United States of America on the problems related to workers’ wages is an interesting issue from the point of view of the ethics of economic life and the development of Catholic social thought. The interpretation of the main Catholic social ideas contained in Leo XIII’s encyclical letter Rerum novarum was made by Father John Augustine Ryan (1896–1945), who soon became a major proponent of the idea that a good economic policy can only result from good ethics. In the history of the United States of America, the turn of the 19th and 20th centuries was a time of the development of labor unions, associations and workers’ organizations as well as the consolidation of efforts to achieve equitable remuneration (a living wage) and regulate working conditions. It was also a time of struggling with the ideas of socialism and nationalism. The Catholic Church played a significant role in the discourse on these issues, including the influence of John A. Ryan. His efforts led to one of the most important interpretations of economic life: The Program of Social Reconstruction (1919), and some of its postulates can be found in the New Deal legislation.

Keywords: John. A. Ryan, Catholic social thought in the USA, wages, labor conditions

JEL Classification: B31, J31

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1. Introduction

The stance taken by the Catholic Church in the United States of America on the problems related to workers’ wages is an interesting issue from the point of view of the ethics of economic life and the development of Catholic social teaching. The interpretation of the Catholic social thought contained in Leo XIII’s encyclical letter Rerum Novarum was made in the United States by Father John Augustine Ryan (1869–1945). He became a major proponent of the idea that a good economic policy can only result from good ethics.

In the history of the United States of America, the turn of the 19th and 20th centuries is a time of the development of labor unions and organizations as well as the consolidation of efforts to achieve equitable remuneration (a living wage) and regulate working conditions. It is also a time of struggling with the ideas of socialism and nationalism. The Catholic Church played a significant role in the discourse on these issues, with a great contribution on the part of John A. Ryan. One of the most important interpretations of economic life was the Program of Social Reconstruction prepared by American bishops in 1919. It became an important voice in the debate on social relations, referring to the message of Rerum Novarum. Certain elements of its postulates can be found in the legislation of the New Deal period. The aim of the paper is to follow the path of the introduction of new ideas in labor relations and their practical application in the form of the New Deal legislation. To achieve this goal, primarily the works of Father John A. Ryan, who was the first to introduce the ideas expressed in Rerum Novarum into the United States, will be used. His doctoral dissertation of 1906, which was published under the title A Living Wage. Its Ethical and Economic Aspects (cf. Sullivan, 2014, p. 7), is seen as the beginning of the development of Catholic social teaching in this country.

Due to the aim of the paper, the temporal line covers the years 1906–1937. It is delineated by the undertaking of the social issues and the attempt to interpret the encyclical letter Rerum Novarum by John A. Ryan. The end date refers to the implementation of the New Deal legislation, perceived as an attempt to introduce at least some Catholic postulates regarding social and political life.

The concept of the living wage as a postulate of higher wages for workers first appeared at the beginning of the 19th century. A living wage is remuneration above the subsistence minimum that will provide a worker’s family with an adequate standard of living. It should include, in addition to fulfilling basic needs such as food, clothing and shelter, also opportunities for social and economic development, i.e., expenditure on culture and education. The modern definition used in the USA includes expenses for housing, food, transport, medical care, taxes and childcare that far exceed federal and state minimum wages (Luce, 2012, p. 12).

1 In the paper, the terms Catholic Church and the Church refer to the Roman Catholic Church. The author is aware of the presence in the United States of other Catholic churches, such as the Polish National Catholic Church, but this form contributes to the transparency of the text.
The issues of wages, hourly rates and finally the so-called basic income (i.e. a benefit paid by the state irrespective of employment) are currently under heated discussion; among others, the introduction of a benefit for all citizens, which is to be an alternative to increasingly complex social systems, is being considered. It is assumed that it will be a much cheaper solution. Currently, it is under consideration in Finland (an experimental program for a small group of citizens was carried out in 2017) and Switzerland (a referendum was held in June 2016). Also, in Poland, the government’s proposal to introduce a minimum hourly rate (PLN 13/hour) has stimulated discussion on wage conditions and the future of labor relations (cf. Leszczyński, 2015, pp. 53–55). It is certainly difficult to compare today’s discussion with the one conducted at the turn of the 19th and 20th centuries in the United States. The interest in the subject, however, allows one to think that a historical reflection may be an interesting reminder of the already developed solutions and proposals for improving remuneration conditions of workers.

2. The labor issue and the Catholic Church in the United States of America

The material situation of American workers was very diverse and depended on many factors. It is possible to distinguish the basic division of workers into two categories—their origin and professional qualifications. Skilled workers were the first to win the right to a 10-hour working day (in 1835) and a pay rise of up to 50% of the daily wage (in the years 1836–1837) from $1 – 1.20 to $1.50 – 2 (Rayback, 1966, p. 77). The situation of unskilled workers (mainly immigrants) was also influenced by economic fluctuations, and they often worked only on certain days of the week. A 10-hour working day for all workers was introduced in 1874 in Massachusetts (Whittelsey, 1905, p. 483). The discrepancy between the wages of skilled and unskilled workers was very large: in 1882, the average daily wage of a skilled worker in the factory was approx. $3.50, while that of an unskilled worker amounted to approx. $1.25; the average earnings in the factory were at the level of $3 (Hourwich, 1912, p. 283).² The average annual salary was respectively (Scheiber, Vatter, & Faulkner, 1976, p. 247):³

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Salary</th>
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</thead>
<tbody>
<tr>
<td>1865–1869</td>
<td>$347</td>
</tr>
<tr>
<td>1875–1879</td>
<td>$395</td>
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<tr>
<td>1885–1889</td>
<td>$503</td>
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<tr>
<td>1895–1899</td>
<td>$532</td>
</tr>
<tr>
<td>1901–1905</td>
<td>$606</td>
</tr>
<tr>
<td>1911–1915</td>
<td>$685</td>
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² For comparison, the average earnings of Polish immigrants in the years 1880–1914 ranged from $1 to $3.50 daily, and annually reached on average approx. $573 (cf. Walaszek, 1988, p. 37).
³ The calculations were made according to the purchasing value of the dollar in 1914. However, it should be remembered that inflation and growing living costs also contributed to an increase in wages.
The nature of the work also differed on the basis of gender. Women were most often employed as domestic servants as well as in the textile, clothing and food industries. Between 1880 and 1910, the percentage of women in the total number of employees increased from 15% to 20%, and during the World War I an additional one million women were employed (Scheiber, Vatter, & Faulkner, 1976, pp. 248, 323). Among men, individual nations had their own preferences, for example, the Irish and Chinese worked massively in construction, while the Italians, southern Slavs and Mexicans were employed in the construction of railways. Poles readily worked in heavy industry (in steel mills, foundries and mining), the Germans were employed in bakeries and breweries, while the French from Canada and some Italians in shoe factories. In addition, individual groups chose certain regions of the United States to settle in (Gabaccia, 1995, pp. 195–196).

The gradual improvement of material conditions did not fully compensate for difficult working conditions. This was particularly true if employees were dependent on the efficiency and productivity of machines, and the work system assumed the so-called piecework:

After marriage my husband never discussed too much about his own work [in Pittsburgh Steel Company in Monessen]. Just some day the machine didn’t work, and he would hardly make anything because he was on piecework. The machine used to break down for him. They would have these adjusters for the machines, and if they were busy on another machine my husband had to wait and lose time. So some days he would be working for ten or twelve dollars, where he could of made sixteen or eighteen dollars. That was the only thing he complained about. (The account of Rose Popovich in Bodnar, 1982, p. 50)

Submitting the rhythm of man’s work to the efficiency of a machine aroused understandable frustrations, especially when operating it was extremely unpleasant.

The machines are awfully oily. I know when I bought him [her husband] a pair of shoes he was lucky if he could work in them for three months. They would be soaked in oil. The oil splattered from those machines. (Bodnar, 1982, p. 50)

Another problem was child labor. It was not legally prohibited, but it was subject to certain restrictions, initially consisting only in prohibiting the use of too complicated machines by children. In 1903, The Factory Child Act established that children under 14 years of age could work outdoors (i.e. outside the area of factory halls); additionally it was stipulated that the working time of children under 12 years of age could not be longer than 6 hours (the regulation was in force only for the state of New York) (Bodnar, 1982, p. 61). Federal authorities recognized that the best way to solve that problem would be to introduce a school obligation. The dynamic development of the education system resulted in a more than double increase in the number of public school students between 1870 and 1900 (Faulkner, 1943, p. 473).
The Catholic Church in the United States of America became interested in the situation of workers, mainly due to the inflow of immigrants from Central and Southern Europe. Most of those immigrants were Catholics and issues of labor relations were particularly important to them. In the years 1890–1920, the number of the faithful increased from 9 to 18 million (Lewicki, 2012, p. 292). The rapid growth of the Catholic community resulted in the need to create institutions that could support the newly arrived immigrants, which caused huge expenses. The social problems emerging with the growing wave of immigrants became a pressing issue for American bishops. The first to respond to that issue was Bishop John Hughes (the Coadjutor Bishop of New York City from 1838). He stated that the bishops, as trustees of church assets, must take care to secure financial resources for all the needs of the faithful, especially those who could not take care of themselves. Bishop Hughes was convinced of the need to know and understand economic mechanisms, as they had a significant impact on the life of the community. He came to the conclusion that the political economy should be adapted to the realities of a given country, since that economy motivated individuals to action, and the Church could not ignore that fact. Bishop Hughes sought to make the Church an intermediary between particular groups of interests: landowners and agricultural workers as well as industrialists and workers. Thus, it would have a chance to introduce the spirit of Christian justice into the relationship between those parties (Chinnici, 1986, pp. 149–151). Resistance against the immigration of Catholics was connected with, among others, the issue of loyalty to the Papal States and the Pope, which was considered to be contrary to loyalty to the American state. The progressive faction of the American Episcopate headed by Archbishop John Ireland and Cardinal James Gibbons tried to prove the absurdity of those allegations. The address of Archbishop Ireland at the Third Plenary Synod in Baltimore in 1884 was an attempt to defend American Catholics against allegations of disloyalty to the liberal ideals (both political and economic) of American democracy. It was also one of the first in which social issues were raised as well as the issue of the Church’s attitude towards state institutions. Archbishop Ireland indicated, among others, a lack of contradiction between the Catholic faith and loyalty to the state (Ireland, 1885, pp. 11–32, the title above the article is not the same as the title in the table of contents and it reads: The Church – the Support of Just Government). It should be remembered that in the United States, the separation of the state and the Church, emphasized in the First Amendment of the US Constitution, is one of the most important foundations of statehood. 

4 Ryszard M. Malajny has enumerated the principles in the state-church relations in the United States resulting from the First Amendment. They include separation, equality, voluntariness, the non-interference of the state in matters of religion, accom-

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4 The First Amendment of the U.S. Constitution: “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.” (more on the subject of the separation of the Church and state in the USA in Napierala, 2015, pp. 105–110).
modation of the state, mutual abstaining of the state and the Church from interference in their respective affairs, the cooperation of the state and the Church, and the neutrality of the state (Malajny, 1992, p. 270).

The labor unions that favored the Church and Catholic immigrants, including the Knights of Labor and the American Federation of Labor, also dealt with important problems of workers. They supported the program of encouraging workers to save and invest in shares or even providing workers free of charge with some of the shares of the enterprises in which they were employed, as postulated by the Rerum Novarum encyclical. The idea was considered good, because, as Leo XIII had predicted, it was supposed to prevent strikes, making workers co-owners of enterprises, and therefore co-responsible for their development and success. It was widely implemented in 1920, however, by 1922, as the Federal Trade Commission calculated, only 7.5% of the shares went into the hands of workers.5

3. The activity of John A. Ryan

John A. Ryan (1869–1945), the son of Irish immigrants, was born in the small town of Vermillion near St. Paul in Minnesota. In 1892, he graduated from St. Thomas College in St. Paul. He was ordained a priest after graduating from the Archdiocesan Seminary in St. Paul by Archbishop John Ireland. After his ordination, he was sent to the American Catholic University in Washington, where he studied moral theology (McShane, 1986, pp. 26–27). After his studies (in 1902), he returned to the seminary in St. Paul as a teacher of moral theology. In 1906, Father Ryan defended his doctorate in theology (Ryan, 1941, pp. 78–79). He remained a teacher at the seminary at the time when he was working on the book entitled A Living Wage.6 Thanks to the book, Fr. Ryan was appointed (in 1915) professor of moral theology at the American Catholic University. He held this function until his retirement in 1939. At the same time, he taught at the Trinity College, was the chairman of the Social Action Department of the National Catholic Welfare Conference and the editor of Catholic Charities Review (McShane, 1986, p. 27).

Having so many functions meant that Fr. Ryan became the biggest propagator of the idea of Catholic social activity. With time, he earned the title of Right Reverend New Dealer.7 He was able to use moral theology to solve social, political and economic dilemmas. He drew a simple conclusion from his observations: a good economic policy can only result from good ethics (Purcell, 1946, pp. 154–157). However, the observation was insufficient; it was necessary to introduce

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5 There are no data on whether this percentage concerned the number or value of the shares (Faulkner & Starr, 1958, pp. 175–176).
6 Ryan’s A Living Wage was published by the Macmillan Publishing House (New York) in 1909. Then in 1910, French and Spanish-language translations of the work were published. Cf. Ryan, 1941, p. 82.
7 It was connected with the cooperation of Fr. Ryan with institutions established under the New Deal, e.g., the National Recovery Administration (Broderick, 1963, pp. 213, 227).
practical solutions to achieve the intended goal. Ryan returned to the source of modern Catholic social science—Leo XIII’s encyclical letter *Rerum Novarum*. He became its zealous promoter and read it in the context of the socio-economic situation in the United States. He clarified and explained the possibilities of its application and became the first professor at the Catholic American University who taught economics as integral knowledge necessary for every clergyman (Abell, 1946, p. 130). Ryan, justifying the need to study knowledge about society in seminaries, stated that it was necessary, as it added credibility to the priestly ministry. That knowledge was necessary for clergymen to work in working-class communities and to solve their problems, including social ones (Ryan, 1908, p. 446).

Ryan’s reflections on social issues originated from the foundations of the Catholic faith:

The chief business of life, in the eyes of a Catholic, is the saving of his immortal soul. Man’s life on earth lasts but a few short years; his life beyond the grave is endless. The quality of this after-life will depend, in the case of each individual, on the manner in which he has spent his earthly life, and on the relation in which he stands to his God at the moment of death. If he dies at peace with his Maker he will be admitted sooner or later to a condition of unending happiness; if he dies at enmity with God he will be doomed to eternal misery. Hence the primary consideration for every reasonable man is the kind of existence that he shall enjoy beyond the grave. His existence on earth is of real importance only because it is the period within which he determines whether he shall be happy or miserable in the life to come. Why ever a man's earthly happiness or welfare comes in conflict with his eternal interests he will decide in favor of the latter. The true significance of life on earth lies in its relation to the life to come. (Catholicus, 1901)

This led to the recognition, following the teaching of Leo XIII, of social issues as a problem of religion and morals, since every human activity lies naturally in the interest of the Church (Ryan, *Church and Economic Problems*...). It was necessary to include such a reservation in Ryan’s polemics so as not to explain each time his right to raise social issues to socialists who believed that religion did not have a voice in those matters.

The Church had various methods of influencing the situation of workers. Ryan described them as follows:

These then, there are the three principal ways in which the authority of the Church may properly make pronouncements concerning business and industrial relations: by applying the general principles of morality to particular economic practices; by passing judgment upon the morality of particular methods or measures of reform; and by advocating and urging the adoption of certain methods and measures. All the great encyclicals and other declarations of the Pope on the social question exemplify all three of these forms of “Intervention”. (Ryan, *The Church and the Social*...)

All the methods, however, are anchored in moral science.
Determining the attitude toward socialists in Ryan’s teaching is a problem. Since socialists attacked the Church and its approach to social issues, dialogue was significantly hampered, though Ryan did not rule it out. The two basic socialist economic postulates comprised the joint possession and management of the means of production as well as the collective distribution of goods. The first of the postulates, although impractical (according to Ryan), was not bad, as employees could own and manage the company in which they were employed. Ryan considered this solution to be consistent with Catholic justice, provided that each employee would hold some of the company’s shares as inviolable property. The second postulate of socialists regarding the collective distribution of goods, Ryan rejected since he believed that this would lead to abuse (Catholicus, 1901). The main issue, therefore, was that he supported the concept of public property, which did not necessarily mean socialism (Ryan, The Catholic Church…). Ryan sought to introduce social reforms but not socialist ones (Ryan, The Church and the Radical…). Despite his clear intentions, he was accused of exceedingly leftist views. He demanded a modern and open debate on the living and working conditions of workers and their needs. The open discussion gave workers the right to present their needs and expectations and to confront them with the employers’ proposals. This served to promote a fair resolution of conflicts and was much better than power plays such as strikes.

The most important point of Ryan’s deliberations was addressing the so-called living wage. This concept defined the level of remuneration that an employee should receive in order to live with dignity and support the family. He defined it in the following way:

Briefly defined a living wage is a wage adequate to a decent livelihood. It is that amount of remuneration which will provide the laborer with a livelihood becoming to, worthy of, proper to a human being. Hence the concepts of a living wage and a decent livelihood are fundamentally moral rather than physical or economic. They apprehend the laborer as a person, as a quasi-sacred entity, as a being possessed of intrinsic worth, as “an end in himself”. The laborer is not conceived as a mere means to any other individual, nor to any social purpose or interest. He is a person, morally obliged and morally privileged to pursue self-perfection, to develop his personality, to live a reasonable human life. For this purpose he must have the means of exercising and developing all his faculties, physical, mental, moral and spiritual. To what degree? Well, to some degree; to a reasonable degree; to that degree at least which is necessary in order that he may live as a human being, and not as a horse or a pig. So much at least is embraced in the idea of a decent livelihood. (1912, p. 11)

Ryan determined the average wage that would ensure a good family life in the United States in 1910 in small and medium-sized cities at around $700 a year; in large cities at approx. $800-900 a year. He calculated that in Massachusetts, only approx. 25% of workers’ families met such economic criteria, and only on

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8 A detailed analysis of this issue was carried out in the work of J.A. Ryan (1912, pp. 81–122).
the assumption that workers could find permanent employment and work all year round (Ryan, 1910, pp. 810–811). In the context of this calculation, it should be added that average earnings of immigrants were usually about 25% lower than the earnings of Americans. It was, therefore, necessary to introduce a law regulating the amount of earnings so that it would not depend on the origin of workers. If necessary, he proposed restricting immigration and adapting it to the pace of economic development (Ryan, 1911, p. 5).

The initiative of the state was necessary to regulate those issues. Ryan, following the teaching of Leo XIII included in Rerum Novarum, reminded that the state should intervene in workers’ conflicts and provide such working conditions that there would be fewer such conflicts. The state should offer protection to society as a whole but also look after the interests of particular social groups, in this case, workers (Ryan, 1921). The law established by the state should provide workers with reasonable minimum standards of labor and livelihood (Ryan, 1920).9

This concept, however, needed justification in the actions undertaken by the workers themselves, as they should have enough power to demand their rights. For this purpose, Ryan thought that labor unions were necessary as an honest representation of workers.

The labor union is necessary, not simply because capital is likewise organized, but because the individual worker is unequal in bargaining power to the individual employer. As the industrial system is now organized, there is no adequate substitute for the labor union. Not all employers are sufficiently benevolent to wish to do justice to the employees, and even if they were all so disposed, they could not carry out their intentions because their conceptions of fairness to the workers are necessarily inadequate. No social class is capable of correctly interpreting justice for a different social class. Schemes of “employee representation” or “company unions”, cannot be an adequate substitute for the union so long as they deprive the workers of complete freedom of representation in collective bargaining, and so long as they are set up in antagonism to the union. (Ryan, The Right and Wrong...)

Summing up the encyclical Rerum Novarum, John A. Ryan stated that Leo XIII had not provided a full answer to what industrial relations should look like, as the Pope had defined only certain minimum requirements which ought to be observed in accordance with Christian morality. That is why Ryan lamented that such a rich state as the United States could not afford to establish adequate laws that would ensure those minimum requirements, especially since it was the American workers who were the main drivers of economic success and they were entitled to receive remuneration commensurate with that success (Ryan, A Constitutional Amendment...).

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Due to his unusual activity in solving workers’ problems, John A. Ryan is considered the father of contemporary Catholic social thought in the USA. He contributed to a more in-depth study of these issues and prepared the ground for the publication of the *Bishops’ Program of Social Reconstruction*.

### 4. The Bishops’ Program of Social Reconstruction

*The Bishops’ Program of Social Reconstruction* (1919) was a response to the socio-economic challenges resulting from the First World War. The Catholic Church in the United States during the First World War behaved in an unprecedented way. It acknowledged the participation of Catholics in the war as their patriotic duty, but at the same time turned to the state authorities with a proposal to help ease the burden of war on society. The most important manifestation of that activity was the establishment of the National Catholic War Council, i.e., the council which coordinated the efforts of Catholic organizations: social, educational and charitable (Ryan, *A Constitutional Amendment*..., p. 144).

The organization was functioning so well that the American Episcopate deemed it appropriate to continue its activities even after the end of the war. The National Catholic War Council was transformed, with minor organizational changes, into the National Catholic Welfare Conference, which was to continue the work of social action in times of peace (Ryan, *A Constitutional Amendment*..., p. 139; see also *Pastoral Letter*... 1920, p. 35).

*The Program of Social Reconstruction* was aimed at counteracting the effects of the war on American industrial society. The creators of the program were Bishop Rockford Peter J. Muldoon, as the Chairman of the Administrative Committee of the National Catholic War Council, Bishop Toledo Joseph Schrembs, Bishop Tagaste Patrick J. Hayes (later the Archbishop of New York), and Bishop Charleston William T. Russell. The authors of the program indicated at the outset that that was only a proposal and it could be subject to discussion. However, it was based on the strong foundations of Catholic social teaching and, as such, worthy of consideration:

> Its practical applications are of course subject to discussion, but all its Essentials declarations are based upon the principles of charity and justice that have always been held and taught by the Catholic Church, while its practical proposals are merely an adaptation of those principles and that traditional teaching to the social and industrial conditions and needs of our own time. (Ryan & Husslein, 1920, p. 220)

The bishops admit that they are not able to determine the exact needs, or estimate which of the shortcomings of the social system need to be repaired most urgently and how they should be repaired. Similar caution could be found in the encyclical *Rerum Novarum* whose intention was not to shape a new socio-
economic system but only to indicate some basic principles that people should follow in order to maintain a just social system.

The bishops developed their program largely for fear of spreading other proposals among workers, including the Social Reconstruction Program prepared by the British Labour Party in 1918 and also known in the United States. Because of the radical socialist demands, in particular, the nationalization of industry which was not compatible with the principle of inviolability of private property, this concept was rejected and condemned by the Church in the USA.

The bishops also discussed the program prepared in 1919 by the American Federation of Labor (AFL). It dealt with three main issues: labor law as well as industrial and social regulations. In the area of labor law, the demands included primarily limiting working time to 8 hours a day and ensuring that the work week would not be longer than 5.5 working days (for most employees it meant free Sundays and reduced working hours on Saturdays). The program proposed wage equality between men and women, if they performed the same work, and it stipulated that women’s work should be adapted to their physical strength and not impact negatively on motherhood. The prohibition of employment of young people under the age of 16, and only for 20 hours a week to 18 years of age (guaranteeing at least 20 hours a week for education), was also postulated (American Federation of Labor, 1919). It was decided that the best solution for maintaining strategic industries, services and transport (railway, water supply, gas pipelines, public transport, etc.) in good condition and at an appropriate price level would be their nationalization. At the same time, employees of nationalized enterprises were to be allowed freedom of association in labor union organizations (American Federation of Labor, 1919, p. 1–2). In social matters, the American Federation of Labor focused in its report on the resolution of the most urgent needs: all workers, both skilled and unskilled, should receive remuneration to keep their families at a decent standard of living, which is defined as follows: “a wage which will enable the worker and his family to live in health and comfort, provide a competence for illness and old age, and afford to all the opportunity to cultivate the best that is within mankind” (American Federation of Labor, 1919, p. 1–1). In order to provide workers and their families with adequate housing, efforts were made to persuade the government to introduce a plan to build affordable flats and houses, and to launch cheap loans for which workers could buy them (American Federation of Labor, 1919, p. 1–3).

The bishops considered the program of the American Federation of Labor to be relatively modern and reasonable; however, one element aroused their reservations. In order to obtain more funds to fulfill its demands, the AFL proposed imposing an additional tax on land and a special wasteland tax. Refusal or inability to pay those taxes could lead to confiscation; hence the bishops could not accept such a solution (Ryan & Husslein, 1920, p. 223).
The Social Reconstruction Program, prepared by the National Chamber of Commerce, was the only proposal for the improvement of industrial relations brought by American employers. It did not seem interesting to the bishops. In addition to empty declarations of friendship and the commonality of interests between employers and workers, it limited itself to condemning the government’s policy on monopolies, including mitigation of the Sherman Anti-Trust Law. However, that program indicated some progress in the attitude of employers to their employees. It consisted in recognizing the right of employees to establish independent labor unions, creating a cross-party body that would monitor workers’ problems and try to solve them over political divisions, as well as postulating the provision of homes for workers and decent living conditions. A notable initiative was the demand to seek savings in industry in the production and distribution process, and only as a last resort by reducing employee wages (Ryan & Husslein, 1920, p. 224).

After analyzing many programs prepared both in the United States and in the United Kingdom, the American bishops who headed the NCWC Social Department considered it necessary to create a proposal that would be in line with the Catholic doctrine and could be disseminated among workers. That program, as mentioned before, was to be a kind of guide for the settlement of workers’ issues in the spirit of Christian justice stemming from the teaching contained in the Rerum Novarum encyclical and the publications of John A. Ryan.

The program points out that the most urgent issue was the return of demobilized soldiers to work in the industry:

The first problem in the process of reconstruction is the industrial replacement of the discharged soldiers and sailors. The majority of these will undoubtedly return to their previous occupations. However, a very large number of them will either find their previous places closed to them, or will be eager to consider the possibility of more attractive employments. The most important single measure for meeting this situation that has yet been suggested is the placement of such men on farms. (Ryan & Husslein, 1920, p. 227)

An alternative solution was the possibility of employing them in large enterprises financed from the state budget, for example irrigating barren land, draining swamps and cutting down forests. Thus prepared areas were to be used for cultivation, and demobilized soldiers had the opportunity to establish new farms on the cleared land, although the establishment of farm cooperatives was preferred. Such a solution would, according to the authors of the program, reduce the cost of living due to a significant increase in the supply of food products, and thus a drop in prices. The situation was supposed to gradually return to normal (that is, the state from before World War I) and demobilized soldiers employed in agriculture should eventually return to industry. However, state-owned institu-

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10 The program was presented at the Atlantic City conference of the organization in December 1918.
lations, in particular, the Federal Labor Office, were burdened with providing practical solutions for that operation (Ryan & Husslein, 1920, p. 228).

During the war, many professions, previously performed only by men, were taken over by women. The bishops decided that everything should be done so that women would leave jobs that threatened their health and morals:

One general principle is clear: no female worker should remain in any occupation that is harmful to health or morals. Women should disappear as quickly as possible from such tasks as conducting and guarding streetcars, cleaning locomotives, and a great number of other activities for which conditions of life and their physique render them unfit. Another general principle is that the proportion of women in industry ought to be kept within the smallest practical limits. (Ryan & Husslein, 1920, p. 228)

Many jobs would be open for demobilized soldiers and women would return to lighter jobs or even quit their jobs in industry and devote themselves to their families, which the bishops particularly cared about.

Another concern of the bishops was the issue of wages and the living conditions of workers. During the war, workers’ wages increased significantly (it was, however, related to an increase in living costs and general inflation). There were justified fears that with the conversion of a large part of the American economy to civilian production, the prices of everyday products and food would fall, and with time wages would also decrease. They made an appeal to keep wages at the same level, and the minimum wage was also mentioned. The bishops adopted the concept of the minimum wage as Ryan understood it, i.e., as a fair minimum necessary to support the family. However, a minimum fair wage is not enough for the proper development of the family; it was supposed to be only a line below which the employer was not allowed to go:

In the beginning the minimum wages for male workers should suffice only for the present needs of the family, but they should be gradually raised until they are adequate to meet future needs as well. That is, they should be ultimately high enough to make possible that amount of saving which is necessary to protect the worker and his family against sickness, accidents, invalidity and old age. (Ryan & Husslein, 1920, p. 233)

It was noteworthy that the bishops took up the issue which was one of the most interesting of Leo XIII’s postulates contained in the encyclical Rerum Novarum—the participation of employees in the management of enterprises and the co-ownership of enterprises that employ them. Under American conditions, to put those demands into practice, the issue of trusts had to be resolved. This was entirely the responsibility of the state—it was only through federal legislation that the problem of monopolies could be solved. Allowing representatives of legally operating labor unions to participate in managing the enterprise would ensure a way of communicating with employers. It would also contribute to increasing the productivity and responsibility of employees for their own workplace (Ryan & Husslein,
1920, p. 234–235). The matter of workers’ participation in the ownership of enterprises was treated in a rather vague manner in the bishops’ program. It was mentioned that justice required that the majority should own at least some of the tools that they worked with. This would at least partly reduce the enormous disparity between the wealth of rich industrialists and millions of poor workers. At the same time, it was stressed that it was not about collective ownership but about the distribution of ownership to a larger number of people, leaving it in individual hands. Such a solution would dissipate social tensions and prevent the threat of revolution (Ryan & Husslein, 1920, p. 237–238).

To sum up their program, the bishops said that no attempt to sort out the social situation would be successful unless it was based on the foundations of social justice contained in the Christian doctrine:

Changes in our economic and political systems will have only partial and feeble efficiency if they be not reinforced by the Christian view of work and wealth. Neither the moderate reforms advocated in this paper nor any other program of betterment or reconstruction will prove reasonably effective without a reform in the spirit of both labor and capital. The laborer must come to realize that he owes his employer and society an honest day's work in return for a fair wage, and that conditions cannot be substantially improved until he roots out the desire to get a maximum of return for a minimum of service. The capitalist must likewise get a new viewpoint. He needs to learn the long-forgotten truth that wealth is stewardship, that profitmaking is not the basic justification of business enterprise, and that there are such things as fair profits, fair interest, and fair prices. (Ryan & Husslein, 1920, p. 239)

Accepting such reasoning would change the mutual perception of workers and capitalists. Both of these groups are people and should be treated as people. Entrepreneurs have the right to profit from business but they must not forget that it cannot be done at the expense of employees, as it affects human rights and Christian principles.

The bishops’ program was very well received among American Catholics. It was a result of many years of work on social and labor issues in the United States and earned the Church in that country a great deal of support from workers. However, new threats and problems in post-war America needed to be resolved:

Deeper and more ominous is the ferment in the souls of men, that issues in agitation not simply against defects in the operation of the existing order, but also against that order itself, its framework and very foundation. In such a temper men see only the facts—the unequal distribution of wealth, power and worldly advantage—and against the facts they rebel. But they do not discern the real causes that produce those effects, and much less the adequate means by which both causes and effects can be removed. Hence, in the attempt at remedy, methods are employed which result in failure, and beget a more hopeless confusion. (Pastoral Letter..., p. 38)
The bishops recommend that the superior law of God should be recognized as the main determinant of the principles of social, political and economic life (Pastoral Letter..., p. 42–43). Submission to the Christian spirit favors mutual understanding and justice (p. 45).

Freedom should be guarded by the state that must understand what benefits are derived from supporting religion among its own citizens. A just state is a guarantee of freedom for citizens (Pastoral Letter..., p. 47). As Leo XIII had done, the American bishops stressed that the key to solving workers’ problems was to respect human dignity:

The moral value of men and the dignity of human labor are cardinal points in this whole question. Let them be the directive principles in industry, and they will go far toward preventing disputes. By treating the laborer first of all as a man, the employer will make him a better workingman; by respecting his own moral dignity as a man, the laborer will compel the respect of his employer and of the community. (Pastoral Letter..., p. 60)

The bishops’ social program received a very favorable reception also outside the Church, as commentators emphasized its holistic approach to workers’ problems and the fact that it raised all the important issues.\(^{11}\) It was recognized that the Catholic Church in the United States aspired to the role of the moral policeman of capitalism against which it defended workers (Hard, 1920, p. 25). John A. Ryan noted that Rerum Novarum could be treated as a set of proposals translated into the language of specific solutions by the Program of Social Reconstruction (Ryan, 1920, pp. 593–594). He added that those solutions were not revolutionary but simply set some standards for treating workers in a fair and moral manner (Ryan, Labor’s Program...).

Critical voices about the bishops’ program concerned the one-sidedness in considering problems, as well as a lack of an open approach to and a new perception of social issues (Swing, 1919, p. 467). There was also a lack of translation of the proposal into the actual conditions prevailing in industry at the time (Sherman, 1920, p. 5). However, what should be emphasized is the fact that many postulates were reflected in the New Deal legislation. First of all, the state took up the task of caring for workers during a crisis. A system of intervention works was organized, for which end the following institutions were established: the Civilian Conservation Corps, the Public Works Administration, and the Works Progress Administration. A minimum wage, a social security system and many other regulations regarding work and living conditions of workers were introduced (Lewicki, 2012, pp. 564, 567–570).

\(^{11}\) Among others: minimum wage, social insurance, better working conditions, and a share in corporate income. Cf. Piekoszewski, 1989, pp. 115–116.
It is difficult to determine the direct influence of the interpretation of the *Rerum Novarum* encyclical by John A. Ryan on labor relations in the United States of America. There is no doubt, however, that he contributed to the widespread dissemination of the ideas contained in the encyclical among American Catholics. The fact that they were, to some extent, introduced into the *New Deal* legislation may testify to the influence of the Catholic Church on the government. In particular, some laws were close to the postulates contained in *Rerum Novarum* and the concepts of Ryan: the *National Industrial Recovery Act*, the *Social Security Act*, the *National Labor Relations Act*, and the *Fair Labor Standards Act*. They introduced new rules of labor relations and the organization of economic life in the United States. Some of the regulations were in line with Ryan’s proposals: the right of workers to free association, employing unemployed people in public works, introducing employee insurance against accidents and unemployment along with pensions, establishing the National Labor Relations Board to safeguard workers’ rights, as well as finally introducing a minimum wage and limiting working time.

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The scope of responsibility of employers towards workers’ families in the Second Republic of Poland*

Abstract

The aim of this article is the presentation of the scope of responsibility of employers towards workers’ families in Poland in the interwar period. The article also shows how those duties were fulfilled. This issue appeared in Europe with the development of social insurance programmes and labour laws. The Second Republic of Poland built its own legal system for employees’ families. It included health insurance and benefits, families’ pensions and funeral allowances. Certain obligations were also imposed on employers in the context of labour law. The most important was the obligation to open nursery schools for the children of women who worked in factories.

Keywords: labour market, the Second Republic of Poland, social security

JEL Classification: J23, N34

1. Introduction

The issue of employers’ responsibility towards employees’ families arose in Europe along with the development of social insurance. The compulsory insurance of wage earners against sickness, accidents at work, disability and old age introduced

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in the 1880s in the Second Reich forms its foundations. Bismarck’s standards in this respect became widespread in Europe in the following decades, and elements that guarantee support for family members of insured employees also became, over time, an inseparable part of the social insurance system introduced in many countries. Also, in this case, the German solutions proved pioneering. The Accident Insurance Act of June 6, 1884, provided for pensions for survivors of deceased employees, and the Workmen’s Insurance Code of July 19, 1911, introduced medical benefits for family members of insured employees as well as widow’s and orphan’s pensions as part of old-age and disability insurance (cf. Daszyńska-Golińska, 1933, p. 352; Grabowski, 1923, pp. 199–200; Herkner, 1905, pp. 419–420; Muszalski, 2004, pp. 37–39).

The Second Republic also built its own system of benefit entitlements for families of employees, though they were based on Western experience. These benefit entitlements were present in each of the three basic types of insurance (sickness, accident, as well as old-age and disability insurance), and the most important benefits received by families of insured employees included medical assistance, survivors’ pensions and funeral allowances. Employers’ responsibility towards the families of employees was fulfilled in a direct and indirect way. State-owned institutions and enterprises guaranteed that protection directly, while in the private sector it was usually implemented indirectly. Benefits for employees’ families were granted and paid by the relevant insurance institutions; however, employers, by paying contributions to particular types of insurance, financed (in part or wholly) insurance coverage for family members of people employed in their companies. Bearing in mind the obvious differences in the manner in which employers’ responsibility towards employees’ families was fulfilled, it is worth examining the most important regulations determining this responsibility, beneficiaries’ rights as well as the practical dimension of this responsibility emerging from the conducted analysis of sources.¹

2. Statutory guarantees of the rights of employees’ family members

In independent Poland, the scope of benefits that families of employees were entitled to was primarily dependent on the level of development and the territorial scope of the social security system as well as the scope of responsibility that public institutions, which were important employers, took upon themselves. In the case of social insurance, the legal situation had been unsatisfactory for a long

¹ The obligation imposed on employers to organise care for the children of female employees working in their enterprises, which was related to the protection of motherhood, resulting from the Act on Juvenile and Women’s Employment of July 2, 1924, was of a slightly different nature, unrelated to the system of social security. Cf. Dz.U. 1924, No. 65, item 636; Grata, 2013b, pp. 136–138; Słabińska, 2015, pp. 86–108.
time, as the territorial and subjective unification of the right to insurance against the basic types of life risk came with the Social Insurance Act, the so-called Consolidating Act, passed in March 1933. Earlier, the situation in this respect had been much worse. Only sickness insurance, introduced in the first months of independence, and accident insurance, extended in early 1924 to cover the area formerly under Russian Partition, had been in force throughout the country. However, the old-age pension had been available to all employees only in the territory of the former Prussian Partition, where workers had been under German regulations. In the rest of the country, only intellectual workers had been insured against incapacity to work due to old age; hence, the possible benefits for family members had been previously available only in this professional group (Grata, 2013, pp. 12–14; Łazowski, 1929, pp. 383–438).²

Despite those imperfections, the regulations in force for the first dozen or so years of independence included a relatively wide range of benefit entitlements for families of insured employees. As part of the sickness insurance, in accordance with the Act of 19 May 1920 (preceded by the Decree of 11 January 1919), Sickness Funds were obliged to provide assistance also to family members living with and financially supported by the insured. They had access to free medical care and medicines, a nursing mothers’ allowance and hospital treatment based on the lowest payment scheme. In the case of death of the insured, the Fund paid out a funeral allowance in the amount of 3 weeks’ earnings (the allowance for the funeral of a family member was lower by half) (Dz.U. 1919, No. 9, item 122; Dz.U. 1920, No. 44, item 272; Grabowski, 1923, pp. 158–170; Turowicz, 1929, p. 3).

A visible limitation of benefit entitlements was brought by the Social Insurance Act of 28 March 1933. According to its provisions, agricultural workers were excluded from the insured group, thus their families also could not use the benefits; at the same time, the catalogue of eligible family members receiving benefits was narrowed down to a wife or an unable to work husband and children as well as grandchildren supported financially by the insured. The range of benefits remained unchanged; however, as in the case of the insured themselves, the use of medical care and medicines was connected with the payment of a small surcharge. In the case of agricultural workers, the obligation to provide medical services rested on the employers, who were obliged to cover the full costs of hospital treatment and maternity assistance as well as 90% of the costs of medical advice and medicines (Dz.U. 1933, No. 51, item 396; Ed. Gie., 1934, pp. 210–211).

Another form of insurance, the scope of which covered the entire territory of the Republic before the Consolidating Act came into force, was accident insurance. In this case, until the end of 1933, German and Austrian laws were in force which, in the context of protecting families of employees, were not much different. Family members were entitled to benefits after the insured’s death as a result of an accident or in connection with an accident at work. Insurance institutions

² Miners of Zagłębie Dabrowskie and Krakowskie (and their families) were also traditionally insured, but one cannot talk about the universality of insurance in this case.
then reimbursed the costs of the funeral (in the amount of 4/5 of the monthly earnings of the insured in the former Prussian Partition and 2/3 in the rest of the state) and paid a pension to family members. A widow received a benefit amounting to 20% of the deceased’s earnings, and the level of pensions for each child was similar (in the Prussian Partition it amounted to 15%); the total amount of the widow’s and orphan’s pensions could not, however, exceed the level of 2/3 of the insured employee’s earnings (3/5 under the Prussian law) (Modliński, 1932, p. 108).

In the case of accident insurance, the Consolidating Act brought an expansion of the scope of protection for employees’ families. From 1934, occupational diseases started to be covered by the insurance, and the benefits of the person receiving an accident pension (suffering over 66% loss of earning capacity) were supplemented with an allowance for each child in the amount of 10% of the disability pension. The funeral allowance was raised to the amount of the monthly earnings of the deceased insured person, and the widow’s pension increased to 30% of the previous earnings. The orphan’s pension was still 20% of the specified base, but in the case of a full orphan, it was to be raised to 25% (the total sum of the widow’s and orphan’s pensions could not exceed the amount of pension to which the deceased was entitled in the event of total incapacity to work). Additionally, other family members who were financially supported by the deceased had the right to a pension, but in their case, the total value of the benefits could not exceed 20% of the deceased’s earnings (Dz.U., 1933, No. 51, item 396; Piątkowski, 1983, pp. 33–34).

Theoretically, the widest range of monetary benefits for an employee’s family members should have been covered by old-age and disability insurance, currently called retirement insurance. However, due to the limited territorial scope of its existence for many years, the importance of this protection was relatively small. Only when the provisions of the Consolidating Act came into force in 1934 could one talk about a potentially significant expansion of the scope of support for employees’ families. Pursuant to its provisions, partially based on German regulations previously in force in Upper Silesia, the recipient of a disability pension was entitled to an allowance for each child at the level of 10% of the statutory amount. In the event of the employee’s death, the family was entitled to a one-off funeral allowance in the amount of one month’s wages and post-disability benefits. A widow could receive half of the deceased’s pension, provided she was 60 years of age or unable to earn a living (in the case of the deceased employee’s appropriate period of insurance, the required age of the widow was reduced to 50). The orphan’s pension amounted to 20% of the deceased’s benefit for each eligible child (35% for a full orphan), but the total amount of the widow’s and orphan’s pensions could not exceed the deceased’s benefit (the law provided for budget subsidies for the widow’s and orphan’s pensions) (Dz.U., 1933, No. 51, item 396; Baumgarten, 1932, p. 90; Garlicki, 1934, pp. 633–636).

The rules concerning the protection provided for members of families of intellectual workers and civil servants were much more favourable than in the case of manual workers’ insurance. Pursuant to the President’s Regulation of 24 November 1927 on the Insurance of Intellectual Workers, a widow was entitled to the
widow’s pension regardless of age and state of health, and its amount was 60% of the deceased person’s benefit. The orphan’s pension, as pursuant to the Consolidating Act, constituted 20% of the deceased’s pension, but in the case of a full orphan, it was raised to 40%. Similar to the provisions of the Consolidating Act, a recipient of a disability pension in the insurance system for intellectual workers received an allowance for each child, which was 10% of the so-called primary insurance amount determined by the Regulation of 1927 (Dz.U. 1927, No. 106, item 911; Sasorski, 1932, pp. 148–149).

The most privileged in terms of access to care and benefits were family members of state employees and professional soldiers. In their case, the employer, i.e., the state, directly covered the costs of the benefits they were eligible for. As part of state medical assistance for civil servants, members of their families were entitled to free medical advice and assistance, treatment in hospitals and diagnostic tests. On the other hand, pursuant to the Act of December 11, 1923, on the Provision of Pensions for Civil Servants and Professional Soldiers, they were also entitled to appropriate monetary benefits. As civil servants were entitled to retirement benefits after ten years of service (from 1932 it was after fifteen), the situation of their family members was also more favourable in this respect than in the case of other segments of social security. In the event of the death of a civil servant in active service before becoming eligible for retirement benefits, his widow received a one-time severance pay equivalent to a year and a half’s wages. In the case of the death of a civil servant entitled to retirement benefits, his widow was entitled to a death benefit equivalent to his last three months’ wages. The amount of the widow’s pension was half of the old-age pension or benefit to which the deceased was entitled at the time of death, while the orphan’s pension amounted to 1/4 of the widow’s pension or, in the case of absence of the widow, half of her pension (the pension for a full orphan was 2/3 of the widow’s pension, and, as in other cases, the amount of the widow’s and orphan’s pensions could not exceed the benefit of the deceased person) (Dz.U. 1923, No. 116, item 924; No. 134, item 1107; 1924, No. 6, item. 46; 1932, No. 26, item 239; No. 27, item 254; Muszalski, 1988, pp. 25–26).

Summing up the short overview of the most important legal guarantees of indirect or direct responsibility of employers towards their employees’ families, it should be stated that the scope of the guarantees was relatively broad, although it varied both in terms of the quality of services and their subjective range. Funeral allowances, as well as the widow’s and orphan’s pensions, were an indisputable principle of long-term insurance against accidents and old age, but a lower and more limited level of coverage in the case of manual workers’ insurance was evident. Family members of professionally active persons also had medical insurance, and although the entitlement actually expired when the insurance obligation ceased, or the employee retired, it is worth noting that access to health care was, under the existing conditions, an extremely important element of the system of guarantees provided for employees’ families.
3. The scope of support for employees’ families

An attempt to analyse the practical aspects of the implementation of the above-presented dimensions of direct or indirect responsibility of employers towards family members of employees should take into account two basic areas. The first should undoubtedly be the scope of insurance coverage and the other – the actual number of persons making use of the benefits provided for families of employees. Although in both cases the values obtained describe different populations, they will undoubtedly help to determine the practical scope of coverage, as well as indicate the privileged life situation of family members of employees covered by the indicated forms of employers’ responsibility towards employees.

Due to the different nature and—for a long time—also the different scope of particular types of social insurance, types of insurance granted to families of employees varied; hence, it is difficult to examine them together or add up the obtained statistics. However, it is possible to specify the number of family members insured against individual types of life risks. Only in the second half of the 1930s, after a far-reaching unification of the social security system, did the group of insured family members of employees also become more homogeneous and mostly covered in a comprehensive manner. Earlier, the situation had varied, but it should be noted that the guarantees resulting from the above-mentioned provisions encompassed a relatively large number of family members of the employed. This was all the more important in the context of the social and professional structure of the population of the Republic of Poland and the low level of social security that the majority of citizens working primarily in agriculture were entitled to.

In the same way employers’ responsibilities towards their employees were varied, so too were the methods of insuring their employees’ family members. As part of the sickness insurance, they were directly insured and they were able to use benefits after the inception date of the insurance. In the case of long-term insurance, such a possibility appeared only when a life event activating the pension benefit occurred. This type of insurance could, therefore, be called indirect and dependent on the situation of the insured employee.

From the point of view of the everyday life of the family members of the employed, the most important and most frequently used form of insurance was sickness insurance. The number of persons covered was dependent on the extent of the insurance coverage, and it increased with its development as well as the growth in the economic activity of the entrepreneurs. As a result, the largest number of insured against sickness was recorded in the late 1920s, i.e., at the peak of the economic upturn. The average number of insured employees amounted to over 2.6 million people in 1929, while the number of insured members of their families was then at the level of 2.8–2.9 million. With the arrival of the Great Depression, and later changes in the insurance system (removing insurance for agricultural workers), the population of insured employees and their family members was temporarily reduced, and it started to approach the level from before the economic
collapse just before the outbreak of war. In 1938, there were nearly 2.3 million insured (in the mid-1930s—1.8–1.9 million) and approx. 2.5 million of their family members entitled to insurance coverage (Mały Rocznik Statystyczny, 1939, p. 306; Rocznik Statystyki Rzeczypospolitej Polskiej, 1930, p. 300; Ubezpieczenia społeczne w Polsce w latach 1925–1934, 1935, p. 23; VII Rocznik Ubezpieczeń Społecznych w Polsce, 1931, p. 15).

Sickness benefits resulting from employers’ responsibility were also used by family members of people working in state and local administration, Polish State Railways, state enterprises and monopolies, as well as by teachers, policemen, and professional soldiers, etc. The number of these categories of employees should be estimated at half a million people, which means that at least the same or a slightly greater number of their family members had access to health care. Thus, the group of family members of employees entitled to medical assistance resulting from employers’ responsibility should be determined in total at the time of the economic upturn at nearly 3.5 million, while in the period of the economic downturn at approx. 2.5–3.0 million people. According to the estimates of the then director of the Social Insurance Institution, in the mid-1930s only 7.5 million out of 33.5 million citizens of the Republic of Poland had access to medical assistance, which meant that nearly half of those “lucky ones” owed their health care to the existing forms of employers’ responsibility towards the families of their employees (Grata, 2013a, pp. 160–161; Lgocki, 1937, p. 23).

The indicators illustrating the population of benefit recipients—family members of employees—with regard to insurance against accidents at work, disability and old age looked slightly different. The basic determinants were both the number of insured employees (the insurance also covered their families) and the number of their family members using long-term benefits reflecting the actual beneficiaries of the system of employers’ responsibility towards employees’ families. In general, the number of people insured against accidents at work was the greatest. In 1929, there were 3.8 million people insured against this risk, while at the end of the 1930s, the number of people insured, including the insured people working in agriculture, exceeded 4.2 million people. Significantly fewer employees were insured against old age and disability, which meant that the number of their family members who could rely on benefits in the event of an employee’s possible death was also smaller. Until the entry into force of the Consolidating Act, there had been about a million (1.2 million in 1929, 0.9 million in 1933) people insured against old age, including civil servants; later the number doubled, and in 1938, 2.4 million employees were covered by this type of insurance. Families of the aforementioned half-million state and local government employees also had separate guarantees of benefits in the event of the death of the employee. In total, therefore, just before the war, nearly 3 million families could rely on this type of benefits as part of the deceased employee’s entitlement (Mały Rocznik Statystyczny, 1939, pp. 306–307; Statystyka. Zestawienia ogólne, 1939, pp. 236–237; Ubezpieczenia społeczne..., p. 23; Lgocki, 1936, p. 1).
The number of recipients of monetary benefits to which family members were entitled was much smaller. Obviously, in the case of post-accident pensions as well as old-age and disability benefits, there had been a clear upward trend significantly accelerated after the Consolidating Act entered into force. The situation was similar in the context of benefits granted to family members of deceased beneficiaries of the system. However, due to biological processes (children growing up), only the number of pensions that widows were entitled to systematically increased. In the mid-1920s, approx. 50,000 pensions were paid out due to retirement benefits entitlement—in 1927 they were received by 14,000 widows and 36,000 orphans (belonging to 30,000 families). At the beginning of the next decade, there were just over 60,000 pensions. In 1935, their number exceeded 70,000, and at the end of 1938, there were 83,300 pensions received (46,700 widows and 36,600 orphans). Another 4,000 pensions were granted to widows and orphans entitled to receive benefits under the Consolidating Act. 13,000 members of families of insured intellectual workers received benefits. Thus, in total, just before the war, approx. 100,000 family members of former employees used this type of retirement insurance. There were considerably fewer beneficiaries of work accident insurance. In the second half of the 1920s, this type of pension was received by several thousand family members of deceased employees. At the end of the next decade, there were over 27,000 such beneficiaries (at that time 195,000 benefits for former employees were paid out due to retirement and approx. 100,000 due to accident insurance) (Mały Rocznik Statystyczny, 1936, p. 215; 1939, p. 307; Rocznik Statystyczny..., pp. 344, 347; Ubezpieczenia społeczne w Polsce w latach 1934–1938, 1940, p. 60).3

The number of long-term benefits paid to members of families of deceased employees of public institutions was not much smaller than in the case of retirement benefits for manual workers and intellectual workers. The manifestation of employers’ direct responsibility in this respect could be seen in the more than 95,000 pensions paid to widows and orphans of deceased former employees of those institutions in the late 1930s. They included 58,000 widows and 37,000 orphans, while pensions for family members accounted for 44% of all 217,000 benefits paid in 1938 under this category of social security (in 1933 there were 172,000 such benefits). An important sign of maintaining the continuity of employers’ responsibility towards families of employees was the fact that part of the paid benefits was received by people who were left by deceased employees of former partitioning states (in the 1930s, there were still several thousand such pensions) (Mały Rocznik Statystyczny, 1939, p. 357).

At the end of the 1930s, a total of just over 220,000 people who were entitled to long-term benefits under the direct or indirect responsibility of employers towards families of their employees received pension benefits. It was a group that might not have been very numerous in the context of the entire population, yet in

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3 Family members of employees also used benefits they were entitled to due to supplementary pension insurance for miners and railwaymen (in the 1930s, there were slightly over 30,000 such pensions paid out).
The scope of responsibility of employers towards families of employees in the Second Republic was in line with the standards in force in Europe at that time. Family members of employees had the right to medical care, disability benefits and funeral allowances, and the importance of those rights was strengthened by the fact that such benefits were inaccessible to the vast majority of the country’s population. Thus, employees’ families as a group became a privileged social category, with access to free health care and a certain guaranteed minimum income in the form of monetary benefits paid in the event of the death of the head of the family. Regardless of the differences in the manner in which employers’ responsibility was fulfilled and delays in introducing individual elements, it should be acknowledged that it was an extremely important part of the social security system, covering several million people who could rely on a safeguard against the basic types of life risk. Moreover, despite the significant diversification of the scope and dimension of this responsibility in relation to different professional groups, its positive dimension is hard to undermine, and the system formed after several years of independence became the basis for further development of support for families of employees provided by employers.

4. Conclusions

The scope of responsibility of employers towards families of employees in the Second Republic was in line with the standards in force in Europe at that time. Family members of employees had the right to medical care, disability benefits and funeral allowances, and the importance of those rights was strengthened by the fact that such benefits were inaccessible to the vast majority of the country’s population. Thus, employees’ families as a group became a privileged social category, with access to free health care and a certain guaranteed minimum income in the form of monetary benefits paid in the event of the death of the head of the family. Regardless of the differences in the manner in which employers’ responsibility was fulfilled and delays in introducing individual elements, it should be acknowledged that it was an extremely important part of the social security system, covering several million people who could rely on a safeguard against the basic types of life risk. Moreover, despite the significant diversification of the scope and dimension of this responsibility in relation to different professional groups, its positive dimension is hard to undermine, and the system formed after several years of independence became the basis for further development of support for families of employees provided by employers.

References


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4 A separate issue, though out of the scope of interest of this paper, was the relationship between the amount of benefits and previously received earnings. It is worth mentioning that only in the case of intellectual workers as well as civil servants and professional soldiers could the benefits reach 100% of the previous salary; in workers’ retirement insurance it could amount to only 80% of that value, while the full pension in accident insurance was 2/3 of the previous earnings (cf. Grata, 2013a, pp. 169–170).
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Remarks on the genesis of UNRRA
Negotiations between the Great Powers and selected treaty provisions

Abstract

As a conceptual framework, UNRRA referred to one of the four freedoms (freedom from want) mentioned by Franklin D. Roosevelt in a speech given in Congress on January 6, 1946. In the first section, the article presents early attempts to coordinate assistance for the civilian population during World War II (The Committee of Supplies and The Inter-Allied Committee on European Post-War Requirements). The scale of actions taken was very small and insufficient. In January 1942, the USSR proposed the creation of an international organization that would collect information on raw materials and food. This initiative prompted Washington and London to launch a separate competitive project. The organization’s task was to bring help until the state gained economic independence. Therefore, the organization’s goal was not to rebuild the areas affected by war damage in the long term (rehabilitation not reconstruction). In the main part, the article presents the basic issues in dispute when creating the principle of allocating aid, for example, the requirement of consent of the receiving state to receive gifts or the composition of organs of the organization. For this purpose, the exchange of notes between Washington and London was analyzed. Differences of opinions delayed the signing of the contract which did not take place until November 1943.

Keywords: UNRRA, Roosevelt, economic aid, hunger

JEL Classification: N42, N44
1. Introduction

The signatories of the Atlantic Charter,¹ in the sixth point of the document, expressed the hope that in the postwar world people would live free from fear and want.² The charter contained a list of idealistic principles to which the signatory states would aspire. These goals were, among others, common disarmament, self-determination of nations, and resignation from the forceful resolution of international disputes. The catalog of countries’ desirable behaviors contained ambitious goals requiring cooperation. Above all, it was a solution that required time. The most urgent postulate was the issue of reducing want. During the Second World War, millions of people experienced it.

110 million soldiers (during the Great War 70 million) from 61 countries took part in the war, while war activities were carried out in 40 countries. Its scope reached 1.7 billion people, i.e., 80% of the world’s population. The want was the result of the destruction, which affected, in particular, the occupied parts of the USSR—70% of industrial equipment and 60% of modes of transport were destroyed in these areas.³ Yugoslavia lost 40% of its industrial plants, Hungary—24% (Kaliński, 2004, p. 222). Modern technology, most often the ally of man, in the face of hostilities proved to be a source of destruction and general conflagration on the battlefield. The situation of the civilian population considerably worsened. Unlike during previous armed conflicts, this war had dramatic effects on non-military ones. As noted by N. Davies:

for every European citizen fighting on the fronts of World War II, there were at least ten civilians who were not directly involved in the war but had to bear the painful consequences of the international conflict. (2008, p. 365)

Their experience, apart from the tragic events, when these people were losing their lives, were resettled or deported to labor camps, was poverty and hunger. The deterioration of the food situation in some European countries is illustrated in the table below.

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¹ The Atlantic Charter was drafted by Franklin D. Roosevelt and Winston Churchill on the ship “Prince of Wales” off the coast of Newfoundland on August 14, 1941. It was an eight-point declaration, containing a set of rules of international coexistence, which were to apply to the signatories of the document (from September 1941, among others, the USSR, Poland, Czechoslovakia, Belgium) during and after the war. Card text in Rozbicki & Michałek, 1994, pp. 371–372.
² During his speech in Congress on January 6, 1941, Roosevelt listed four freedoms for which democratic states fight: freedom of speech, freedom of worship, freedom from want and freedom from fear. He stressed that America should support countries fighting with Axis states by transferring arms. For this purpose, the Lend-Lease Act was adopted in March. It authorized the US president to donate $7 billion to military aid for the Allies. In addition to armaments, modes of transport, food, machinery and clothing were provided. More information about deliveries to the USSR as part of the Lend-Lease program, including specific areas of assistance (cf. Davies, 2008, p. 55).
³ On the other hand, only 6% of the territory of the USSR was subject to German occupation in the era of the greatest successes of the army of the Third Reich. Cf. Davies, 2008, p. 371.
Table 1. The level of consumption in calories per person per day in selected European countries in the years 1935–1938 and 1943–1944

<table>
<thead>
<tr>
<th>Country</th>
<th>1935–1938</th>
<th>1943–1944</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>2933</td>
<td>2440</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>2761</td>
<td>2228</td>
</tr>
<tr>
<td>Greece</td>
<td>2523</td>
<td>1550</td>
</tr>
<tr>
<td>Italy</td>
<td>2627</td>
<td>no data</td>
</tr>
<tr>
<td>Poland</td>
<td>2702</td>
<td>no data</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>2866</td>
<td>2351</td>
</tr>
</tbody>
</table>


Rationed food was introduced in many countries. In the USSR, the size of the ration depended on the importance of a given group for the country’s defense needs: heavy industry workers were entitled to a daily ration of about 4,000 calories a day, while for other industrial workers about 1,000 calories a day. The peasants did not have any rations—it was assumed that they could take care of themselves (Davies, 2008, p. 457). In Great Britain throughout the war, meat was rationed (on average 500g per week for an adult) and from 1943 also fat (200g per week). Let us emphasize that the United Kingdom was a country that experienced “only” air attacks and they were limited in range. However, that still affected the comfort of life of the island’s inhabitants. The situation in the areas affected by the army of the Third Reich was incomparably worse.

The scale of the tragedy was the cause of various actions taken by the governments of states participating in the conflict. Initially, they were of an ad hoc nature, with time to assume the form of more organized actions, also at the international level.

2. Initial proposals of the great powers

Faced with the drama of war, and the need to rebuild destroyed homes and workplaces, the Allied countries turned to their experience in the First World War. One could call here the American Relief Administration (ARA), led by future US President Herbert Hoover.\(^{4}\) The unprecedented nature—also in the depths of devastation—of the Second World War implied the necessity to face the scale of needs and take action on a scale that was previously unknown. Until 1941, the scope of assistance activities was not significant. In August 1941, the Committee of Supplies was established, with Frederick Leith-Ross, the British adviser to Prime Minister, in charge. The task of the Committee was to coordinate assistance activi-

\(^{4}\) ARA, established in February 1919, dealt with food aid for countries affected by war. It operated until June 1922 (after the surrender of Germany, it provided assistance to, among others, Bolshevik Russia), expending for humanitarian purposes about USD 200 million. After the war, a small-scale Interallied Relief Board was also created, in which the United States, the United Kingdom, France and Italy participated (cf. Winid, 1996; Stańczyk, 2007).
ties (prevailing consultations) with the governments of European countries in exile. Created in September of the same year and a continuation of the Supply Committee, the Inter-Allied Committee on European Post-war Relief set equally modest goals for itself. According to J. Łaptos, the Committee, again headed by Leith-Ross, had to “[…] recognize the situation and draw up appropriate plans for the future and, above all, set priorities” (Łaptos, 2001).

The committee with a small bureaucratic apparatus was created as a result of the meeting of Foreign and Finance Ministers, which organized the Foreign Office to support the demands of the Atlantic Charter and the adoption of the principles of post-war supply of Europe. The United States attended a meeting at London’s James Palace as an observer and responded favorably to the general provisions adopted.

In January 1942, the Soviet Union proposed that Moscow and London, together with other willing states (but without the United States as a member state), would create a new international organization, on the basis of the Inter-Ally Committee, whose task would be to assess the most important needs of countries and collect information on the resources of food and raw materials. In a memorandum sent on 13 January 1942 to British Foreign Secretary Anthony Eden, the Soviet ambassador to the United Kingdom, Ivan Maisky, clarified that it would also aim for a technical assessment and redistribution of collected materials for needy countries. Decisions in the organization were to be made by consensus (Foreign Relations of the United States Diplomatic Papers [hereinafter: FRUS], 1942, Vol. 1, p. 89). A four or five-person secretariat would consist of a representative of the USSR, Great Britain and two or three representatives elected from other countries. In addition, it was proposed to create two permanent committees: on food and raw materials and on transport. Characteristically, the Soviet proposal saw the United States only in the context of the source of food and raw materials, and not the decision maker in the proposed committee. The Russian project did not receive a friendly reception from the Western Allies, although in the future the suggestions contained therein were used.  

The Soviet initiative made the activities of Washington and London more dynamic as part of international assistance. In February 1942, the British proposed their project for a new organization. Presented three months later, the American proposal (a telegram from Secretary of State Cordell Hull to the US ambassador in Great Britain of 7 May 1942 and a memorandum of May 11) corresponded with the British concept.  

5 Accurate remarks of Winant, the American ambassador in the United Kingdom, showing the shortcomings of the Soviet proposal are presented in FRUS, Vol. 1, 1942, pp. 91–92.  

6 It provided for the creation of the United Nations Relief Council, in which signatories of the United Nations Declaration of 1 January, 1942 could participate. The Council would have an Executive Committee composed of representatives of the USA, Great Britain, the USSR and China and, after agreement, possible representatives of other countries. The Committee would be chaired by an American. The draft did not exclude the possibility of advisory committees (also created ad hoc) and provided for the transformation of the existing Inter-Allied Committee on Post-war Requirements into an Advisory Committee on European Relief. In addition to the Executive Committee, the Americans also proposed the creation of a United Nations Relief Bureau, headed by the Director-General. The office would be responsible for the current activities of the Board, while the Executive Committee
The British, with little comment, adopted the US project as a basis for further discussion and quickly responded to the invitation to detailed talks in Washington. They took place in June 1942. They were attended by Leith-Ross and financial advisor to the British government John Maynard Keynes. The Americans and the British informed the USSR and China of the meeting, stressing that no binding decisions had been taken. Nevertheless, the meeting should be considered important because on July 10, Undersecretary of State, Dean Acheson, presented to the US Secretary of State, Cordell Hull, the first project of an international aid organization called the Relief and Rehabilitation Administration, which was forwarded to the United Kingdom, USSR and China.

Acheson’s memorandum to Hull on July 11, which was, in fact, a commentary on the proposed concept of the organization, contained an interesting list of priorities on which the US side was interested in the course of further negotiations (FRUS, Vol. 1, 1942, pp. 118–120). The organization’s task was to bring help until the state gained economic independence. Therefore, the organization’s goal was not to rebuild areas affected by war damage in the long term. As a consequence, the word “rehabilitation” was emphasized as being semantically different from “reconstruction”. The assistance carried out in the framework of inter-state cooperation was not intended to be the nucleus of the dependence of countries in need of assistance. The superior political body of the organization was to act on the basis of equality of votes and consensus in making decisions. Representatives had to meet twice a year. Of no less importance was the issue of hierarchy in the organization, which Acheson addressed. In his opinion, as far as possible, it should have a not very centralized structure, with region-based activities. The position of the Political Committee—the body exercising political supervision over the activities of the organization—was also crucial, assuming the participation of the US, Great Britain, USSR and China.

would be the body that would supervise and coordinate the Bureau’s actions (FRUS, Vol. 1, 1942, pp. 104–105).

7 The comments concerned the location of some of the administrative units – the British insisted on placing them in London. They also raised the question of the competence of the Inter-Allied Committee—for their maximization. Canada, as a British dominion and a significant supplier of food and raw materials, declared its willingness to participate in the organization under special, although initially unspecified conditions. On 27 November, 1942, the United Kingdom proposed extending the Committee to three countries with the mandatory participation of Canada (FRUS, Vol. 1, 1942, p. 150).

8 On August 13, 1942, Acheson introduced a modified version of the project. The American proposal met with great interest from the USSR. On August 20, Ambassador of the state, during a meeting with Undersecretary of State Adolf Berle, clarified matters concerning, among others, the seat of the organization, the office of the Director General, his right to participate in the Committee’s votes, and the number of Deputy Directors.

9 China’s comments were passed on to the Americans in November 1942. They concerned the competences of the Director General towards their weakening to the Political Committee and the procedure for making amendments to the statutes of the organization (resignation from unanimity in the Committee and a qualified majority of 2/3 in the Council in favor of the ordinary majority in both bodies).
3. Negotiations among “The Big Four”

The unfavorable development of the situation on the front (the downfall of Tobruk, the progress of the Third Reich in Eastern Europe, the predominance of Japan over China in the Far East) caused a slowdown in the implemented projects. Study work continued, but information about the new aid initiative was not made public. The electoral calendar in the USA probably also influenced this. In November 1942, elections to Congress took place—the Democrats refused to give isolationists further arguments and risk losing some of the votes (Łaptos, 2001, p. 161). After the improvement of the situation on the African front and the end of the American parliamentary elections, the matter of the new international organization once again gained momentum. On November 21, the White House issued a statement announcing the creation of Foreign Relief and Rehabilitation Operations (FRRO). From December, the position of the head of the newly created cell was to be taken by the former Governor of New York, Herbert H. Lehman. His task—in accordance with the message—was to administer US activities as part of the United Nations assistance campaign.

The creation of a new structure was delayed due to disagreement over the shape of its statute. The USSR reported the most reservations. In a memorandum forwarded to Hull on December 29, 1942 (FRUS, Vol. 1, 1942, pp. 159–160), Moscow proposed that, each time, the receipt of assistance would require consent given by a state harmed by the actions of the Axis countries. The Russians referred to the practice of the Hoover mission, not authorized by the authorities, after the end of the First World War. It should be added that this was due to the specific political situation in Russia at that time. The Americans protested against the Russian provision because it would make it impossible to provide humanitarian aid to the citizens of an enemy state. Moreover, in many cases, problems could arise in defining the government in a given country. In addition, the Russians expected the Director-General to report regularly to its activities, which would be approved or rejected by the unanimously functioning Political Committee. The USSR also opposed the British proposal to expand the Committee’s composition (to include Canada), justifying the difficulty in selecting additional (apart from “The Big Four”) countries and making it difficult to obtain the unanimity required to take binding decisions.

The observations of the four superpowers regarding the shape of the organization were the subject of meetings between the ambassadors of the USSR, Great Britain and China with Hull and Acheson, which took place between January and March 1943 (FRUS, Vol. 1, 1942, pp. 853–857). Moscow upheld the opposition to expanding the Committee, in which it gained US support. China took a neutral stance in this matter, highlighting the need to apply the unanimity rule when making decisions within the Committee. The status of Canada as a leading aid provider was to be emphasized by its likely participation in the Supply Committee,

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10 He was in the governor’s office from 1933. In the same year, F.D. Roosevelt took over the office of US President. The most complete biography of Lehman was presented by Nevins (1963).
which would bring together top donors within the organization. However, British resistance in this matter was significant. The British Ambassador to the United States, Edward Halifax, pointed out that the exclusive structure of the Committee could be the cause of the failure of the future Allied Conference regarding the creation of a new organization. Especially since France, Norway or the Netherlands, for example, would play a significant role in transport and supply within the organization (Halifax to Acheson, 1943, January 24, FRUS, Vol. 1, p. 863).

On the other hand, there was a preliminary agreement on the issue of obtaining state consent for humanitarian aid and the rules for managing its assistance in individual countries. The USSR obtained from Acheson the assurance that within its territory the Kremlin would be responsible for the allocation of resources from the assistance campaign and would decide on their use. Similar assurances were obtained by the Chinese, who also previously made reservations in this respect. During subsequent meetings, the need to obtain the consent of the beneficiary state, understood as the consent of the government exercising power in that country and being a member of the organization, was accepted as suggested by Moscow. There was no agreement on the degree of freedom of the Director General, which would be expressed, among others, in the need to submit periodic reports and ways to cancel it. The Soviet side did not insist to the American proposal that the Committee could dismiss the Director by applying the unanimity rule, noting that it would be very difficult to carry out (unless the US abstained from voting). Therefore, Moscow pushed for the idea of the Director’s short term and the principle of unanimity whenever he was elected. Nevertheless, the modified version of the project included an American record on the Director’s dismissal by the Committee, while maintaining the principle of consensus. A Chinese proposal was dropped at this stage to simplify the rules for approving amendments to the statutes of the organization. The name of the Political Committee was changed to the Central Committee.

4. UNRRA and other allied countries. Making the project public

The above-mentioned modifications resulted in a new version of the draft international agreement creating an assistance organization on March 24, 1943 (cf. FRUS, Vol. 1, 1942, pp. 890–895). It introduced new regional bodies within the organization: Committee of the Council for the Far East and Committee of the Council for Europe. The subject of further negotiations was the cast of directors of these offices, as well as the election of deputies of the General Director. However, key discrepancies between the four powers had already been clarified. It was not until June 9, 1943, that the previously confidential statute of the organization was transferred to the remaining Allied countries and made public in the press (Secretary of State to Some Diplomatic Representatives, FRUS, Vol. 1, 1943, June 9, pp. 909–910). The document was criticized mainly in the part concerning the main authorities. The exclusivity of the cast of the Central Committee, as well as the
rules for convening an extraordinary session of the Council, were contested (the project assumed that apart from two annual sessions, the Council would meet at the request of the majority of members). Proposals were made that one-third or a quarter of all Member States should apply (Memorandum of Roy Veatch, an official from the Office of Foreign Assistance and US Assistance Operations, FRUS, 1943, July 16, Vol. 1, pp. 914–915). In a telegram to Hull, Winant informed him about the “cool” acceptance of the project by Belgium, the Netherlands and Norway and the “ tepid” reception by Poland and Yugoslavia (Winant to Hull, FRUS, Vol. 1, 1943, 5 July, p. 929–931). At the same time, the subdued reaction of the last two countries resulted not so much from the smaller scale of objections to the provisions of the document as from the urgent need to obtain assistance. From the recognition of the moods and reactions that Winant gauged, it appeared that the Netherlands questioned China’s participation in the Committee, arguing that it is not a power in the economic sense and would not be able to meet the financial needs of reconstruction. The Norwegians reported their accession to the Committee. The Belgians also felt unreasonable, raising the military contribution of Congo to the course of the war on the front.

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11 The government-in-exile worried that the UNRRA statute consolidated the principle of the directorate of the four powers in shaping the war and post-war order—this was expressed by the composition of the Committee. The threat posed by the USSR’s involvement in international cooperation, and the possible consequences which would probably be harmful to Poland, was also pointed out (in April 1943, Moscow broke off diplomatic relations with the London government). In addition, Poland raised the issue of the possible use of food as a political weapon. Polish Ambassador to the US, Jan Ciechanowski, raised this issue in an interview with Acheson in July 1943, citing the use of such wording in Sikorski’s conversations with Roosevelt and later with Lehman. In both conversations, Ciechanowski was a translator. Acheson informed Hull about these remarks, and he introduced the situation to Roosevelt. The US President in a memorandum of July 10 informed Hull that in an interview with Sikorski he spoke about food as a weapon in the current war, stressing that after its end it should be passed first to the coalition of the United Nations and then to the Germans (FRUS, Vol. 1, 1943, pp. 922–923; see also: Brzeziński, 1998, pp. 93–94). The official response of the Polish government to emigration took place on July 24 in the note of Minister of Foreign Affairs Tadeusz Romer to Biddle, the American ambassador to the London government. The Polish government expressed interest in the project, complimenting the principle of allocating aid in the first place to countries that are the earliest victims of the occupation. At the same time, it was proposed that the estimates and distribution of assistance be organized on the basis of “national plans” that would best and accurately reflect the scale of the needs of the affected states. These plans would be coordinated by regional committees, which would also have to approve these plans. The adoption of this proposal would lead to the necessity of introducing changes to the points concerning the entities administering the aid, to increase the competences of the regional committees and to reduce these competences of the Deputy Directors General. The government also advocated extending the Committee to two of the nine European countries that were members of the United Nations. At the same time, membership of this group of nine countries would have a rotational nature. The work on the Committee should be on an equal footing (including the right to vote) with the countries whose issues were being discussed. It was underlined that the Committee’s task should be to fulfill the tasks indicated by the Council. This should not be an autonomous policy. Limiting the importance of the Committee would also be the result of the Council’s proposed principle of exclusive competence of the Council when deciding on the admission of new Member States, appointing committee members, amending the statute, dismissing the Director General. Romer to Biddle, July 24, 1943 (FRUS, Vol. 1, 1943, pp. 954–957).
On July 21, 1943, a meeting of representatives of the four powers took place, during which the issue of the Allies’ reaction to the proposed relief action, among others, was raised. Acheson informed the interlocutors that outside of the Netherlands—whose opposition sounded the most firmly—the allied countries, despite their remarks, responded positively to the proposed assistance action (FRUS, Vol. 1, 1943, pp. 943–947). Most of the states that responded to the June notes with a proposal for a contract raised the issue of the composition and scope of the Committee’s activities. In this situation, three variants of the further conduct of the four powers were possible: insisting on the formula developed so far, a change of the composition of the Committee by expanding its composition, or modifying the scope of competence of this Committee. It was assumed that the last solution would be the best.

The possible changes went towards modifying the provisions regarding the majority required to convene an extraordinary meeting of the Council (introducing the majority of one third of the members instead of the usual majority); giving voting rights to states participating in the Council meeting (except the USA, the USSR, Great Britain and China) when matters of vital interest are discussed; deletion of the clause on the competence of the Committee regarding the admission of new members to the organization (outside the Council sessions); the rules for selecting members of the Supply Committee and regional committees; the mode of adopting amendments. The fifth and sixth articles on supply were the subject of controversy. Washington suggested that the modified provision should emphasize that the interested governments/authorities of the country decide which resources should be transferred as part of the assistance campaign. This objection stemmed from the protests of some US senators who were afraid that, otherwise, all US resources would have to be a “reserve” for the UNRRA. The United States also raised the question of the withdrawal from UNRRA, proposing to add an appropriate article. It was clear that the signing of the agreement planned for September 1943 would be delayed.

5. The statutory foundations of UNRRA

These proposals were the subject of further discussions and resulted in another modification of the agreement establishing UNRRA, sent by the US to the other three powers (FRUS, Vol. 1, 1943, pp. 978–984, 988). As the latter did not bring any serious reservations on September 20, the final version of the text was adopted. Three days later it was sent to the other coalition governments and published the next day in the press (Beavans, 1969, pp. 845–863).

According to the agreement, the task of the UNRRA Member States was to help, understood as providing food, medicines, clothes or shelter. The area of interest was also the subject of the return of displaced persons during the war. The last mentioned goal was to help damaged countries in the resumption of agricultural and industrial production. Assistance activities of the administration in
a given state had to be preceded by receiving the consent of the government (or, more broadly, the authorities) of that state to receive aid. In the final version, there was a modified entry regarding the procedure for accepting new members. According to this amendment, as a rule, the Council decided to expand the Administration. During the breaks between sessions, the Council could authorize the Committee to decide on accepting or rejecting membership requests.

The ordinary sessions of the Council, which was nominally the main body of the Administration, were to be held at least twice a year. The Council met at extraordinary meetings at the request of the Committee or one-third of its members. The Central Committee, consisting of representatives of the US, USSR, Great Britain and China, was to be a permanent body organizing the activities of the Administration outside of the sessions of the Council. According to the suggestions of some states not represented in the Committee, the agreement included a provision that the Committee should make political decisions only in emergencies and they could be subject to verification by the Council. Other states could participate in the Central Committee meetings, as long as the subject matter of the meeting concerned their interests. Contrary to the expectations of smaller countries, the proposal to grant them the right to vote in this situation was omitted.

In addition to the Council and the Central Committee, a Supply Committee was established, which included countries that were the main suppliers of materials. Its members were to be appointed by the Council or, with its authorization, by the Central Committee. Members of two regional committees were appointed on similar principles, for Europe (it replaced the Inter-Allied Committee on European Post-war Relief) and the Far East. The task of these Committees was to present proposals to the Council and the Central Committee as part of specific activities in the relevant areas.

UNRRA was headed by the General Director appointed by the Council, with the unanimity of the members of the Central Committee. The Director could be removed from office on the same basis. His competencies included appointing his deputies, administration, and experts, including field missions. He was obliged to submit periodic reports on his activities to the Council and the Central Committee. These reports had to be made public. On the one hand, it was the Council and the Central Committee that were designated as the most important decision-making bodies of the Administration, but on the other hand, the Director was in charge when deciding and carrying out aid operations. The subsequent agreement on the establishment of UNRRA was the result of a compromise that had to reconcile the conflicting interests of the great powers. The contract specified the issue of delivering materials later allocated for assistance. At Washington’s request, a provision was made that it was the governments of each state who would decide which resources contribute to the pool provided for helping others. The General Manager also had to take care of the quantity and condition of using the materials.

The disputed way of amending the contract was resolved by introducing three modes of contract amendment. Amendments that would impose new obligations on Member States required a two-thirds majority of Council votes and the consent of that country to accept new commitments. Changes concerning the Administr-
tion bodies (Council, Director, Committees) would enter into force after their adoption by a two-thirds majority in the Council, with the unanimity of the members of the Central Committee. The majority of two-thirds of votes in the Council would suffice to accept the remaining amendments. The contract specified the rules for leaving the Administration. A State was able to withdraw from participation in UNRRA not earlier than six months after the entry into force of the contract for that State, with a twelve-month notice period (Beavans, 1969).

6. Conclusions

The agreement establishing UNRRA was signed on November 9, 1943, in the East Room of the White House in the presence of President Roosevelt. The signatories were 44 countries. A day later, in Atlantic City (New Jersey), the inaugural meeting of the Council took place (lasting until December 1), chaired by Acheson. Lehman was elected the Director-General. Leith-Ross became his deputy and chairman of the Council of Europe Committee. The conference ran without major misunderstandings, which augured well for cooperation in the coming months. The connection between the divergent interests of the countries was the size of the necessary aid: to provide 9.2 million tonnes of food, 41.2 million tonnes of coal and other raw materials (“Plan of Campaign,” 1943).

Some might consider that the creation of UNRRA took place too late. From the establishment of the Leith-Ross Committee, which was the beginning of the administration until its final creation, twenty-seven months passed. It is also necessary to take into account the additional time from when the first deliveries were launched in 1944. All this may give the impression that the activities around UNRRA were fought sluggishly and thousands of people in need could have been helped at that time. The following circumstances must be taken into account, which explains the delay in starting the program: first of all, the scale of challenges and the number of countries participating in the Administration. Although the most important significance for the final shape of the agreement was the doubts raised by the four powers, the adoption of the text of the agreement by 44 countries required a compromise formula—which always means time-consuming negotiations. In addition, UNRRA was a program that burdened the budgets of countries providing resources during the war. This meant both the use of a pool of resources that could be passed on to immediate needs in the countries as well as the need to convince the public to use funds to save other countries.

12 In his speech, Roosevelt stressed that UNRRA should be a practical implementation of the Charter’s postulate—freedom from want (Address of the President in Connection with the Signing of the Agreement Setting up the United Nations’ Relief and Rehabilitation Administration, a copy of the document is available on the website https://www.cvce.eu).

13 The Indian delegation, in the face of the famine prevailing in the country, unsuccessfully requested assistance under UNRRA. The refusal was argued on the grounds that India was not occupied by enemy troops (“Drama in Atlantic City,” 1943).

14 The total aid value exceeded USD 2.9 billion, of which China received the most—$529.7 million, Poland—$481 million and Italy—$420.7 million. The largest contribution to UNRRA was made by the
The war situation was no less important. Since the aid was to be intended for countries liberated from occupation, it was undisputed that the first deliveries could take place only after the enemy withdrew and the government took power. The latter condition was often the source of controversy and the subject of political play—in the case of Poland, fatal in consequence.

References


Drama in Atlantic City. (1943, December 6). *Time*.


US—$2.7 billion, the United Kingdom—$62.7 million and Canada $138.7 million (Tarka, 2003, pp. 169–185; on the subject of UNRRA assistance for Poland compared to other countries, see also: Jachowicz, 1998, pp. 41–55).