



October 2016

***Laudato Si'* and Corporations**

The fourth pillar of the founding statement of the Faith, Economy, Ecology, Transition working group calls for a “return of corporations to their proper place in society.” This refers to the [history of corporations in the United States](#).

Corporations were originally limited in size and scope by law, but these limits were gradually removed through a series of [judicial decisions](#). The less limited form of corporations has spread globally through trade agreements so that today, corporations are more powerful than many national governments, a concern that the Vatican has recognized for [decades](#).

In *Laudato Si'*, Pope Francis doesn't specifically refer to this history. The pope does, however, comment on the inordinate power and influence wielded by corporations and make suggestions for reining in their power.

Technocratic paradigm

Pope Francis spends a good portion of *Laudato Si'* – one chapter out of six – critiquing the mindset or paradigm within which corporations function, what he refers to as the “dominant technocratic paradigm.”

The pope quotes Father Romano Guardini several times in *Laudato Si'*, including this quote from *The End of the Modern World*:

“The technological mind sees nature as an insensate order, as a cold body of facts, as a mere ‘given’, as an object of utility, as raw material to be hammered into useful shape; it views the cosmos similarly as a mere ‘space’ into which objects can be thrown with complete indifference.”

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He also quotes Pope Benedict in *Caritas in Veritate* on the negative impact of the corporate model of business on the environment:

The “principle of the maximization of profits, frequently isolated from other considerations, reflects a misunderstanding of the very nature of the economy. As long as production is increased, little concern is shown about whether it is at the cost of future resources or the health of the environment; as long as the clearing of a forest increases production, no one calculates the losses entailed in the desertification of the land, the harm done to biodiversity or the increased pollution.”

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Corporations place decision-making power regarding land use in the hands of small, distant boards of directors. Members of a board can easily decide to cut corners on environmental and social protections in order to give larger dividends to investors because their individual lives may not be directly affected by such decisions. Yet communities whose lives and livelihoods are directly affected rarely participate in these important decisions.

Another flawed aspect of the technocratic paradigm and corporate business model is the consideration of labor – human beings at work– as a cost to be minimized. This has led to the deterioration of working conditions worldwide. “The orientation of the economy has favored a kind of technological progress in which the costs of production are reduced by laying off workers and replacing them with machines,” Pope Francis writes. “...To stop investing in people, in order to gain greater short-term financial gain, is bad business for society.” [128]

Finally, at the same time that Pope Francis suggests we need “to devise intelligent ways of directing, developing and *limiting* our power” [78], due to the drastic effects our actions have already had on nature, corporations, by their design, are focused on *increasing* their power over and effect on the environment. A corporation pools the money of numerous individuals and removes the individuals from taking responsibility for the corporation’s actions. This allows corporations to take large risks and take on destructive projects such as massive mining projects, large dams and more.

The focus on profit-making drives many corporations to work to eliminate competition. The result has been a handful of corporations now control the majority of key markets such as [agricultural trade](#), [commodity markets](#), [seeds](#), and [many more](#).

Corporations spread the technocratic paradigm

Corporations widen and deepen the technocratic paradigm on two fronts: [international trade and investment agreements](#) and the [financialization of nature](#).

Trade and investment

A global web of trade and investment agreements has standardized national laws and made it increasingly difficult for governments to regulate corporate activities. If a signatory nation enacts laws or regulations that threaten the company’s existing or potential profits, a foreign corporation can sue in opaque and private trade tribunals such as the [International Center for Settlement of International Disputes](#), housed in the World Bank, and other similar international courts. When a corporation has won such a case in the past, the national government has had to weakened, overturned, or ignored policies designed to protect workers, the environment, or public health. Numerous policies enacted by democratically-elected governments have been challenged and overruled in these trade courts by judges who were not elected by the citizens affected in the case.

For example, two transnational corporations are currently [suing the government](#) of Peru over regulations designed to protect its rivers from pollution. While Peruvian companies would need to heed the regulations, foreign companies can use trade law to sue and be excused from such regulations.

Trade and investment agreements also threaten [food safety](#), undermine needed [financial reforms](#), and make access to [affordable medicines](#) more difficult.

Pope Francis warns of other problems with today’s trade and investment agreements, especially how they overrun diverse cultures and ways of life, attempting to create a global corporate culture:

“A consumerist vision of human beings, encouraged by the mechanisms of today’s globalized economy, has a leveling effect on cultures, diminishing an immense variety which is the heritage of all humanity. Attempts to resolve all problems through uniform regulations or technical interventions can lead to overlooking the complexities of local problems which demand the active participation of all members of the community. New processes taking shape cannot always fit into frameworks imported from outside; they need to be based in the local culture itself.

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Financialization of nature

Another way corporations are working to spread the technocratic paradigm is by involving more and more aspects of life into markets. As traditional markets flounder, large investors are in a desperate search for new www.maryknollogc.org/encounters

markets in which to place their money and are [beginning to develop markets for different aspects of nature](#).

Friends of the Earth published a [summary](#) of the issue. The Transnational Institute goes into [more detail here](#) and the World Rainforest Movement has a good [compilation of studies](#) and reports on different aspects of the [financialization of nature](#).

After the dot.com bubble burst in 2000, large investors transferred many of their investments into the then-booming housing sector, creating another bubble that began to burst in 2005. As an alternative, Goldman Sachs and other financial giants began to offer ways to invest in commodity markets (grains, oil, metals, etc.) – markets that had previously been avoided by institutional investors.

“A nature divided into different ‘ecosystem services’ that can be quantified, measured and above all, broken up into individual units, so profit can be made from selling rights to these individual units of nature. We call this financialization of nature.”

Friends of the Earth International

The flood of money into these previously small markets contributed to the food and energy price bubbles of 2008.

Today, with commodity prices at historical lows, investment banks and governments are working to create new markets. Currently there are only a few functioning water markets (some western U.S. states, Chile, South Africa and Australia have different trading schemes) with no real linkages between them, but Wall Street is working to change that. Willem Buiter, chief economist of Citigroup, [stated](#) in 2011, "I expect to see a globally integrated commodity market for fresh water within 25 to 30 years. Once the spot markets are integrated, futures markets and other derivative[s] ... will follow. Water as an asset class will, in my view, become eventually the single most important physical-commodity based asset class, dwarfing oil, copper, agricultural commodities and precious metals."

While growing speculation in physical commodities has had negative results, those markets are likely to be much more stable than newly forming markets for carbon and other "virtual" commodity markets.

In the case of carbon, there is no actual commodity to be bought and sold. As Antonio Tricarico, coordinator of the Italian organization Campaign for World Bank Reform, [explains](#), "the commodity itself is a derivative – a bet on avoiding projected carbon emissions against a disputable baseline." There are so many ways for the carbon market to be gamed that it is hard to imagine it not being highly vulnerable to price bubbles and crashes.

Pope Francis warns specifically against carbon markets in *Laudato Si'*:

“The strategy of buying and selling ‘carbon credits’ can lead to a new form of speculation which would not help reduce the emission of polluting gases worldwide. This system seems to provide a quick and easy solution, under the guise of a certain commitment to the environment, but in no way does it allow for the radical change, which present circumstances require. Rather, it may simply become an expedient, which permits maintaining the excessive consumption of some countries and sectors.”

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Beyond carbon, financial institutions, together with governments and some non-profit organizations, are working to establish global markets in species, habitats and ecosystems. The result of these new markets is increasing demand (and rising prices) for land and the increasing control of land and natural resources by financial institutions at the expense of communities which live on that land and depend on it for their survival.

Recommendations

Instead of deepening a failed system, Pope Francis has a number of recommendations to reduce corporate power and move away from the technocratic paradigm and move toward an [ecological conversion](#) in which we recognize the value of nature not for what it can provide for us, but for its own essence.

"Each creature has its own purpose. None is superfluous. The entire material universe speaks of God's love, his boundless affection for us. Soil, water, mountains – everything is, as it were, a caress of God."

[84]

This profound recognition of life's inherent value and interconnectedness leads to changes in our behaviors, institutions and [economy](#).

Pope Francis also reiterates Catholic teaching regarding private property. "The principle of the subordination of private property to the universal destination of goods, and thus the right of everyone to their use, is a golden rule of social conduct."

He goes on to quote Saint John Paul II reaffirming this teaching:

"the Church does indeed defend the legitimate right to private property, but she also teaches no less clearly that there is always a social mortgage on all private property, in order that goods may serve the general purpose that God gave them."

[93]

Diminish corporate power and influence

Pope Francis expresses his concern about the inordinate influence that corporations have on political decisions and laments how "weak international political responses [to climate change] have been." He places at least part of the responsibility on "economic interests [that] easily end up trumping the common good and manipulating information so that their own plans will not be affected." He supports the demand from Latin American bishops in their [Aparecida](#) document, that urges, "the interests of economic groups that irrationally demolish sources of life not prevail in dealing with natural resources." [54]

Although corporate interests heavily influence public policy decisions at all levels of government, there are signs that this may be slowly changing. In 2005 the World Health Organization (WHO) passed the Framework Convention on Tobacco Control, commonly called the [Tobacco Treaty](#). It is the first legally binding treaty for the WHO and the first-ever public health and corporate accountability treaty.

The treaty creates an internationally-coordinated response to the tobacco epidemic and encourages governments to raise taxes or prices to discourage tobacco use, to put prominent warnings on tobacco packages, to ban tobacco advertising and sponsorship and more.

Perhaps the most significant part of the Tobacco Treaty is article 5.3 that according to the organization Corporate Accountability International "enshrines in international law the principle that the tobacco industry has no role in public policy." The article states, "In setting and implementing their public health policies with respect to tobacco control, [governments] shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law."

This has allowed dozens of countries to implement much stricter policies than would have been possible with the presence of Big Tobacco in policy debates. The treaty is an important precedent that many are trying to implement in other policy areas such as [alcohol](#), [nutrition](#), and [climate change](#).

Governance for global commons

Pope Francis warns of excessive reliance on markets to solve problems:

“[W]e need to reject a magical conception of the market, which would suggest that problems can be solved simply by an increase in the profits of companies or individuals. Is it realistic to hope that those who are obsessed with maximizing profits will stop to reflect on the environmental damage which they will leave behind for future generations? Where profits alone count, there can be no thinking about the rhythms of nature, its phases of decay and regeneration, or the complexity of ecosystems which may be gravely upset by human intervention. Moreover, biodiversity is considered at most a deposit of economic resources available for exploitation, with no serious thought for the real value of things, their significance for persons and cultures, or the concerns and needs of the poor.”

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He laments that we are “witnessing a weakening of the power of nation states, chiefly because the economic and financial sectors, being transnational, tends [sic] to prevail over the political.” “Given this situation,” he continues, “it is essential to devise stronger and more efficiently organized international institutions, with functionaries who are appointed fairly by agreement among national governments, and empowered to impose sanctions.” [175] “The establishment of a legal framework which can set clear boundaries and ensure the protection of ecosystems has become indispensable, before the new power structures based on the techno-economic paradigm overwhelm not only our politics but freedom and justice as well.” [53]

He goes into a little more detail of what this would look like. “Global regulatory norms are needed to impose obligations and prevent unacceptable actions, for example, when powerful companies dump contaminated waste or offshore polluting industries in other countries.” [173] “What is needed, in effect, is an agreement on systems of governance for the whole range of so-called “global commons.” [174]

As an alternative to exclusively using “free markets” to manage the use of dwindling resources, Pope Francis recommends the use of commons management techniques. This is a growing field of study especially since Elinor Ostrom won the Nobel Prize in Economics in 2009 for her lifelong research into communities using commons management techniques to care for local resources. Contrary to Garrett Hardin’s famous essay ‘[Tragedy of the Commons](#)’ in which he says people acting for their own benefit will often overuse and destroy resources held in common, Ostrom revealed hundreds of examples of communities working together to sustain their common resources, identifying [eight principles](#) that make commons management efforts more likely to succeed.

Commons management could be summarized as the joining together of people who are affected by the use of a resource to create rules for its use and mechanisms to enforce those rules. By involving all those whose lives are directly affected, decisions made regarding the use and sustainability of resources are better than those decisions made by distant boards composed of people who may not have even visited the location.

New forms of business

Beyond changing laws to limit corporate power and influence, Pope Francis discusses the need for new forms of business:

“In order to continue providing employment, it is imperative to promote an economy which favors productive diversity and business creativity. For example, there is a great variety of small-scale food production systems which feed the greater part of the world’s peoples, using a modest amount of land and producing less waste, be it in small agricultural parcels, in orchards and gardens, hunting and wild harvesting or local fishing.”

[129]

He names cooperatives as one, positive, alternative form of business:

“In some places, cooperatives have developed to exploit renewable sources of energy which ensure local self-sufficiency and even the sale of surplus energy.

[179]

Liberation from the dominant technocratic paradigm does actually happen sometimes, for example, when cooperatives of small producers adopt less polluting means of production, and opt for a non-consumerist model of life, recreation and community.”

[112]

Groups like the [BALLE](#), the Business Alliance for Local Living Economies, and other members of the [New Economy Coalition](#) show that there are a wide variety of other business models fitting Pope Francis’ descriptions that are more sustainable, equitable and democratic.

We will explore these new business models in the next edition of *Encounters*.