Financial Management and the Virtuous Life

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"Money must serve, not rule!" – Pope Francis, *Evangelii Gaudium*, 58

Finance can be ethical. In order to understand how this is possible, we must first understand both the purpose of financial management and the purpose of a human life.

The Purpose of Financial Management

According to the dominant theory of financial management, agency theory, the purpose of management is to maximize long-term shareholder value, measured by share price. There are, however, several problems with agency theory. First, the theory's very name is based upon the false assumption that the senior managers and directors of a corporation are agents of its shareholders. This is a misunderstanding of the principal-agent relationship. Corporate managers are, in fact, not agents of the corporation's shareholders, but agents of the corporation itself. According to business law professor Margaret Blair: "Corporate officers and managers are agents of the corporation (not of the shareholders) and are subject to the oversight of directors. But the board itself is empowered to act for the corporation without being subject to the oversight or direction of any of the other participants in the corporation."[1]

A second problem is that agency theory is unethical. In many situations, the managerial decision that would lead to maximization of long-term shareholder value would also be an ethical decision. In 1994 I worked with a company in Estonia that was struggling to make the transition from socialism to the global market economy. It was on the brink of insolvency because of a mistake in its cost accounting. Correcting this mistake not only increased the firm's profitability, but also was indisputably ethical. In other cases, however, a shareholder value maximizing decision would be unethical. A publisher of academic books might be able to increase its share price significantly by switching to the publication of pornography. But doing so would be unethical. As the U. S. Conference of Catholic Bishops has recently affirmed: "Producing or using pornography is gravely wrong."[2]

A third problem is that the widespread belief that corporate managers are legally obligated to maximize shareholder value is incorrect. In the words of business law professor Lynn Stout: "Shareholder value ideology is just that—an ideology, not a legal requirement or a practical necessity of modern business life. United States corporate law does not, and never has, required directors of public corporations to maximize either share price or shareholder wealth."[3] Nevertheless, "by the turn of the millennium … business and policy elites in the United States and much of the rest of the world as well accepted as a truth that should not be questioned that corporations exist to maximize shareholder value."[4] Furthermore, even if shareholder value maximization were required by law, such a law would by unjust and, consequently, non-binding. As St. Augustine tells us, "An unjust law is no law at all."[5]

Shareholder value maximization is sometimes interpreted to mean producing the maximum increase in share price that can be achieved without doing anything unethical. But words mean what they mean. Unless a prohibition of unethical means is explicitly added, "maximization" means reaching the highest attainable value. Anything less than 100% of the greatest level of shareholder value that mangers could possibly achieve is not maximization. Furthermore, if shareholder value maximization were understood as increasing share price to the highest possible level without doing anything unethical, ethics would play the role of merely a side constraint on the pursuit of profit. Ethics should, instead, provide the purpose of financial management. As Pope Francis tells us: "The principle of the maximization of profits … reflects a misunderstanding of the very concept of the economy."[6]

The dominant theory of business ethics today is stakeholder theory, according to which the purpose of financial management is to benefit all stakeholders. A "stakeholder" is understood to be "any group or individual who can affect or is affected by the achievement of the organization's objectives."[7] The main mistake of stakeholder theory is that it fails to strike at the root of agency theory's mistakes: materialism and individualism. Agency theory is rooted in the individualistic social contract tradition of political philosophy, which is, in turn, rooted in metaphysical materialism. According to a materialist worldview, abstract entities such as corporations do not exist; only individuals exist. As Michael Jensen and William Meckling put it: "It is important to recognize that most organizations are simply legal fictions that serve as a nexus for a set of contracting relationships among individuals."[8] Agency theory is individualistic and contractarian; stakeholder theory merely increases the number of individual parties to the social contract. Agency theory gives managers one target. Stakeholder theory tells them to aim at many different targets at the same time.

According to the social contract tradition, human beings are naturally individualistic and human organizations are artificial. But, as Aristotle correctly tells us, a human person is "by nature a political animal."[9] According to the principle of solidarity, we achieve our good as human persons only in community with other human persons. Therefore, the true purpose of financial management is neither to maximize shareholder value nor to benefit all stakeholder groups, but to promote the common good, the good of the corporation itself, understood as a community, and the good of the larger communities to which it belongs. As Pope Francis tells us: "The dignity of each human person and the pursuit of the common good are concerns which ought to shape all economic policies."[10]

Aristotle distinguishes two species of wealth-acquisition, one natural and one unnatural. The natural way of acquiring wealth is a part of managing a household. It uses money as a means to the end of securing the goods necessary for the members of the household to live virtuous lives. Natural wealth-acquisition is limited, "for the amount of property which is needed for a good life is not unlimited."[11] With the unnatural way of acquiring wealth, which is practiced by merchants, according to Aristotle, money is not a means but the end and the acquisition of money is unlimited, for merchants "increase their hoard of coin without limit."[12]

St. Thomas Aquinas follows Aristotle in distinguishing natural and unnatural management, but recognizes the possibility that commerce can avoid being vicious:

> A tradesman is one whose business consists in the exchange of things. According to the Philosopher [Aristotle], exchange of things is twofold; one, natural as it were, and necessary, whereby one commodity is exchanged for another, or money taken in exchange for a commodity, in order to satisfy the needs of life. Such like trading, properly speaking, does not belong to tradesmen, but rather to housekeepers or civil servants who have to provide the household or the state with the necessaries of life. The other kind of exchange is either that of money for money, or of any commodity for money, not on account of the necessities of life, but for profit, and this kind of exchange, properly speaking, regards tradesmen, according to the Philosopher. The former kind of exchange is commendable because it supplies a natural need: but the latter is justly deserving of blame, because, considered in itself, it satisfies the greed for gain, which knows no limit and tends to infinity. Hence trading, considered in itself, has a certain debasement attaching thereto, in so far as, by its very nature, it does not imply a virtuous or necessary end. Nevertheless gain, which is the end of trading, though not implying, by its nature, anything virtuous or necessary, does not, in

> itself, connote anything sinful or contrary to virtue: wherefore nothing prevents gain from being directed to some necessary or even virtuous end, and thus trading becomes lawful. Thus, for instance, a man may intend the moderate gain which he seeks to acquire by trading for the upkeep of his household, or for the assistance of the needy: or again, a man may take to trade for some public advantage, for instance, lest his country lack the necessaries of life, and seek gain, not as an end, but as payment for his labor.[13]

In an essay on politics, Aquinas defines a king in terms of the good of the community that he rules: "A king is one who rules the people of one city or province, and rules them for the common good."[14] Although Aquinas does not explicitly say that business executives can manage their companies for the common good, he opens up that possibility by arguing that commerce is not necessarily vicious. The tradition to which Aquinas belonged has developed since his death to understand the common good as the goal of management: "Businesses should be characterized by their capacity to serve the common good of society through the production of useful goods and services."[15] Business firms must be profitable if they are to promote the common good; but profit is not the purpose of business management. Money is necessary for success in business, but must be understood, not as the end, but as a means to things more important than money.

The Purpose of a Human Life

According to Aquinas, "everyone desires to be happy."[16] The difference between an unethical life and an ethical life is the difference between living in a way that does not lead to true happiness and living in a way that does. Although pleasure can be a part of true happiness, pleasure and happiness are not the same. Pleasure may be present one moment and absent the next; true happiness is richer and more enduring. Many people live vicious lives that do not lead to the happiness they are seeking because they mistake mere pleasure for true happiness.

In seeking to discover what kind of life leads to happiness, Aristotle considers various possibilities: the life of pleasure, the life of honor, and the life of contemplation. He mentions the life of money-making, but immediately dismisses it as not even a candidate for the happy life. The reason is that money is merely a means to things other than money, not an end in itself: "The life of money-making is one undertaken under compulsion, and wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else."[17] A life that turns money into an end is not a happy life. If money ensured happiness, Donald Trump would be a happy man. Some of the things he has said recently suggest that he is not.

Aristotle goes on to identify the happy life as the virtuous life. The human good, happiness, is "activity of soul in accordance with virtue."[18] Aquinas follows Aristotle in affirming that "happiness is the reward of works of virtue."[19]

There is harmony, not discord, between the purpose of financial management and the purpose of a human life. Individualism understands the public interest as merely an aggregate of individual interests, all of which may be in conflict with one another. Collectivism understands the good of individuals to be subordinated to the good of the collective. But the common good, the good of the community, is something both greater than and inseparable from the good of all of the community's members. If we understand the purpose of financial management to be promoting the common good and if we understand the good of human persons to be attaining happiness by living virtuously, then managers can simultaneously fulfill their personal purposes and fulfill the purposes of the business firms they manage. In both cases, money is essential, but must be understood as a means to things that are more important than money, not as an end. A human life that turns money into an end is a disordered and unhappy life. A business corporation that turns money into an end is a dysfunctional and unethical corporation. As Alexandre Havard makes the point: "Mature business people are driven neither by personal financial gain nor by an obsessive desire to increase shareholder value."[20]

The Virtues of the Financial Manager and the Business Corporation

A virtue is an excellent quality. Plato explains that the virtues of the excellent city-state and the virtues of the excellent person are the same virtues. He does not understand business as something different from politics, but simply as a part of politics. Although the nature of working communities has developed considerably since Plato's day, we can understand the virtues of the business corporation and the virtues of the business manager as the same virtues.

Plato focused on four virtues: wisdom (σοφία), justice (δικαιοσύνη), fortitude (ἀνδρεία) and temperance (σωφροσύνη). Aristotle emphasized the distinction between theoretical wisdom (σοφία) and practical wisdom (φρόνησις). In the Catholic philosophical tradition, it is practical wisdom or prudence that has become one of the four "cardinal virtues": prudence (*prudentia*), justice (*iustitia*), fortitude (*fortitudo*) and temperance (*temperantia*). It is noteworthy that we also find these four virtues in Christian Scripture: "And if anyone loves righteousness, her labors are virtues; for she teaches self-control and prudence, justice and courage; nothing in life is more profitable for mortals than these."[21] The original meaning of the word "cardinal" (*magyar: sarkalatos*) is "hinge." Living a virtuous life involves these four virtues primarily; many other virtues hinge on these four.

Prudence

Prudence is essential to financial management because it is the virtue of decision-making, which is the essence of the practice of management. An excellent financial manager is someone who not only understands the concepts of finance, but also makes excellent financial decisions.

Aquinas follows Aristotle in understanding prudence as "right reason applied to action."[22] Prudence is not concerned with deciding the ends of actions; that role is reserved for other virtues, primarily justice. But, once a good end has been identified, prudence is concerned with the appropriate means to attaining it.

Modern moral philosophy frequently turns prudence into something quite unlike its traditional meaning: "prudential" motives are egoistic; "moral" motives are altruistic. For Aquinas, however, prudence is both self-regarding and other-regarding: "Since it belongs to prudence rightly to counsel, judge, and command concerning the means of obtaining a due end, it is evident that prudence regards not only the private good of the individual, but also the common good of the multitude."[23]

Prudence, like the other cardinal virtues, is not acquired by reading books or by studying business in a university; it is acquired through practice. A manager becomes prudent by making prudent decisions until doing so becomes a good habit, a good character trait. This raises a question: how can managers make prudent decisions if they are not already prudent? The manager who is not prudent, but wishes to become prudent, should observe and learn from the examples of managers who are already prudent. That is the reason mentors play such important roles in the formation of excellent managers.

Aquinas provides a detailed analysis of the virtue of prudence. He identifies several subjective parts or species of prudence: "one is 'prudence' simply so called, which is directed to one's own good; another, 'domestic prudence' which is directed to the common good of the home; and a third, 'political prudence,' which is directed to the common good of the state or kingdom."[24] Prudence regarding one's personal good and the common good are related, because "he that seeks the good of the many, seeks in consequence his own good."[25] In this context, Aquinas asks whether military prudence should be recognized as a species of prudence, and then considers a possible objection: "Just as military business is contained under political affairs, so too are many other matters, such as those of tradesmen, craftsmen, and so forth. But there are no species of prudence corresponding to other affairs in the state. Neither therefore should any be assigned to military business."[26] Aquinas then responds to the objection: "Other matters in the state are directed to the profit of individuals; but the business of soldiering is directed to the protection of the entire common good."[27] This implies that there can be no prudence in business, because the activities of businesspersons are directed to their own profit, not to the common good.

Aquinas also recognizes three potential parts or "adjunct virtues" of prudence, "which are directed to certain secondary acts or matters, not having as it were, the whole power of the principal virtue."[28] He explains a sequence of three "acts of practical reason" in the process of prudential decision-making and action: deliberation, judgment and command. One adjunct virtue corresponds to deliberation, and two to judgment. Then, command is "the proper act of prudence" itself.[29]

The first of the adjunct virtues is good deliberation (ευβουλία). The other two adjunct virtues are concerned with good judgment. Aquinas makes a distinction between good judgment in ordinary situations (σύνεσις) and good judgment in extraordinarily difficult situations (γνώμη). The latter two virtues are distinct from the virtue of good deliberation, because "many can take good counsel, without having good sense so as to judge well."[30] Within the life of a person possessing all of these virtues, however, good deliberation leads to good judgment.

The difference between good judgment in ordinary situations and good judgment in difficult situations is relevant to financial management. Good managers can make good decisions in situations like many they have encountered before. There are rules to guide decisions in such situations. Only excellent managers can consistently make good decisions in unique, complex situations, where no rules of action can provide adequate guidance, or where the correct decision requires departure from the rules that guide ordinary decision-making.

Following good deliberation and good judgment, the final and chief act of prudence is command. Aquinas explains how the three acts of prudence are distinguished from and related to one another:

> The first [act] is *to take counsel*, which belongs to discovery, for counsel is an act of inquiry . . . . The second act is *to judge of what one has discovered*, and this is an act of the speculative reason. But the practical reason, which is directed to action, goes further, and its third act is *to command*, which act consists in applying to action the things counselled and judged.[31]

Aquinas also identifies eight integral parts of prudence: memory (*memoria*), docility (*docilitas*), reason (*ratio*), circumspection (*circumspectio*), caution (*cautio*), understanding (*intellectus*), acumen (*solertia*), and foresight (*providentia*).[32] They can be classified into three groups, corresponding to the three acts of practical reason.

Aquinas also explains that there are three ways of falling short of the virtue of prudence. The first way is possessing the vice of imprudence, which is opposed to the virtue of prudence. One can also fail to be prudent by possessing false prudence, which resembles true prudence and is sometimes mistaken for the genuine virtue. Aquinas offers the example of a "prudent robber," who makes decisions that enable him to be a successful thief, but who lacks genuine prudence.[33] Other examples of false prudence are carnal or worldly prudence (the false prudence of one who "looks upon carnal goods as the last end of his life"[34]), cunning or craftiness, guile and fraud, and inordinate solicitude about temporal matters and the future.

A third way to fall short of prudence is to exercise true but imperfect prudence. Aquinas explains that imperfect prudence

> is indeed true prudence, because it devises fitting ways of obtaining a good end; and yet it is imperfect, from a twofold source. First, because the good which it takes for an end, is not the common end of all human life, but of some particular affair; thus when a man devises fitting ways of conducting business or of sailing a ship, he is called a prudent businessman, or a prudent sailor: – secondly, because he fails in the chief act of prudence, as when a man

takes counsel aright, and forms a good judgment, even about things concerning life as a whole, but fails to make an effective command.[35]

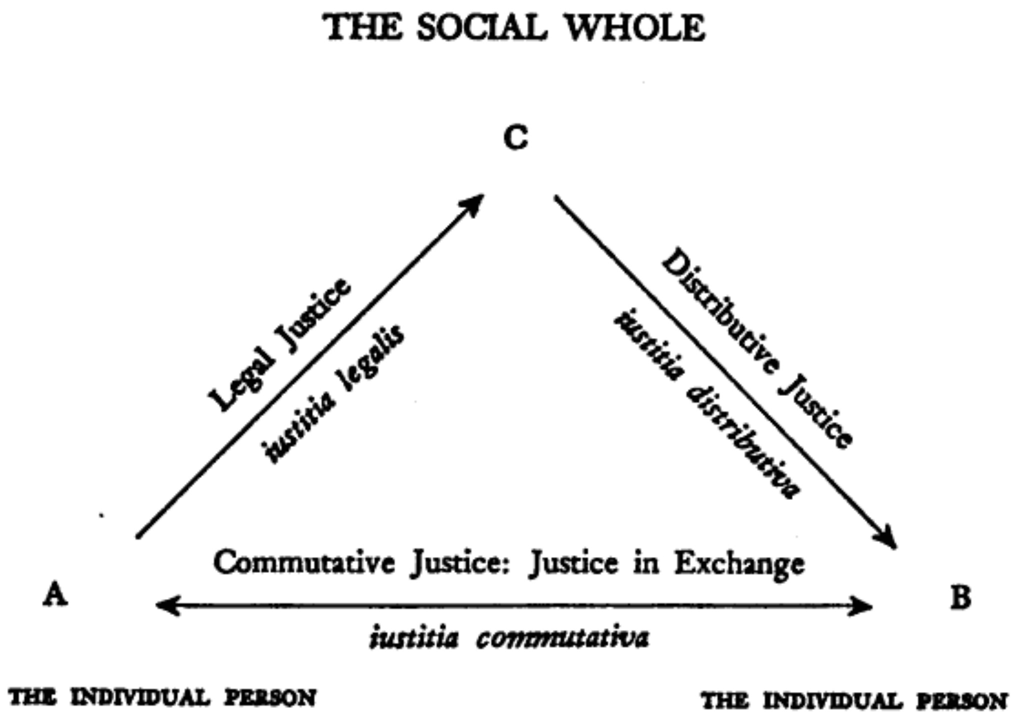
This means that it is possible for business managers to be truly, but imperfectly prudent. Aquinas makes the same point in another passage: “A man is said to be prudent in two ways. First, simply, i.e. in relation to the end of life as a whole. Secondly, relatively, i.e. in relation to some particular end; thus a man is said to be prudent in business or something else of the kind.”[36]

Furthermore, despite Aquinas’s argument that military prudence is, but commercial prudence is not, a species of prudence, there are passages in which he assigns the prudence of the soldier, along with that of the businessperson, to the category of imperfect prudence: “Some men, in so far as they are good counsellors in matters of warfare, or seamanship, are said to be prudent officers or pilots, but not simply prudent: only those are simply prudent who give good counsel about all the concerns of life.”[37] And, in yet another passage, Aquinas suggests that business and the military stand in the same relation to the virtue of prudence: “Every virtuous man takes good counsel in those things which are directed to the end of virtue, although perhaps he does not take good counsel in other particular matters, for instance in matters of trade, or warfare, or the like.”[38]

Although both the profession of arms and the profession of management can be perverted by vices, both promote the common good when practiced virtuously. Just as virtuous military officers protect the community from unjust aggression, virtuous business managers serve the common good by providing the goods and services that we need to live virtuous lives. In addition to the virtue of military prudence, we should acknowledge that there is a virtue of managerial prudence. Although the purpose of business management is not to maximize a financial variable, it is impossible for a manager or corporation to serve the common good without prudent financial management.

Justice

Justice, the greatest of the moral virtues, is “a habit whereby a man renders to each one his due by a constant and perpetual will.”[39] Following Aristotle, Aquinas distinguishes three kinds of justice. The German philosopher Josef Pieper provides a diagram to help us understand them:



Aristotle and Aquinas first distinguish justice as a general virtue from justice as a particular virtue. Aquinas explains that justice as a general virtue is called "legal justice":

> The good of any virtue, whether such virtue direct man in relation to himself, or in relation to certain other individual persons, is referable to the common good, to which justice directs: so that all acts of virtue can pertain to justice, in so far as it directs man to the common good. It is in this sense that justice is called a general virtue. And since it belongs to the law to direct to the common good …, it follows that the justice which is in this way styled general, is called "legal justice," because thereby man is in harmony with the law which directs the acts of all the virtues to the common good.[40]

Aquinas goes on to explain that legal justice is a general virtue "virtually," in that "it directs the acts of all the virtues to the common good," but not essentially: "Legal justice is a special virtue in respect of its essence, in so far as it regards the common good as its proper object."[41]

Justice as a particular virtue "is directed to the private individual, who is compared to the community as a part to the whole."[42] Particular justice has two species: commutative justice and distributive justice. Commutative justice, or justice in exchange, is concerned with relationships between individual members of the community. Distributive justice is concerned with relationships between the community and its individual members.

If we understand the business corporation as a community that belongs to larger communities (a nation, a region, the entire global community), according to the principle of subsidiarity, commutative justice involves both relationships between persons within the corporation and relationships between the corporation and persons or organizations external to it. For example, it is concerned with buying and selling goods and services at just prices. In the words of Aquinas: "It is altogether sinful to have recourse to deceit in order to sell a thing for more than its just price, because this is to deceive one's neighbor so as to injure him."[43]

According to distributive justice, the goods of the community are to be distributed proportionately. Within a business firm, employees should be remunerated in proportion to their contributions to the fulfillment of the firm's purpose. Although this does not mean that everyone should be paid equally, it does prohibit enormous disparities between managers' salaries and workers' wages. In the United States, the chief executive officer (CEO)-to-worker pay ratio has increased significantly over the past several decades, arguably to an unjust degree.

Legal justice is concerned with both the contributions of managers and workers to the good of their corporations and the contributions of corporations to the good of the larger communities to which they belong. Employees should make just contributions to the success of their corporations. Corporations should produce goods and services that are actually good for and actually serve society.

Pieper identifies and distinguishes the three forms of justice in terms of relations among the social whole or community and its individual members: "reciprocal, or mutually exchanged justice (*iustitia commutativa*), which orders the relation of individual to individual partner; ministering justice (*iustitia distributiva*), which brings order to the relations between the community as such and the individuals who are its members; legal or general justice (*iustitia legalis, iustitia generalis*), which orders the members' relations to the social whole."[44] Pieper maintains that justice should "prevail and become a reality, in its threefold form."[45]

It is noteworthy that many recent authors have decided to rename legal justice, frequently as "social justice." For example, Russell Butkus and Steve Kolmes tell us that justice is "traditionally defined in three modalities, commutative, distributive and social."[46] Renaming legal justice as "social justice" is problematic, however, because "social justice" is also frequently used to mean distributive justice. Joseph Burke, for example, writes: "The term *social justice* is today generally used as a synonym of what used to be called *distributive justice*."[47] So, "social justice" is used today sometimes as a synonym for legal justice and sometimes as a synonym for distributive justice.

I suggest that it would be helpful to avoid the ambiguous term "social justice" and, instead, understand legal justice as "contributive justice." The first person I know of who wrote about "contributive justice" is the German economist Heinrich Pesch, S.J. (1854-1926). Rupert Ederer comments on Pesch's analysis of justice: "*Contributive justice* covers demands of the common good on the part of all who are members of society at its various levels, and who derive benefits from membership in societies and from the respective common good which each involves."[48]

In their Pastoral Letter *Economic Justice for All*, the U.S. Catholic Bishops identify the role of each of the three forms of justice, initially calling the third form "social justice":

> Commutative justice calls for fundamental fairness in all agreements and exchanges between individuals or private social groups….
>
> Distributive justice requires that the allocation of income, wealth, and power in society be evaluated in light of its effects on persons whose basic material needs are unmet….
>
> Social justice implies that persons have an obligation to be active and productive participants in the life of society and that society has a duty to enable them to participate in this way….[49]

But the Bishops go on to note that the third form can be called "contributive justice": "This form of justice can also be called 'contributive,' for it stresses the duty of all who are able to help create the goods, services, and other nonmaterial or spiritual values necessary for the welfare of the whole community."[50] Referring to legal justice as contributive justice emphasizes the responsibility of managers to provide goods and services that truly contribute to the common good.

Fortitude

According to Aquinas: "Fortitude is chiefly about fear of difficult things, which can withdraw the will from following the reason."[51] Hungary has a well-deserved reputation for heroic courage. In the words of Pope Pius II: "Hungary is the shield of Christianity and the protector of Western civilization."[52] Although fortitude is exercised principally by soldiers on the battlefield, it is also required by managers in the boardroom. Managing virtuously usually does not risk physical wounds or death, but it does frequently risk serious harm to one's career. Courageous managers act virtuously, regardless of the consequences for themselves. As Plato makes the point: "A man who is good for anything ought not to calculate the chance of living or dying; he ought only to consider whether in doing anything he is doing right or wrong."[53]

Temperance

"Temperance, which denotes a kind of moderation, is chiefly concerned with those passions that tend towards sensible goods, viz. desire and pleasure, and consequently with the sorrows that arise from the absence of those pleasures."[54] Temperate financial managers will avoid excessive eating and drinking, as well as sexual immorality, which will contribute to their true happiness, and may or may not also contribute to successful managerial careers. In addition, they will avoid the vice and sin of pride, which is the downfall of many managers.

Magnanimity and Humility

Alexandre Havard argues that "leaders are defined by their magnanimity and humility."[55] Much that he writes about leadership is equally true of management. The virtue of magnanimity hinges on the cardinal virtue of fortitude; humility hinges on temperance. Aquinas explains that they belong together: "A twofold virtue is necessary with regard to the difficult good: one, to temper and restrain the mind, lest it tend to high things immoderately; and this belongs to the virtue of humility: and another to strengthen the mind against despair, and urge it on to the pursuit of great things according to right reason; and this is magnanimity."[56] Havard agrees that these virtues work together: “Magnanimity generates noble ambitions; humility channels these ambitions into serving others.”[57]

Conclusion

True happiness is not attained by becoming wealthy, but by living virtuously, that is, by pursuing personal excellence. Although we need money to obtain the necessities of life, money is not the purpose of our lives. Living a virtuous life does not mean sacrificing one’s personal good, but rather recognizing that one’s personal good is inseparable from the common good, the good of the communities to which one belongs. For business managers, the virtuous life means living virtuously not only outside the office, but also during working hours. Contributive justice directs acts of all the moral virtues to the common good; managerial prudence decides the appropriate means to good ends. For Christian managers, the virtuous life also includes the theological virtues: faith, hope and charity.

The true purpose of business management is not to maximize a financial variable, but to promote the common good. Finance can be ethical, if managers understand that money is not an end, but merely a means to things more important than money. Because the common good includes many things that cannot be quantified, we cannot speak of “maximizing” the common good. If the purpose of management were shareholder value maximization, management would be fundamentally mathematical. But it is not. A popular adage tell us, “If you can’t measure it, you can’t manage it.” But business management, including financial management, involves managing people. And what it means to be a human person includes many things that cannot be measured. Unlike maximizing shareholder value, promoting the common good cannot be quantified.

Business has traditionally been distinguished from the professions – such as medicine, law, education, etc. – because professionals serve the common good, but businesspersons were assumed to pursue personal profit. But if the purpose of business is understood to be promoting the common good, then business also is a profession. And, for Christians, it is a vocation, a calling. Pope Francis tells us: “Business is a vocation, and a noble vocation, provided that those engaged in it see themselves challenged by a greater meaning in life; this will enable them truly to serve the common good by striving to increase the goods of this world and to make them more accessible to all.”[58]

Just as the good of a person includes much more than money and the good of a business firm includes much more than profit and share price, the good of a nation includes much more than Gross Domestic Product. A wealthy country is not necessarily a happy country. In the United States there were 47,055 drug overdose deaths in 2014[59] and 42,773 suicides.[60] This suggests that that the adage “Money can’t buy happiness” may contain truth. Pope Benedict XVI tells us: “Economic activity cannot solve all social problems through the simple application of *commercial logic*. This needs to be *directed towards the pursuit of the common good*.”[61] We need to understand that the true wealth of nations includes more than economic wealth. It is more important that a nation has the resources and conditions that make it possible for citizens to live virtuous lives. For the nation, just as for the financial manager and the business firm, “Money must serve, not rule!”

Notes

[1] Margaret M. Blair, “Corporate Law and the Team Production Problem,” in Claire A. Hill & Brett H. McDonnell, eds. *Research Handbook on the Economics of Corporate Law* (Cheltenham, UK & Northampton, Massachusetts: Edward Elgar, 2012), 42.

[2] U. S. Conference of Catholic Bishops, *Create in Me a Clean Heart: A Pastoral Response to Pornography* (Washington: USCCB, 2015), 5.

[3] Lynn Stout, *The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, and the Public* (San Francisco: Berrett-Koehler, 2012), 3.
[4] Stout, *Shareholder Value Myth*, 4.
[5] Augustine, *De Libero Arbitrio*, I, v, 11.
[6] Francis, Encyclical Letter *Laudato Si'*, 195.
[7] R. Edward Freeman, *Strategic Management: A Stakeholder Approach* (Boston: Pitman, 1984), 46.
[8] Michael C. Jensen & William H. Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure," Rev. Version, in *Economics and Social Institutions: Insights from the Conferences on Analysis & Ideology*, ed. Karl Brunner (Boston, Martinus Nijhoff, 1979), 170-71.
[9] Aristotle, *Politics*, I, 2.
[10] Francis, Apostolic Exhortation *Evangelii Gaudium*, 203.
[11] Aristotle, *Politics*, I, 8.
[12] Aristotle, *Politics*, I, 9.
[13] Thomas Aquinas, *Summa Theologiae*, II-II, 77, 4.
[14] Thomas Aquinas, *De Regno*, II, 15.
[15] *Compendium of the Social Doctrine of the Church*, 338.
[16] Aquinas, *Summa Theologiae*, I-II, 5, 8.
[17] Aristotle, *Nicomachean Ethics*, trans. W. D. Ross, I, 5.
[18] Aristotle, *Nicomachean Ethics*, I, 7.
[19] Aquinas, *Summa Theologiae*, I-II, 5, 7.
[20] Alexandre Havard, *Virtuous Leadership: An Agenda for Personal Excellence*, 2nd Ed. (New Rochelle, New York: Scepter Publishers, 2014), 11.
[21] Wisdom 8:7.
[22] Aquinas, *Summa Theologiae*, II-II, 47, 2.
[23] Aquinas, *Summa Theologiae*, II-II, 47, 10.
[24] Aquinas, Summa *Theologiae*, II-II, 47, 11.
[25] Aquinas, *Summa Theologiae*, II-II, 47, 10.
[26] Aquinas, *Summa Theologiae*, II-II, 50, 4.
[27] Aquinas, *Summa Theologiae*, II-II, 50, 4.
[28] Aquinas, *Summa Theologiae*, II-II, 48.
[29] Aquinas, *Summa Theologiae*, II-II, 53, 2.
[30] Aquinas, *Summa Theologiae*, II-II, 51, 3.
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