

## A CATHOLIC THEORY OF CORPORATE LAW

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*Over the past century, the Catholic Church has developed a powerful philosophical and theological theory of social institutions, including economic institutions. In particular, the Church has addressed a number of issues concerning the modern corporation, especially in areas of special concern such as just wages for workers, working conditions, social responsibility of corporations, etc. There is a discernable “gap,” however, in the Church’s social doctrine when it comes to the question of why corporations are formed at all, and why the law that governs them is designed the way it is. This paper proposes a theory to fill that gap—viz., an entrepreneurship-based theory of the corporation which is consistent with Catholic social doctrine and modern corporate law.*

Several approaches dominate American corporate law scholarship. The first, derived from the application of neoclassical economics, stresses shareholder primacy—shareholders are the owners of a corporation, and thus the goal of the corporation as an institution is the maximization of shareholder wealth. Scholars working in this tradition stress the perceived problems created by the separation of ownership from control in the modern corporation. Because the agent/directors of a corporation, and not the owner/shareholders, largely control the corporation, agency problems are created by the resultant misalignment of incentives. For such scholars, the primary goal of corporate law is to ameliorate the agency problem inherent in corporations in order to achieve the goal of increasing shareholder wealth.

The second major approach is the “stakeholder” model of the corporation. Proponents of the stakeholder model envision the corporation as an amalgam of various “stakeholders,” each of whom has an interest in the corporation through their contribution to it. Shareholders contribute capital, managers contribute their business skills, communities provide a place for the business to conduct its activities (and sometimes tax breaks and other incentives), employees contribute their labor, etc. Through these contributions, stakeholders gain a right to influence the direction of the corporation which the law ought to recognize.

A third and, perhaps, ascendant approach is the “nexus of contracts” approach. Viewing the corporation as a web of contracts between the individual owners of “labor, material and capital inputs and the consumers of the output.”<sup>1</sup> The nexus of contracts theorists downplay the rhetoric of “ownership” of the corporation in favor of the view of corporate constituents as autonomous economic agents who contract with the corporation to provide what the corporation requires.<sup>2</sup> Theorists in this tradition view the board of directors of a corporation as “mediating hierarchs” or “platonic guardians” who referee disputes among the various contracting parties in order for the team to produce goods and services, or, alternatively, who are as a body the authority within the firm which exercise the fiat within the firm.<sup>3</sup>

Over the past century, the Catholic Church has taken up the business corporation, stressing the idea of the corporation as a social institution inseparable from the human beings who make it up.<sup>4</sup> This effort, however, is incomplete; beyond positing that a corporation is such a community with duties to its members, and emphasizing the corporation’s responsibilities as part of the *wider* community, a “Catholic theory” of why corporations exist and why they are structured as they are has not been fully worked out.<sup>5</sup> Legal and business scholars working in the Catholic tradition have sought to examine more fully the corporation,<sup>6</sup> but one is left with the uneasy sense that the scholarship has not quite filled gaps between the Church’s pronouncements on business and work, and the way that corporations actually are governed and operate in the real world.<sup>7</sup>

In this paper, I assert that the Church has given us the tools to understand the modern corporation and its governance, and that it remains for us to use those tools properly. In particular, I will propose that the purpose of a corporation is not to maximize shareholder value or to mediate between various stakeholders that make it up—as important as these things might be—but rather to foster, finance, and evaluate entrepreneurial plans. The genius of American corporate law is that it is flexible enough to meet those goals in corporations from the small start-up through the multinational conglomerate. In particular, the law’s recognition of the internal role of the corporate board of directors demonstrates that it is the means by which entrepreneurship is evaluated within the corporation, and thus the key to understanding American corporate law.

## The Corporation in Catholic Social Thought

The general outlines of Catholic Social Thought (“CST”) are familiar. Human beings are created in the image of God. This fact gives human persons an inherent and transcendent dignity. Human beings always are ends, never means in society. Indeed, a just society exists to serve the needs of the persons who are part of it. Following Aristotle and Aquinas, the Church teaches that human beings are social animals who only can fulfill their unique vocation through relationships with others. The focus on the human person leads the Church to define the “common good” of society as “the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfilment more fully and more easily.”<sup>8</sup> The idea of the common good leads to the following view of social institutions:

No expression of social life—from the family to intermediate social groups, associations, enterprises of an economic nature, cities, regions, States, up to the community of peoples and nations—can escape the issue of its own common good, in that this is a constitutive element of its significance and the authentic reason for its very existence.<sup>9</sup>

“Enterprises of an economic nature,” therefore, are no different than other social institutions. As “expressions” of social life, corporations must, in seeking the good of their organization, also serve the good of the persons who make them up. That begs some fundamental questions for the corporation as social institution—what is the “good” served that necessitates the corporate form’s existence? How do corporations serve the good of their members while pursuing their *raison d’être*?

The Church does not explicitly answer the former question.<sup>10</sup> It does, however, provide the seeds of the answer in its view of the necessity of economic initiative. All human beings have the right to economic initiative, which the Church defines as the individual making “legitimate use of his talents to contribute to the abundance that will benefit all, and to harvest the just fruits of his labour.”<sup>11</sup> The history of communism in the past century demonstrates that any attempt by society to interfere with citizens’ economic initiative diminishes the “creative subjectivity” of the citizen.<sup>12</sup> Indeed, the exercise of economic initiative is “an act that reveals the humanity of men and women as creative and relational subjects.”<sup>13</sup>

In this way, *the role of disciplined and creative human work and, as an essential part of that work, initiative and entrepreneurial ability* becomes increasingly evident and decisive. At the basis of this teaching we can see the belief that man's principal resource is man himself. His intelligence enables him to discover the earth's productive potential and the many different ways in which human needs can be satisfied.<sup>14</sup>

Businesses rightly seek profit through the production of goods and services, but they should never lose sight of the fact that they are a community of persons dedicated to the common good of all their members. The individuals should serve the business, but so should the business serve the good of its members. Therefore, the Church teaches that profit is a potential indicator that the business is performing its economic function, but it is not the sole indicator of whether or not a business is satisfying its social function.<sup>15</sup> A corporation might be making profits, but not serving the good of the human beings that make it up. However, if a corporation does not exist solely to make profits, why does it exist? What purpose does the corporate form serve?

### **The Basis of a “Catholic” Corporation: Entrepreneurship**

Some legal scholars working in the CST tradition have emphasized the corporation as a community, and its role in the larger community.<sup>16</sup> Professor Susan A. Stabile, for example, describes her “Catholic vision” of the corporation as “a communitarian vision that sees the corporation both as a community and as existing as part of a larger community. This vision emphasizes the corporation’s social responsibilities.”<sup>17</sup> Others view the corporation as an important part of the economic liberty necessary to promote true human flourishing and as an important intermediate institution between the person and the state.<sup>18</sup>

Both approaches contribute valuable insights to our understanding of the corporation. Of course, corporations, like any group of persons, must be a law abiding part of the larger community, and must dedicate itself to fostering the common good. Moreover, corporations are important mediating institutions between the government and the individual which in fact promote and provide a space for economic liberty. The corporation, however, is not just a random community of persons gathered together to work; neither is the corporation organized *solely* as a bulwark against the state.

Rather, the corporation arises for a very specific reason, one that also goes to the heart of the Catholic understanding of work itself: corporations are formed and grow to provide a suitable locus for entrepreneurship, a special kind of work consisting of the exercise of economic judgment which reveals, in the words of the Church, the full humanity of individuals as “creative and relational subjects.”<sup>19</sup> It is this special type of work which must form the basis of a fully Catholic theory of the corporation.

### ***The Firm as a Laboratory of Entrepreneurship***

The idea that the firm is concerned primarily with entrepreneurship has a long pedigree, though the entrepreneur has, in recent decades and for reasons beyond the scope of this article, largely disappeared from economic literature on the firm.<sup>20</sup> Over the past decade or two, however, scholars have increasingly sought to resurrect the entrepreneur and entrepreneurship as crucial to any understanding of the firm.<sup>21</sup>

In particular, Professors Nicolai Foss and Peter Klein have developed a secular entrepreneurial theory of the firm which, I contend, dovetails with CST.<sup>22</sup> Foss and Klein survey the literature on entrepreneurship and find, not surprisingly, that entrepreneurship has been visualized in a number of ways: as management, as imagination, as innovation, as alertness, as charismatic leadership and as judgment.<sup>23</sup> It is the last of these – entrepreneurship as judgment – that renders the firm comprehensible. “Judgment refers primarily to business decision-making when the range of possible future outcomes, let alone the likelihood of individual outcomes, is generally unknown. . . . Bearing risk—that is, making decisions under conditions of uncertainty—is the entrepreneur’s *raison d’être*.”<sup>24</sup>

Building upon the work of Frank H. Knight in the 1920’s, Foss and Klein note that the exercise of judgment in the face of radical uncertainty about future events is “learned and tends to have a large tacit component. Entrepreneurship represents judgment that cannot be assessed in terms of its marginal product and which cannot, accordingly, be paid a wage. This is particularly because entrepreneurship is judgment about the most uncertain events. . . .”<sup>25</sup>

The difficulty in “measuring” judgment means that it is very difficult to value in the marketplace. The entrepreneur may have confidence in her judgment, but how can she demonstrate it to the market? The result of this difficulty in “valuing” judgment is that the entrepreneur has no choice but to start her own firm.<sup>26</sup> Although the entrepreneur might go to work for somebody else or contract her

services to others, the inability to assess the entrepreneur's judgment means that starting a firm is the best way for the entrepreneur to realize her potential.<sup>27</sup> As Foss and Klein note, "entrepreneurs know themselves to be good risks but are unable to communicate this to the market. For this reason, firms may emerge because the person whose services are the most difficult to measure . . . becomes an entrepreneur, employing and supervising other agents, and committing capital of his own to the venture. . . ."<sup>28</sup>

A Catholic theory of the corporation therefore must begin with the Church's insistence on the importance of economic initiative to the individual. Human beings vary widely in their skills and inclinations. Many people choose or have no choice but to work as employees for others. This might be because they have very low tolerance for risk or because their skills are such that the market can value their labor fairly easily.

The entrepreneur, however, rejects those paths. The entrepreneur's initiative in the economic sphere depends upon his judgment about the world and his faith in the way he can change it in order to provide something others want or need. Faced with the nearly insurmountable task of convincing others to hire him because of his superior judgment, he is left with no other choice but to found his business and put his ideas to work.

This is no trivial task, even for the most confident entrepreneur. In implementing his plan, the entrepreneur inevitably will encounter many unknown and unknowable obstacles. The entrepreneur therefore needs a space and, most importantly, capital, with which to experiment in solving those problems. With the solution to each problem, the entrepreneur through trial and error implements his economic plan by combining the heterogeneous capital at his disposal in a way that reaches his goal.<sup>29</sup> Moreover, given the radical uncertainty that confronts the entrepreneur, his entrepreneurial plan itself is subject to revision as he learns. It is inevitable that in testing his hypothesis new goals and questions will arise. The firm becomes a dynamic, ongoing entrepreneurial laboratory.

In conducting this entrepreneurial "experiment," the entrepreneur may require the assistance of other persons. It would make little sense to rely upon contracts with independent parties in hiring such persons. The entrepreneur inevitably will face uncertainty about where his experiment will lead. Thus, a complete contract with employees cannot be drafted. If the entrepreneur attempted to rely on contracts instead of hiring employees, those contracts would require continuous revision, which eventually would subsume entirely the efforts to

implement the entrepreneurial plan. The solution is to form a group of individuals into an institution—i.e., a firm.

CST has done a good job of insisting that the ethical and moral imperatives that apply to any social institutions also apply to firms. The firm's entrepreneurial plans must themselves be good—a plan to more efficiently produce cocaine would not be licit. The firm must not exploit its labor force. The firm exists ultimately for the good of all its members. Thus, the firm is bound to pay decent wages, provide good working conditions, not pollute the environment, etc., just as any individual citizen is bound to do in performing their work. However, the good served by the corporate form—within the general economic good of producing goods, services and knowledge valuable to society—is that it fosters entrepreneurship, which in turn is the means through which innovation in the real world takes place.

### ***The Firm as a Social Institution: The Importance of Solidarity***

The corporation is more than just a laboratory space, however. As a social institution, CST would predict that the individuals who work in the corporation form bonds of solidarity/friendship as a result of their common endeavor. Indeed, this is an important contribution of CST to understanding all social institutions, and corporations are no exception. This solidarity among the various people who work within a corporation helps explain the emergence of the corporation over the alternative of market contracting.<sup>30</sup>

As Aristotle and Aquinas teach, human beings are social and political animals. We need each other to become fully who we are meant to be. Through self-giving we become more fully human; we develop our virtues and give of ourselves to others for their good. Others reciprocate. When persons are part of any social institution, they naturally form stronger bonds than they do with somebody wholly outside that institution. This makes individuals within the institution more likely to share their thoughts and skills with others, and to go the extra mile for each other. This in no way implies that everyone in a corporation will work hard, or even that most people will, nor does it imply that all employees of a corporation will be “friends” with everyone else. Given the nature of human beings, none of those things will happen. The only assertion is that as a group, people will be bound more closely to other individuals in that institution than they would be to people with whom they have a purely contractual relationship.

One result of this solidarity is that a group of individuals in a social institution will develop different routines in conducting their work, and they will share and retain the knowledge generated in

entrepreneurial experimentation. The members of the corporation do not have to “reinvent the wheel” in connection with recurring problems, and those routines and “institutional” knowledge will aid with new and unanticipated problems that crop up. Such routines—and other aspects of the “culture” that arises naturally in social institutions—aid the entrepreneurial effort and constitute an advantage over simple contractual relationships. Thus, the virtue of solidarity so central to CST’s understanding of social institutions and which, as a virtue, is a good in itself—helps explain the emergence of firms in preference to market contracts.

### ***Why Do Corporations Have Boards of Directors?***

The corporation is one type of firm—others include partnerships, limited liability companies and unincorporated sole proprietorships. The primary distinguishing attribute of a corporation—limited liability for its investors—developed as a means to help such firms attract capital. With limited liability, people are more likely to invest funds in the firm even if they know that they will have no role in its management. This permits investments in firms even by people who have neither the time nor the inclination to take part in the business.

The board of directors is a vital part of this type of firm. Directors are elected by shareholders. This mechanism ensures that whoever contributes the most to the firm’s entrepreneurial plans gets to elect the directors. At its outset, the board will consist of, or be dominated by, the entrepreneur and whatever advisers she wishes to aid her in directing the corporation. The entrepreneur, as the person who has contributed the most to the firm’s existence—i.e., the entrepreneurial experiment—is the person whose judgment also will prevail in the board.

The institution of a board of directors even in start-up firms recognizes an important fact congenial to the Church’s view of human beings—we are limited creatures who, through sin or circumstance, will often err. By permitting the entrepreneur to surround herself with persons to help direct the corporation, the law recognizes again the utility of solidarity—persons whose wisdom the entrepreneur respects joined together in a collective body will produce wiser decisions than the entrepreneur working alone. Perhaps entrepreneurship is difficult to carry out by committee, but a collective body will be better than an individual in fully evaluating plans of the entrepreneur. If the director turns out to be unwise or unhelpful, the entrepreneur may replace him.

In short, the board of directors is a collective body whose function is to examine and vet the entrepreneurial plans of the

corporation. It is not a substitute for an entrepreneur and his economic initiative, but rather the adviser to and the evaluator of the entrepreneur. Thus, to use Professor Stephen Bainbridge's term, the board of directors really *is* a group of "platonian guardians," though their charge is slightly different than he imagines—the board is the authority in charge of reviewing, approving and, if necessary, demanding the improvement of the entrepreneurial plans of the firm. The board does not formulate those plans, except where the entrepreneur is the sole director of the corporation. Rather, even where the entrepreneur is the controlling shareholder, other directors are there to provide their wisdom and apply it to the corporation's entrepreneurial experimentation.

Early in its existence, the corporation might be completely dominated by the entrepreneur who is also the majority shareholder. If the corporation requires additional capital, it can borrow it or raise it through the public or private equity markets. What the capital provider obtains is the right to vote on who sits at the director's table; that is to say, the investor gains the right to elect the people who will pass on the entrepreneurial plans of the company. This reflects the fact that the type of economic initiative and judgment necessary for the firm to continue its work shifts over time. The actor or actors who contribute the most to the corporation's entrepreneurial endeavors—whether it is one or more entrepreneurs or the investors—presumably will be reflected in the stock ownership, which in turn will determine who are the guardians of the company's entrepreneurial plans. Indeed, the investor himself is a financial entrepreneur who must evaluate the entrepreneurial plans of the corporation. The original entrepreneur trades control over the corporation's plans for capital, but she then shares control with other, presumably wise, people acting as judges of the corporation's plans.

American corporate law therefore reflects some basic insights about human beings which are consistent with CST. Economic initiative is one way in which we reveal ourselves as fully human, creative and social beings. It is through our work that we exercise this initiative. Some people—called entrepreneurs—only can exercise fully their economic initiative in a firm because the market cannot easily value their peculiar talents for business judgment. To develop that talent to its natural limit, the entrepreneur founds a firm.

Firms, including corporations, are social institutions of a particular sort. They are organized to aid the entrepreneur in his experiment, which consists of applying good judgment to the question of how to employ capital to produce something useful. A corporation is a firm which, because of its need for capital, has a structure which must balance the interests of investors outside of the firm with the

entrepreneurs acting within the firm. The clever way in which this balance is struck is through the selection of a body of “platonic guardians”—the board of directors—whose job is to examine, evaluate and pass on the firm’s entrepreneurial plans. As the nature of the entrepreneurship within the firm changes over time, the people who make the greatest contribution to the firm’s entrepreneurship will have the greatest influence over which wise people are on the board. The board, however, will always owe duties to the corporation itself rather than individual shareholders or groups of shareholders. Their talent must, therefore, be applied virtuously to the corporation’s ongoing experiment in entrepreneurship.

### **Conclusion**

To date there has been no CST “theory of the firm”—i.e., no explanation consistent with CST as to why firms such as corporations form at all. The suggestion that corporations form so that entrepreneurs can exercise judgment in their quest for innovation and knowledge is an explanation of the corporation that fully comports with CST’s view of the human person and the nature of social institutions. It is not surprising, therefore, that such a theory of the firm might also explain the legal doctrines that govern corporations, an implication that remains to be worked out fully in future scholarship. At a minimum, an entrepreneurial theory of the corporation ought to point the way for CST to reject a purely instrumentalist or materialist vision of the corporation which so often animates debates regarding the corporation in CST.

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## Notes

1. Michael C. Jensen and William H. Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structures," *Journal of Financial Economics* 3 (1976) 305, 311.
2. Henry Hannsman, *The Ownership of Enterprise* (Cambridge, Mass. : The Belknap Press of Harvard University Press, 1996) 18; Melvin A. Eisenberg, "The Conception that the Corporation is a Nexus of Contracts, and the Dual Nature of the Firm," *Journal of Corporate Law* 24 (1999): 819.
3. Margaret M. Blair and Lynn A. Stout, "A Team Production Theory of Corporate Law," *Virginia Law Review* 85 (1999): 247 ("mediating hierarchs"); Stephen M. Bainbridge, "The Board of Directors as Nexus of Contracts," *Iowa Law Review* 88 (2002): 1 ("Platonic guardians").
4. This is not to say that the Church has been silent on the topic—far from it. Beginning with Pope Pius XI's encyclical *Quadregesimo Anno* through the social encyclicals of Pope John Paul II, the Church has sought to distinguish its view of the corporation from the prevailing scholarly approaches. See Jean-Yves Calvez and Michael J. Naughton, "Catholic Social Teaching and the Purpose of the Business Organization: A Developing Tradition," in *Rethinking the Purpose of Business: Interdisciplinary Essays from the Catholic Social Tradition* (Notre Dame, In.: University of Notre Dame Press, 2002).
5. The Magisterium's pronouncements on the corporation and business in general are well summarized in the recent *Compendium of the Social Doctrine of the Catholic Church*. Pontifical Council on Justice and Peace, *Compendium of the Social Doctrine of the Catholic Church* (Washington, D.C.: U.S. Conf. of Catholic Bishops Publ., 2005) ¶¶ 336-45.
6. E.g., Mark A. Sargent, "Competing Visions of the Corporation in Catholic Social Thought," *Journal of Catholic Social Doctrine* 1 (2004): 561; S.A. Cortright and Michael J. Naughton, eds. *Rethinking the Purpose of Business: Interdisciplinary Essays from the Catholic Social Tradition* (Notre Dame, In.: University of Notre Dame Press, 2002); Scott Fitzgibbon, "True Human Community: Catholic Social Thought, Aristotelean Ethics, and the Moral Order of the Business Company," *St. Louis Univ. Law Journal* 45 (2001): 1243; Helen J. Alford, O.P. and Michael J. Naughton, *Managing As If Faith Mattered: Christian Social*

*Principles in the Modern Organization* (Notre Dame: University of Notre Dame Press, 2001). Most recently, the Winter 2006 issue of the *Ave Maria Law Review* contains a superb symposium dedicated to “The Corporation and the Human Person.”

7. Edmond Malinvaud, “A Gap in the Social Doctrine of the Church Regarding the Priority of Labour over Capital: The Proper Role of Finance,” in Pontifical Council for Justice and Peace, *Work as Key to the Social Question: The Great Social and Economic Transformations and the Subjective Dimension of Work* (Vatican City: Libreria Editrice Vaticana, 2002) 129, 142-45 (identifying a proper understanding of large corporations as part of the Magisterium’s “notoriously lagging” treatment of modern finance in general, which the author labels a gap in the Church’ social doctrine).

8. Second Vatican Ecumenical Council, *Gaudium et Spes*, 26: *AAS* 58 (1966), 1046; cf. *Catechism of the Catholic Church*, 1905-1912; John XXIII, Encyclical Letter *Mater et Magistra*: *AAS* 53 (1961), 417-421; John XXIII, Encyclical Letter *Pacem in Terris*: *AAS* 55 (1963), 272-273; Paul VI, Apostolic Letter *Octogesima Adveniens*, 46: *AAS* 63 (1971), 433-435.

9. *Compendium of the Social Doctrine of the Catholic Church*, ¶ 165.

10. The Church sets forth in some detail, however, the conditions within a corporation necessary to serve employees, and those teachings will not be rehearsed here.

11. *Ibid.*, ¶ 336.

12. *Ibid.*

13. *Ibid.*

14. *Ibid.* ¶ 337 (italics in the original, quotation marks and citations omitted).

15. *Ibid.* ¶ 340.

16. See Susan A. Stabile, “A Catholic Vision of the Corporation,” *Seattle Journal for Social Justice* 4 (2005) 181; Sargent, “Competing Visions of the Corporation in Catholic Social Thought.”

17. Stabile, 183.

18. See Stephen M. Bainbridge, "Corporate Decisionmaking and the Moral Rights of Employees," *Villanova Law Review* 43 (1998): 741; Michael Novak, *Toward a Theology of the Corporation* (Washington, D.C.: AEI Press, 1981); Michael Novak, *Freedom with Justice: Catholic Social Thought and Liberal Institutions* (New York: Harper & Rowe, 1984).

19. *Compendium of the Social Doctrine of the Catholic Church*, ¶ 336.

20. For a brief history of the entrepreneur and modern corporation law, see Charles R.T. O'Kelley, "The Entrepreneur and the Theory of the Modern Corporation," *Journal of Corporation Law* 31 (2006): 753; John M. Czarnetzky, "Time, Uncertainty and the Law of Corporate Reorganizations," *Fordham Law Review* 67 (1999): 2964-66; 2980-84 (presenting an entrepreneurial theory of the corporation and applying it to corporate insolvency law). Professor O'Kelley's article fortuitously came to hand days before this paper was to be presented to the American Association of Catholic Social Scientists. Though not writing from a CST perspective, much of what Professor O'Kelley says is congenial to the view of the corporation presented in this paper. However, Professor O'Kelley's entrepreneurial vision of the corporation differs in some important respects with that found in this article.

21. Particularly active in this regard are scholars who work in the tradition of, or who have been influenced by, "Austrian economics," an economic school which emphasizes the role of subjectivism, uncertainty and limited knowledge in the human beings who act in the market. Czarnetzky, 2945-66 (providing a "primer" on Austrian economics and the "Austrian" theory of the firm); see also Gregory Scott Crespi, "Exploring the Complicationist Gambit: An Austrian Approach to the Economic Analysis of the Law," *Notre Dame Law Review* 73 (1998):315 (summarizing "law and Austrian economics literature to that date). Interestingly, the philosopher Rocco Buttiglione, in his book analyzing the philosophical approach of Karol Wojtyla before he became Pope John Paul II, notes that, as a person noted to him, there is some overlap between the Pope's approach to economics and that of the Austrian economists. Rocco Buttiglione, *Karol Wojtyla: The Thought of the Man Who Would Become Pope John Paul II*, trans. Paolo Guietti and Francesca Murphy (Grand Rapids, MI: Wm. B. Eerdmans Pub. Co., 1997), 378-79.

22. Nicolai J. Foss and Peter G. Klein, “Entrepreneurship and the Economic Theory of the Firm: Any Gains from Trade?,” in *Handbook of Entrepreneurship Research: Disciplinary Perspectives*, eds. Sharon A. Alvarez, Rajshree Agarwal and Olav Sorenson (New York: Springer Science+Business Media, Inc., 2005): 55-80.

23. Foss and Klein, 58-62.

24. Ibid., 61-62.

25. Ibid., 62.

26. A “firm” is not equivalent to a corporation. A firm is any group of persons joined together for economic gain. See Ronald H. Coase, “The Nature of the Firm,” *Economica* 4 (November 1937): 386-405.

27. Ibid., 68.

28. Ibid.

29. See David A. Harper, *Entrepreneurship and the Market Process: An Enquiry into the Growth of Knowledge* (New York: Routledge, 1996): 3-44.

30. Ronald Coase famously held that firms arise when the transaction costs of producing a good or service—bargaining costs, information costs, etc.—in a firm are less than the transaction costs in using the market. Coase, *The Nature of the Firm*.