

WHAT CAN ECONOMISTS LEARN FROM CATHOLIC SOCIAL THOUGHT?¹

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“The time has come for a new and deeper reflection on the nature of the economy and its purposes”

John Paul II

The economy is complicated. Anyone who tells you otherwise is most likely trying to hide something. Someone looking at an economy from afar, as if through a telescope, would see millions of firms and tens of millions of individuals, all engaged in countless economic decisions and transactions. Finding order in this picture would be no easy task. If, instead of a telescope from a spaceship we used a microscope, and concentrated on specific individual economic units, we find an equally complicated picture, for each individual economic actor is typically engaged in countless actions and decisions, with little to suggesting coherence or order, especially if we look only at the individual. Much of the complexity of these observed actions and outcomes stems from the fact that each economic action is also at the same time, and to a greater or lesser extent, a social, a political, a cultural and a religious action. Neither the economy as a whole, or each individual economic unit, exists in isolation; both are embedded in the social, political, cultural and religious realms of life.

To comprehend this cacophony of activity the economist must impose an intellectual order on this seeming chaos of buying and selling, producing and consuming, trading and accumulating. The imposed intellectual order is in the form of an economic theory, a set of propositions that hopefully explains observed economic activity and outcomes in a way that makes such activity and outcomes understandable and, to an extent, controllable so that we can attempt to improve outcomes that are felt to be undesirable or less than optimal. This is true whether we take the macro (system wide) or micro (individual unit) perspective. For the most part economists rely on an economic theory called neoclassical economics, which attempts to explain “economic order” in purely economic terms; that is they excluded social, political, cultural and religious factors from their analysis. Furthermore, they reduce all explanations to the level of autonomous individual actors. For them the invisible hand of the market harmonizes the different actions of autonomous self-interested individuals (who react solely to price signals and their own preferences) in such a way as to create order (market equilibrium). Many neoclassical economists will then use this theory to explain political, social, cultural and religious activity, but they are very reluctant to include political, social, cultural or religious factors as playing a role in shaping economic activity. This I think is a great limitation of the neoclassical school, and I am not alone in this opinion. Many heterodox economists, and social scientists, have argued that any realistic understanding of economic activity must include social, political and cultural factors. This is, I believe, a growing movement in the profession, with even many neoclassical economists attempting to do so.

What I am going to argue today is that including the theological perspective of Catholic social thought yields insights and raises questions that typically get left out, and that these insights are meaningful. I am not suggesting that Catholic social thought can replace standard

economic and social analysis. This is not its purpose and it is not designed to stand alone. Yet, CST offers an important perspective that often gets missed, and grounding in secure values the other disciplines lack. Most importantly, CST is willing to grapple with the fundamental question on the nature and purpose of economic activity, which economists no longer ask. Each economic actor is always at the same time: a social actor; a political actor; a member of a family; a member of one or more cultural traditions; and most importantly, a human person in relation to God. All of these factors play a role in shaping what we would call the economic activity of the individual economic units and collectives; they are all necessary for such economic activity to take place. My goal is to have Catholic social thought contribute to this dialogue.

Economic theory starts off with, in fact requires, the assumption that the observed chaos is actually, at some level, a coherent order; that the economic activity we observe represents repeatable behavior patterns that follow an understandable logic. Without some sort of order, the task of understanding the economy would be impossible. The obvious questions for the economist to answer are “what is the order in the economy and what is its sources?” These questions get to the heart of the philosophical foundations of economic theory. Economists have, for the most part, concentrated solely on economic factors to explain the coherence of economic behavior. The trend in the economics profession has been to argue that abstracting from all the non-economic factors helps them to get at the dominant and persistent forces of the economy, what they used to call the natural laws of the economy (with the understanding of natural law being physical laws on par with the physical sciences). Furthermore, they argue that abstracting all the non-economic factors was a necessary step in turning economics into a mathematical science. Yet, to paraphrase Robert Heilbroner, the efforts to increase the level of mathematical sophistication in economics has added some rigor, but also a good deal of mortis.²

The complexity of economic activity stemming from its being embedded in society is often seen as a drawback, but it should be seen as an advantage. The order we observe in the economy, either at the macro level of the economy as a whole or at the micro level of individual economic actions, comes from the social and historical context in which this activity takes place. It is mostly because of the influence of social, political, cultural and religious factors that we can say there is coherence in the economy. The stability of the system that allows us to make evaluations and allows individual to make future-oriented decisions, comes mostly from the social and historical context, and the volatility or change in the economy is grounded mostly in the “purely economic” factors. The economist who wishes to fully understand the economy must account for both the forces of stability and the forces of change.

The simplest economic activity, such as buying a shirt at a department store, or selling one’s labor time for a wage or depositing money in a bank, is influenced by, and influences, politics, culture, society and one’s relationship with God. When someone purchases a shirt they take into consideration the price of the shirt and the amount of money they have to spend (the traditional economic factors) but they also take into consideration the current styles and the reference group they associate themselves with (marketing experts call these demographic groups, i.e., Boomers, Yuppies, Generation X, Generation Next, etc.). Consumption, as the anthropologist Mary Douglas³ tells us, is always a form of social communication. Furthermore, our purchase of the shirt will be influenced by many political factors, such as government regulations (worker and product safety, environmental protection laws, tariffs and other international trade regulations, tax and subsidy policies, etc.) and it will have political influence, supporting the power of different groups such as firms, workers, and political regimes. And most significantly, our act of consumption has a strong religious significance as it is an

expression of our desires and our values, of where we are placing our time, talent and treasure (though admittedly in this case it is a small commitment of each of these). What we purchase and the ends towards which we use the goods and services we purchase is very much a religious act, for it reflects what we value.

Economic activity is as social, political, ethical and religious as any other human activity, and more so than some. This is partly the case because economic activity takes place in a social and historical context, and this context forms the framework that allows individuals to make decisions. In a market economy this context is much more than just relative prices, disposable incomes and individual preferences. Economic activity is always part of the wider range of social life, and just as all economic activity has social, political, cultural and spiritual ramifications, the possibility of economic action is dependant on the social, political, cultural and spiritual context. We can only separate the economic aspects of our lives in very abstract theory. Yet it is often like the Cardiologist who attempts to diagnose a heart problem by abstracting away the respiratory system. At one level we can say that the flow of blood in our bodies does follow repeatable patterns which we can understand. Yet, we must always keep in mind why blood flows through our bodies, that is the purpose of the circulatory system is to bring oxygen to the cells and to take away carbon monoxide and other wastes. Economists usually view the economy and economic activity as if it were independent and separate from the social, political, cultural and religious life of the individual or community. However, in the real world this is never and can never be the case.

As economic activity is part of the everyday life of a human person, it needs to be understood, however imperfectly, from that perspective. The image of Robinson Crusoe living in isolation has always been a particularly misleading tool for explaining economic activity, because it sends the message that economic actions, choices, and outcomes are somehow atomistic and individualistic and do not have wider ramifications. The fact of the matter is that Robinson Crusoe, even before he met Friday, was not an isolated individual, or as they called it during the Enlightenment, a man in the “state of nature,” for he was a fully socialized Englishman of his time, and even if there were no other English men and women physically with him on that island, he could not escape their collective influence.

Efforts to understand economic activity that ignore the social, political, cultural and religious aspects of human activity will always be incomplete and misleading, and can be harmful. The economy and economic activity exist, can only exist, in an historical and social context, that is embedded in social, political and cultural systems, all based on underlying values which usually are traced back to religion. Thus the economy and economic activity cannot be adequately understood in isolation from these factors. Economic activity is goal oriented, it involves value judgments and choices, and these in turn involve ideals and goals to strive toward. Therefore, not only does the framework which allows economic activity to take place come from historical, social, political, cultural and religious factors, but more importantly the goals or ends that we work toward achieving stem from our history, society, culture and our highest aspirations which we find in religion. It is no accident that economics as an intellectual discipline originated as a branch of moral philosophy, and that the great economists are called “worldly philosophers.” Understanding the complexity of the economy and economic action requires a broad perspective.⁴

As the economy and economic activity are influenced by social, political and cultural factors, it is reasonable to include these in our explanation and understanding of economic activity. Many economists, and most social scientists, will accept this proposition. Yet the

tendency is to stop the analysis there, that for various reasons there is an unwillingness to go to the roots of the underlying values and valuations of the members of any given society (and especially of those with influence and power), to include an understanding of the religious significance and ramifications of the economy and economic activity which gets to the ultimate values upon which (to greater or lesser extent) our valuations are based. My argument is that the Catholic social thought tradition brings an important perspective to understanding modern economic life, one that adds to our understanding of the economy and economic actions and one that is an important counter balance to the narrowness of neoclassical economic theory.

The role of religion and religious knowledge in our secular age is a controversial issue, especially in the academy. Yet economic activity is always “moral” or “ethical” and cannot help being otherwise and systems of morals and ethics in the West, as well as our institutional commitments to promote morality, ethics and justice, all have their roots in Christian ethics and theology. The vast majority of ethical philosophies outside the Catholic tradition have been attempts to reach the basic conclusions of Christian ethics (though usually watered down considerably) without having to rely on the tradition and authority of the Church. We should not be surprised that this break with the tradition and authority of the Church has produced the “dictatorship of relativity” that has progressively made so much of what passes for ethical discourse completely meaningless.⁵ In this we should heed the warnings of the historian Christopher Dawson: “the society or culture which has lost its spiritual roots is a dying culture, however prosperous it may appear externally. Consequently the problem of social survival is not only a political or economic one; it is above all things religious, since it is in religion that the ultimate spiritual roots both of society and the individual are to be found” (Dawson, 1933, p. vi).

Catholic social thought calls us to a deeper analysis of the nature and purpose of economic activity. Neoclassical economists avoid these deeper questions like the plague, yet they are necessary if we want to go beyond the surface to get at the deeper issues that are at the center of the major issues like mass poverty, global warming and the failure of economic growth to increase human happiness. To look at the purpose of the economy means we need to see the deeper personal relations that underlie economic activity. This perspective most often gets lost when economists concentrate exclusively on prices and quantities. Catholic social thought specifically, and moral theology in general, provides insights to these issues because it necessarily raises the issues of man's relation to his higher calling, his relation to creation and his relation to others.

The interdisciplinary and values based approach called for in Catholic social thought is in sharp contrast to the current orthodoxy in economics and the rising specialization and secularism in the academy. The modern neoclassical economist⁶ will typically ignore social, political, cultural and especially spiritual factors in their explanations of economic activity. At its core neoclassical economic theory necessarily excludes these factors and does not provide for any way they can be reintroduced into economic analysis in a way that does not directly contradict the core of neoclassical economic theory. Furthermore, the overriding question of social justice in the economy, which is fundamental to an orderly, stable and sustainable economy and society, necessarily gets excluded, or worse trivialized, by an economic analysis that excludes social, political, cultural and religious factors. To tackle the challenges economists now face, and will increasingly face in the future, they need a broader perspective and language. The purpose of Catholic Social Thought is to contribute to this dialogue.

By suggesting that economists can learn something valuable from Catholic social thought I am not suggesting that these insights exist only in the CST tradition, just that they are most

clearly developed and enumerated in this tradition in a way that allows for a dialogue between economists and theologians. Thus, while Catholic social thought is a branch of Catholic moral theology, and it is fully in accord with the teachings of the Catholic Church and Holy Scripture, it is based on reason as much as on faith.⁷ The purpose of Catholic social thought is always to contribute to a dialogue, and thus it is presented in a format which allows it to be engaged by those from different faith traditions, as well as those from no faith tradition. In this presentation I will mostly concentrate on CST's "reason" based arguments, with only an occasional reference to their theological meaning. I do this to highlight the areas Catholic theologians and scholars can dialogue with secular economists.

What is Catholic Social Thought?

The Catholic social thought tradition has been described as being "social wisdom based on: biblical insights; the tradition of the early writers of the church; scholastic philosophy; theological reflection; and the contemporary experience of the People of God struggling to live our faith in justice."⁸ For 2000 years Christians have attempted not only live according to Gospel values, they have also reflected on what these values say to the questions of what it means to be human, how should people live together in a manner fitting of their humanity, what is necessary for human flourishing and for a peaceful society, and most importantly, how can we construct a just society. Often this analysis has been in the form of a critique of the many ways actual societies have deviated from the values of the Gospel. We see this clearly in the Church Fathers. St. Thomas Aquinas developed a more systematic analysis grounded not only in Christian theology, but also in a philosophy of natural law. In the modern era these reflections have produced a series of papal encyclicals and official Church documents specifically addressing social and economic issues from the perspective of the Gospels and in light of the Catholic intellectual tradition.

The Catholic response to economic and social concerns has never been merely an intellectual one. It has always followed (with differing degrees of success) the three steps of: See, Judge and Act.

See – First we need to understand the world "as it is", fully understanding all the factors that produce social outcomes and problems. Here using the social sciences are critically important.

Judge – It is necessary to evaluate social realities based on the insights of valid social science and the values of the Gospel.

Act – The final step is to take actions that will effectively implement the values of the Gospel.

To aid in this process of understanding and alleviating economic and social problems so that Christians can better live the values of the Gospels, the Church has enumerate certain principles that are necessary to ensure that human dignity is respected and the common good promoted. These principles are the result of rigorous theological and philosophical inquiry, and they are

designed to be both the starting point of social inquiry (that is they are designed to influence the questions we ask) and the main criteria for evaluating social outcomes.

Principles of Catholic Social Thought

- (1) Dignity of the Human Person
- (2) Principle of Participation
- (3) Principle of the Common Good
- (4) The Universal Destination of Goods
- (5) Preferential Option for the Poor
- (6) The Principle of Subsidiarity
- (7) The Principle of Solidarity

The main purpose of the rest of my presentation will be to explain each of these principles and to argue that each of them has important insights into economic activity.

First, however, it is important to say a few words about what Catholic social thought is not. CST is not an alternative economic theory nor a substitute for either economics or social analysis. CST has to be in dialogue with the social sciences if it is to be carried out properly. Furthermore, CST is not an economic system, nor does it propose a specifically Catholic or Christian economic system. It is not the long sought after “third way” between capitalism and socialism. It is advice on how to follow “the way” as the early Christians called Christianity in ones economic, political and social life. While this might seem paradoxical, CST provides universal principles which can only be lived when one puts them into historical and social context, guided by prudential judgment.

(1) Dignity of the Human Person

The first principle of Catholic social thought is very much the foundational principle for social analysis. The assertion of the inherent dignity of all persons means that each and every person is a unique individual with a social nature. The dignity of each and every person comes from their being made in the image and likeness of God, and as this dignity is a gift from God it does not lessen due to age, disability, income status, gender or race. “There is neither Jew or Greek, there is neither slave nor free, there is neither male nor female; for you are all one in Christ Jesus” (Gal 3:28). The dignity of the human person also requires that the human person has to be at the center of our analysis.

The principle of human dignity grows out of the Catholic understanding of the nature and purpose of the human person. All social analysis is necessarily based on a conception of human nature. This is also true for every economic theory. Catholic social thought rests on an understanding on the human person that is partly grounded in the classical tradition as developed by St. Thomas Aquinas, and in what Scripture tells us about the nature of the human person. Of particular importance is the *Imago dei* statement in Genesis. The statement that humans are made in the likeness and image of God asserts that humans are 1. created beings who have a

natural desire for union with their creator; 2. beings with dignity (that they share equally with all other persons) that comes from being created by God in His image and which cannot be taken away; 3. beings with the ability to reason and a free will, thus they are moral agents; and 4. beings with a social nature, that is persons whose humanity is tied to living in community in many important ways. The Catholic articulation and defense of human rights grows out of this view of the human person. This view of human rights stresses that human rights are those rights that are necessary for the fulfillment of the nature and purpose of the human person, including what is necessary for them to carry out their obligations to themselves, their family, their community and to God. Thus they are truly human rights since they are grounded in what it means to be human. As John Paul II has noted:

“The dignity of the human person is a transcendent value, always recognized as such by those who sincerely search for the truth. Indeed, the whole of human history should be interpreted in the light of this certainty. Every person, created in the image and likeness of God (cf. Gn 1:26-28), is therefore radically oriented towards the Creator, and is constantly in relationship with those possessed of the same dignity. To promote the good of the individual is thus to serve the common good, which is the point where rights and duties converge and reinforce one another” (*World Day of Peace Message*, 1999).

Fundamental to the Catholic view of human nature is the distinction between the individual and the person. These two words are often used as if they were interchangeable, yet philosophically they are quite different. The word individual brings up connotations of separateness and autonomy, both essential ideas and ideals of the Enlightenment, Modernism and Post Modernism. The term “person” goes back to the older tradition of *persona*, that is a unique personality who is also a member of a larger group. As animals we are concerned with the “self” that is with meeting the material needs required as animals. But as “rational animals” we have the ability to reason and choose, especially to make moral choices, that is, make choices based on more than just our physical needs. From a Christian perspective, these attributes come from being made in the image and likeness of God.⁹ As Jacques Maritain has stated:¹⁰

[T]he human being is caught between two poles; a material pole, which, in reality, does not concern the true person but rather the shadow of personality or what, in the strict sense, is called individuality, and a spiritual pole, which does concern true personality (p. 33).

As an Individual, each of us is a fragment of a species, a part of the universe, a unique point in the immense web of cosmic, ethnical, historical forces and influences—and bound by their laws. Each of us is subject to the determinism of the physical world. Nonetheless, each of us is also a person and, as such, is not controlled by the stars. Our whole being subsists in which is in us a principle of creative unity, independence and liberty (Ibid., p. 38).

The second key aspect of the Christian view of human nature is that humans need to live in community. As Maritain has stated: the “person requires membership in a society in virtue both of its dignity and its needs” (Ibid., p. 47). This includes the basic physical needs (food,

clothing, shelter etc.) and social needs (the companionship of others), but most importantly it includes the factors necessary for human growth and development.

Here John Paul II insights are most instructive for he noted that the development of the human person, and especially the self-actualization of the person, requires life in community. According to John Paul II (as Karol Wojtyla), solidarity is grounded in the processes by which a person seeks self-actualization (highest level of happiness) through working “jointly with others,” and that we become our most authentic selves when we give ourselves, in love, to others. Participation is fundamental to the development of the self, and requires working with others. John Paul II criticized “individualistic” systems, such as neoclassical economic theory, because they looked at the person as existing in opposition to others:¹¹

Individualism accomplishes this isolating the self ... to itself and to its own good, that is, a good that exists in isolation from the good of the others and from the common good. In this system, the good of the individual has the quality of being opposed to every other individual and his good. This kind of individualism is based on self-preservation and is always on the defensive, and is also defective. Acting and existing jointly with others is, according to this individualism, an imposed necessity to which an individual has to submit. But there is no positive aspect in this necessity. It does not serve the development of his individuality. “The others” are for the individual only a source of limitations and may even be opponents and create polarizations.

We are created only through a community, we development as mature persons only in community, and we achieve our happiness only in community. It is especially the case that our economic actions only exist in community. Economics is about working with others, and economic activity only takes place, especially in a free economy, through the cooperation of many others and the sharing of mutual interests. Our individual well-being is a function of the community’s well-being. It is ironic that utilitarian ethics and economics, which was supposed to be based on the greatest happiness of the greatest number, start off with an understanding of the human person as a mere individual, separate from the community, in fact in opposition to the other members of the community, whose primary form of social interaction is to bargain with others with the goal of gaining the most and giving up the least. This is as sure a path to unhappiness as one could imagine.

The third essential aspect of Christian anthropology is the recognition that humans have a natural desire for the infinite, and that their highest level of happiness is only found in God. This desire for God comes from our being created by God (Aquinas, *Summa Contra Gentiles*, Book 3). It is well beyond the scope of this presentation to do justice to the theological foundations and ramifications of this aspect of human nature, yet it is important to mention. In fact, neoclassical economics transposes this natural desire for the infinite into an infinite desire for the finite. Humans want the unlimited, yet our society has corrupted this natural desire into the artificial desire for unlimited wealth. Since only the truly infinite can fill the desire for the infinite, all substitutes will not lead to real fulfillment and happiness.

This view of the human person is very different from the “rational economic man,” autonomous individual we find in neoclassical economic theory, just as it is different from the view of human nature contained in Marxism. The rational economic man model excludes the

social, political, cultural and spiritual aspect of the person, or worse, it reduces them to purely economic terms. Thus political participation is reduced to voting in one's own self-interest and family life becomes merely a series of mutually beneficial exchanges between autonomous individuals. In Marxism the tendency is to have society and social groupings like class impart the characteristics normally given to the person, thus the person individual identity is sacrificed for that of the group. The person is thus understood based on their role or function in society and individual reason is replaced by social rationality; the person becomes merely the sum total of their social relations. Under such a social philosophy it is easy to sacrifice the individual, or millions of individuals, for the good of society (which of course always turns out to be the good of the elites in society). In extreme Marxism the individual person is lost and in extreme neoclassical economics, particularly the Austrian variety, the individual is all that exists and society is lost. Christian anthropology considers the whole person, including their inherent social nature.¹²

“Man’s social nature makes it evident that the progress of the human person and the advance of society itself hinge on each other. From the beginning, the subject, and the goal of all social institutions is and must be the human person, which for its part and by its very nature stands completely in need of social life. This social life is not something added to man. Hence, through his dealings with others, through reciprocal duties, and through fraternal dialogue he develops all his gifts and is able to rise to his destiny” (*GS* 25).

The adoption of the overly narrow “rational economic man” model has an extreme cost for economic analysis. First, it forces us to exclude historical and social context, which is what is most responsible for social order. Second, it forces us to reduce all values to monetary values, to a scale in which we can evaluate them in relation to market prices. This view eventually leads to economic policies like Lawrence Summer’s call for high polluting industries to be relocated to poor countries. In his famous World Bank memo Summer’s uses impeccable neoclassical logic, and all his conclusions naturally flow from his underlying premises, which is that the value of a human person can be measured by their income level. We know from simple observation that most people do not reduce everything in their lives to monetary values and motives, thus relying on an exclusively economic view of human behavior does not allow economists to adequately explain economic activity. Thirdly, “rational economic man” is not a free being in that it does not chose freely, but instead merely “chooses” what is predetermined from the beginning. Thus we are left with free markets without free individuals. The theory only becomes logically consistent when it is reduced to being a meaningless tautology: people rationally choose what is in their best interest and we know that something is in their best interest because people have chosen it. This is not only bad ethics, its bad science. Human behavior is much more complex, and as economists we need to accept that fact.

(2) Principle of Participation

The principle of participation flows directly from the principle of human dignity and the view of the human person contained in Catholic thought. The development of the person is only brought about through social interaction (working with others, and in giving oneself to others), thus

participation in social processes is a fundamental human right (as it immediately flows from the nature of the human person). Participation is a good in and of itself. Furthermore, it is both a human right and a human duty (part of one's social obligations to the community).

The principle of participation teaches us not to separate ends and means. In fact, as every institutional economist will readily tell you, it is rarely possible to separate them. We need to be concerned not only with outcomes, but also with processes, and not just because processes influence outcomes, which they do, but also because such processes involve human behavior and such behavior involves their happiness.

One economic area in which the importance of participation can be seen is in John Paul II analysis of work. Neoclassical economists treat work in purely market terms, and view labor as a commodity, much like soybeans. How much is supplied or demanded, and most importantly, what its price will be, are treated as purely market phenomena. They do not consider work as something that is unique and essential to being human. In *On Human Work*, John Paul II analyzes both the objective and subjective dimensions of labor, but there is an important change in the meaning of the terms "objective" and "subjective." When John Paul II makes the distinction between the objective and subjective dimensions of work he is using the terms more in line with philosophical discourse and not as they have been used in the history of economic thought. The objective dimension of work (*LE 5*) is the produce or output of work in general (with no effort to determine what is the output that is the result of labor and what is the result of capital, i.e., the means of production). The value of labor is completely independent of this objective dimension of work, for the Catholic social thought tradition asserts a different value standard for evaluating the economy. Instead of cost of production or utility in consumption, the Catholic social thought tradition's basic value premise is the dignity of all individuals. The value of labor, thus, derives from the subjective dimension of labor, yet it is not the psychological concept of utility that is the basis of value, but the human person (worker), who is the true subject of work, that determines the subjective sense of work. This value criteria arises from the contention that man is created in the "image of God" and is a child of God, thus all must be treated with the dignity befitting such an entity. "There is no doubt that human work has an ethical value of its own, which clearly and directly remains linked to the fact that the one who carries it out is a person, a conscious and free subject" (*LE 6*). As John Paul II notes:

Such a concept practically does away with the very basis of the ancient differentiation of people into classes according to the kind of work done. This does not mean that from the objective point of view human work cannot and must not be rated and qualified in any way. It only means that the primary basis of the value of work is man himself, who is its subject. This leads immediately to a very important conclusion of an ethical nature: However true it may be that man is destined for work and called to it, in the first place work is "for man" and not man "for work." Through this conclusion one rightly comes to recognize the pre-eminence of the subjective meaning of work over the objective one. Given this way of understanding things and presupposing that different sorts of work that people do can have greater or lesser objective value, let us try nevertheless to show that each sort is judged above all by the measure of the dignity of the subject of work, that is to say, the person, the individual who carries it out. (*LE 6*)

Here John Paul II is attacking the notion that labor can be treated as just another commodity, of evaluating labor, and the economic system in general, based solely on market criteria: "the

danger of treating work as a special kind of ‘merchandise’ or as an impersonal ‘force’ needed for production always exists, especially when the whole way of looking at the question of economics is marked by the premises of materialistic economism. ... Man is treated as an instrument of production, whereas he – he alone, independent of the work he does—ought to be treated as the effective subject of work and its true maker and creator” (*LE 7*).

There are many other areas of economic analysis in which understanding the process is more important than recording observed outcomes (prices and quantities). The principle of participation helps us to understand a wide range of economic activities, from the motivations of entrepreneurs to the cycle of poverty. Reducing economics to mere economic data points, and economic analysis to the manipulation of these data points with sophisticated statistical techniques, removes the great human drama that is played out in the economy every day. Economic data and statistical analysis are important but they can never substitute for the richness historical and social context provide.

(3) Principle of the Common Good

The history of economic theory has been the search for the common good. We see this in the Greeks, the Scholastics, the Mercantilists, all of those we celebrate as the “Worldly Philosophers” (Smith, Ricardo, Mill, Marx, Walras, Marshall, Veblen, Keynes and Schumpeter), even up to the present crop of technically skilled, if philosophically illiterate, graduate students who form the next generation of economists. How the common good was defined, of course, varied, based on the philosophical preconceptions of the theorists and the material interests of those with power. For the Mercantilists the common good mean an increase in treasure in the nation, a positive trade balance and a growing population, all elements designed to make for rich merchants and powerful kings. For the classical economists the common good is seen as maximum production and for the neoclassical it is maximum consumption, though admittedly there is not much operation difference between them, for the classicals knew that production was for consumption and the neoclassical knew that consumption was limited by production (endowments must come from somewhere).

The Catholic idea of the common good is not reducible to materialistic terms. “The principle of the common good, to which every aspect of social life must be related if it is to attain its fullest meaning, stems from the dignity, unity and equality of all people. According to its primary and broadly accepted sense, the common good indicates ‘the sum of those conditions of social life which allows social groups and their individual members relatively thorough and ready access to their own fulfillment’ (GS 26)” (CSD 163). The primary differences between the Catholic idea of the common good and the various economic notions are: 1. it is grounded in the well-being of the whole person and not merely their roles as consumer or producer; 2 it is process orientated and not outcomes orientated; and 3. the common good is something that is shared collectively. In some ways it is like a pure public good in that none can be excluded from benefiting from it. Thus it cannot be reduced to individualistic or material terms. The common good is not the sum total of individual goods, for it encompasses the good of all people and the whole person.

The concept of the common good goes beyond merely summing up the individual “goods” and instead looks at the conditions that promote and allow for each person to participate

in their own development. Thus it is something other than an economic concept, even if it does have economic significance. The conditions that promote well being are social, political, as well as economic, and each of these needs to be evaluated based on how it promotes the common good. The closest economic idea to the common good in neoclassical economics is the concept of Pareto Optimality. As one neoclassical economist has stated: “The Pareto optimum that a competitive economy seeks to attain is an essentially moral goal in that one individual’s well-being is not attained at the expense of another’s well-being. The concept of Pareto optimum, in fact, is a more precise definition of the traditional concept of the common good.” (Houthakker, 1992). While Houthakker correctly states the view of neoclassical economic theory, he wrongly equates this view with the traditional, much less the Christian, view of the common good. In practice (in terms of economic policy) national output or Gross Domestic Product is the main proxy for the common good, with pursuing economic growth being the primary objective of national economic policy.

The recent literature on the economics of happiness tells us that the Catholic idea of the common good has an insight which neoclassical theory misses. One of the general conclusions of this literature is the lack of a strong connection between human happiness and wealth or income attainment, after a certain minimum level is reached. Furthermore, the various efforts at green accounting and alternative ways to measure economic and social well being all show that often what is good for GDP can be very bad for people. The economic goal of economic growth at all costs often promotes activities which are harmful to the common good, but since they promote economic exchanges they are seen as positive. There are many activities which promote increases in measured economic growth which are harmful to the community, such as a rise in crime, natural disasters and pollution. If we only measure their impact on the level of economic exchanges (buying and selling) we will get the wrong impression that the community’s well being is improving. This fact is played out in the world’s poorest regions where all sorts of devastation and suffering are imposed on the poorest of the poor all in the name of economic progress. Economists need to look beyond economic statistics that merely measure market activity, and include also an evaluation of economic activity which is not merely based on market prices. The Catholic idea of the common good calls us to look at processes and how such process allow or retard human development broadly defined. This is not a critique of promoting economic growth. Economic growth can be and often is very beneficial to the community and to individuals. But it has to be seen as a means to a higher end, human development, and not as an end in itself.

(4) The Universal Destination of Goods

The principle of the Universal Destination of Goods is based on the observation that “God gave the earth to the whole human race for the sustenance of all its members, without excluding or favoring anyone” (CSD 171). As John Paul II stated in *Centesimus Annus*: “The original source of all that is good is the very act of God, who created both the earth and man, and who gave the earth to man so that he might have dominion over it by his work and enjoy its fruits” (CA 31). This is the basis of the principle of the Universal Destination of Material Goods, which is referred to in *Rerum Novarum*: “The earth, though divided among private owners, ceases not thereby to minister to the needs of all” (RN 7) and is carried forward in *Quadragesimo Anno*: “Each class, then, must receive its due share, and the distribution of created

goods must be brought into conformity with the demands of the common good and social justice. For every sincere observer realizes that the vast difference between the few who hold excessive wealth and the many who live in destitution constitute a grave evil in modern society@ (QA 58). Paul VI, supporting this principle, notes: AAll other rights whatsoever, including those of property and of free commerce, are to be subordinated to this principle. They should not hinder but on the contrary favor its application. It is a grave and urgent social duty to redirect them to their primary finality@ (PP 22).

The distribution of income is both a moral and an economic issue, and these two cannot be separated. It is a moral issue because it gets to the issues of fairness and justice and because, as we will see, it is determined by discretionary actions and not natural or blind market forces. It is an economic issue because the distribution of income is an important factor in determining the health of the economy.

The principle of the Universal Destination of Goods not only calls for greater fairness in how incomes are distributed, it also emphasizes the social nature of production. The Universal Destination of Goods recognizes the fact that the most important contributions to the production of goods and services come from God and from past efforts (building of tools and accumulation of knowledge), and that no individual or group of individuals (nations) have the right to exclude the rest of humanity from access to them without demonstrating that it is in their interest and in the interest of humanity as a whole. Thus it highlights what neoclassical economic theory denies, the social nature of production, and the important contribution to production that cannot be reduced to individual factor services. Contributions to social well being are not exclusively through market channels. Furthermore, market activity is heavily reliant on the contribution of the social economy. Moreover, only part of the population at any given time period will be economically productive, and thus rewarded with incomes. Many are too young or too old, or engaged in caring responsibilities of some sort. All of these people either: are contributing; have contributed in the past; or will contribute in the future, but they need to be supported all the time.

The principle of the Universal Destination of Goods is not limited to those who are currently living on the planet, but applies equally to the generations who will follow us. They too are God=s children, and they too will share in our divinely given human dignity. Concern for the environment has become a central issue in Catholic social thought. The approach to environmental issues in neoclassical economics is to view it as essentially a problem of property rights. Resources are not being properly valued because no one has the exclusive rights to them, thus no one is valuing them effectively and use them efficiently. Air pollution is caused by air being a free good; no one can prevent someone from polluting the air around them because they do not have the right to that air. The private rights approach to pollution and other environmental problems requires that the assumption that a perfect market exists and it is only with such assumptions that one can argue that private property rights will lead to an efficient allocation of resources. However, there is a major weakness to this approach, besides the obvious lack of perfect markets, information and cost less transactions B the people most affected by environmental problems are not yet alive and thus cannot have any legal standing. How could future generations trade their property rights with those currently living to get a neoclassical general equilibrium? While the neoclassical analysis of market failures, especially the analysis of externalities, does provide useful tools for explaining and in some cases dealing with environmental problems, their analysis in many ways misses the point. Care for the planet requires a value system that is fundamentally different from that which underlies neoclassical economic theory.

John Paul II has noted that the environmental crisis is essentially a moral issue. It is the result of the failure of humanity to adequately fulfill its stewardship of God's creation. Failure to care for a gift shows a lack of respect for the giver, and thus the environmental crisis must be seen as also a sin against the creator as well as a self-destructive path for humanity.

“The most profound and serious indication of the moral implications underlying the ecological problem is the lack of *respect for life* evident in many of the patterns of environmental pollution. Often, the interests of production prevail over concern for the dignity of workers, while economic interests take priority over the good of individuals and even entire peoples. In these cases, pollution or environmental destruction is the result of an unnatural and reductionist vision which at times leads to a genuine contempt for man. ... *Respect for life, and above all for the dignity of the human person, is the ultimate guiding norm for any sound economic, industrial or scientific progress.* ... These principles are essential to the building of a peaceful society; *no peaceful society can afford to neglect either respect for life or the fact that there is an integrity to creation.* ... I wish to repeat that *the ecological crisis is a moral issue.*”

The Catholic social thought perspective views the environmental crisis is not a scientific or economic problem, but as a moral problem. Furthermore, it must be understood and addressed in its historical and social context. At the root of the problem is the application of the instrumental logic of neoclassical economics to every aspect of society. To find the causes of the problem we need only look at the lack of respect for life and the dignity of the human person and God's creation, the placing of narrow self-interest ahead of solidarity, and the striving for individual wealth and consumerism over the interests of the poor.

The economic insight of the principles of the Universal Destination of Goods is that each person needs to benefit from how social output is divided. It does not claim that each person has the right to an equal share, and there are many factors that need to be taken into consideration when dividing up the economic pie. But it does assert that the goods of the world are not for the few, and that God did not make some people rich and some people poor, but that these categories are human creations, and those who have a surplus above their needs have an obligation to help those who have less than what they need.

(5) Preferential Option for the Poor

“The principle of the universal destination of goods requires that the poor, the marginalized and in all cases those whose living conditions interfere with their proper growth should be the focus of particular concern” (CSD 182). The development of the person is blocked by exclusion from participation in the economic spheres of social life (that is poverty). Poverty is exclusion. Poverty caused by exclusion extends beyond the material, to the social, cultural and spiritual spheres of life. From a Christian perspective material poverty is the denial of the right to social participation. The right of participation stems from our human nature, it is a right based on our obligations to “others” and on the necessity of participation for our development as authentic persons. It is fully a natural right since it is based on our nature.

As the U.S. Bishops have noted: “The primary purpose of this special commitment to the poor is to enable them to become active participants in the life of society. It is to enable *all*

persons to share in and contribute to the common good. ‘Option for the poor,’ therefore, is not an adversarial slogan that pits one group or class against another. Rather it states that the deprivation and powerlessness of the poor wounds the whole community. The extent of their suffering is a measure of how far we are from being a true community of persons” (*EJA*, 88). The poor are excluded by other individuals, by social institutions (which are thus structures of sin) and/or by actions which are taken by the poor out of lack of choice, ignorance and despair. Yet any action which results in exclusion is a violation of the natural law because it violates an essential aspect of the human person. The poverty which the Church is concerned about results from others excluding the poor. It is not voluntary and its purpose is the greed of those excluding the poor. The wealthy exclude themselves by their choices (choosing money over God) and thus make the voluntary decision to exclude themselves (a source of spiritual poverty). (The Church is equally interested in bringing about their inclusion by a changing of their hearts). As John Paul II tells us, the Church’s commitment to the poor is “proof of her fidelity to Christ” (*LE 8*). For the Christian, the option for the poor is not an option.

Donal Dorr has noted that there are two aspects of this principle, one at the level of the individual and one at the level of society:

An option for the poor is a commitment by individual Christians and the Christian community at every level to engage actively in a struggle to overcome the social injustices which mar our world. To be genuine it must come from a real experience of solidarity with the victims of our society. This means that one aspect of an option for the poor has to do with sharing in some degree in the lives, sorrows, joys, hopes, and fears of those who are on the margins of society. Without this, the attempt to serve the interests of ‘the poor’ will be patronizing— and it will make them feel more powerless and dependent than ever. But an option for the poor is not primarily the choice of a less affluent life-style by individuals or groups. It is a commitment to resist the structural injustice which marks our world. The person who makes such an option is undertaking to work to change the unjust economic, social and political structures which determine how power and resources are shared out in the world The aim is to bring about a more just society.

The Catholic tradition, like the Jewish tradition from which it sprang, has consistently warned of the dangers of wealth and the responsibility of those who have a surplus to use that surplus for the poor. But we should remember that wealth and poverty are not two separate concepts. The artificial creation of scarcity which is at the core of individual wealth creation is also a core cause of poverty. Poverty is always caused by exclusion. For the poor in rich countries, it is exclusion from the social, political and economic life of the affluent societies. The reason for the exclusion of the poor is so that the wealthy can have more for themselves. For the poor in poor countries it is both the exclusion from participation within their countries and the exclusion of their entire country from participating in the social, political and economic life of the planet. This exclusion comes in many forms and is institutionalized in many ways. But we must remember that frequently the exclusion that creates wealth for one person is the cause of poverty for many. Therefore, our first obligation, and it is an obligation that justice requires, is to stop creating wealth by creating poverty.

Who are the poor?

According to economic theory, incomes are “earned” based on how much one contributes to the profit making process. Those who are poor therefore are those who, for what ever reason, are not contributing. The reality, however, is quite different, for incomes are not what is “earned through contributions” but what one has the “right” to claim. Such “rights” can be based on contributions, yet this is not necessarily the case. Winning the lottery, inheriting millions, being born white, male and American all greatly contribute to one’s income, yet none of these factors contributes to the economy in any significant way. Bill Gates has contributed to the economy, but his income is more due to the monopoly position of his company (illegally obtained as the antitrust conviction demonstrates) than to his marginal revenue product.

However, all of us at one point in our lives, and usually at many points in our lives, are economically non-productive, that is are not contributing to the production of goods and services, nor have property to sell or rent out to the process of the production of goods and services. This is to say, that all of us were children at one time, and many of us have been, or will be at one point, sick or disabled, old and retired, or have stayed home to engage in non-market care giving activities. All of these are natural occurrences, part of the human experience, yet the market makes no allowance for them. Luckily we do not have a pure market economy but instead have elements of tradition and command influencing economic outcomes. Thus, for those who are not market participants, their economic well-being is determined by who they are related to, that is to traditional modes of families supporting one another, and to programs designed to assist those who are not able to economically support themselves (charitable organizations and government programs). Economically, the preferential option for the poor makes sense because it recognizes that all of us are individually vulnerable and in need of support and protection, at least at some point in our lives. It is a universal condition, as individuals we are poor. Our social relations and connections give us the possibility of rising above our natural poverty. It is only by “acting with others” that anyone has the possibility of rising above the most abject poverty, yet this “acting with others” could be in a mutually beneficial way (cooperating with others to be more productive) or it can be a zero sum game (the use of power to grab a large share of social output, usually by establishing rules that exclude many from their fair share). It is a matter of economic and social efficiency that these social relations include everybody, both as benefactors and as contributors. We are all made poor by poverty – economically, socially, politically, culturally and most importantly, spiritually.

Adopting an option for the poor, in terms of economics, means, among other things, that our first measure of progress is how those on the bottom of the economic ladder are affected. It also means that those at the bottom must be allowed to become agents of their own destinies and be given the support and tools to bring about the transformation of their reality. Thus it is not merely placing them on the dole, or in public housing, or the comprehensive state support that used to be available in the formerly communist countries, but allowing for full social participation, full citizenship.

Broader View of Poverty

It should be noted that the exclusion that causes poverty is not limited to economic exclusion, just as poverty is not limited to economic or material poverty. Since the view of the person adopted by Catholic social thought considers the whole person, it is important to remember that other forms of poverty, including social, cultural and spiritual, present real problems for the

achievement of happiness and well-being and cause very real suffering. Such exclusion is harmful to the individual person and to the common good. Furthermore, such exclusions, in a manner similar to the economic exclusions we have been discussing, can also be at the level of the individual or due to social structures and often a combination of the two. A hedonistic society and the false philosophies that promote and support such life styles certainly, as we have seen above, contribute to the economic exclusion of the poor and thus to their material poverty, yet they also contribute to the social, cultural and spiritual exclusion of all, poor and affluent alike (and often in higher degrees for the affluent). Hedonism is grounded in two realities, yet it is a perversion of both. Humans have a natural desire for goods (our animal nature) and they have a natural longing for the infinite. Hedonism combines these two into a desire for unlimited accumulation of wealth and hyper consumption. The level of consumption is well in excess of our natural needs (and our social and cultural needs as well). The idea of unlimited wants is a distortion of our wanting the unlimited. A key part of the material success of capitalism stems from its replacing God (the only thing that can fill our natural desire for the infinite) with wealth and conspicuous consumption. That this success is not sustainable and does not promote real happiness is at the core of the problems facing capitalism today.

The adoption of the Christian conception of the human person yields great insights into understanding the problem of poverty. First, the existence of poverty is the result of exclusion and has implications beyond low incomes. Second, it places the problem of poverty in the proper context: persons are poor and their poverty, when it is not voluntary, prevents them from fully participating in society, and thus of fully developing as persons. Poverty is both caused by, and promotes exclusion. The importance of participation in Christian anthropology forces us to recognize and highlight the social nature of the person. Outcomes are never solely explained in terms of individual choices, even if responsibility is often attached at the level of the individual. Thus we need to look at the causes of exclusion, both individual and social, fully cognizant of the fact that the line between individual and social causes often is fuzzy. Lastly, the importance of participation in the development of the human person gives us some guidelines for how poverty should be addressed: the poor must be active participants in all efforts to reduce their poverty, that is we need to fight poverty by fighting its cause – exclusion—and the only way you can fight exclusion is by inclusion. This of course does not suggest that the poor do not need help and assistance. What it does mean is that our efforts to help the poor must be in the form of a partnership, where we meet the poor in their reality and then, as equal children of God, work together to build inclusive economic structures that will end poverty.

(6) The Principle of Subsidiarity

The principle of subsidiarity states that larger entities should not assume the roles and functions of smaller entities unless it is absolutely necessary. It “protects people from abuses by higher-level social authority and calls on the same authorities to help individuals and intermediate groups to fulfill their duties” (CSD 187). The unwarranted assumption of roles and functions by larger authorities often lessens social participation and should only be undertaken to increase participation.

Every economy is embedded in a society, and necessarily so. Markets have to be embedded in tradition and command in order to function. Tradition provides guidelines (habits) for economic actors, reducing the need to recalculate every economic action, and command

provides coordination, when necessary, and ensures that all (or most) are following the rules. Values are an essential part of tradition and command. Therefore, moral and ethical issues must be part of the economic discussion. Economic choices and decisions are moral choices and decisions, and thus they require moral guidelines. The purpose of the various principles of Catholic social thought is to provide these moral guidelines.

The existence of power (command) is an essential aspect of all economies, past and present. It is unavoidable. Even an Adam Smith's hypothetical "society of perfect liberty" was built upon the establishment and enforcement of property rights, which, as Smith well knew, required a strong state. Economists for 200 years have argued that the market eliminates power from the economy, but this has not been the experience of any actual economy. Yet the necessity of economic power, at least at some level, does not specify how power will be instituted in any real economy. Furthermore, given that the exercise of economic power has no natural restraints, there needs to be some principles with which to guide and limit the use of power in the economy. This the Catholic social thought tradition provides with the principle of subsidiarity.

As already noted, the nature of the human person and the dictates of justice and reason require the right to participate in the societies in which we are members. As John Paul II (Karol Wojtyla) has stated, participation is an essential aspect of being human, of personal growth and development, of self-actualizing. Denial of the right to participation is a denial of our humanity. This is not limited to participation in the political process, but extends to the economy as well. In *Economic Justice for All* (71) the US Bishops argue: "Justice also has implications for the way the larger social, economic, and political institutions of society are organized. 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." The right to participation thus comes both from the natural rights that spring from our humanity and as a right that makes it possible to fulfill our obligations as members of a community. The organization of the economy cannot be left to the single principle of maximizing production or profits, but has to be geared towards the well-being of the community and the persons that make up the community, thus it needs to be structured in a manner that allows and promotes the widest level of participation. Thus, in structuring economic institutions we need to place special emphasis on participation.

The principle of subsidiarity is designed to give guidance on issues involving the use of power in the economy and society. The principle relates to the social character of the individual and their natural right to associate with others and to organize into groups. The formation of groups is a natural reflection of the social nature of the person and is designed to promote the greater and more effective participation of the person. The logic behind the principle of subsidiarity directly contradicts the individualism of the right and the collectivism of the left. A major thrust of the principle of subsidiarity has been the contention that if a task can be equally carried out by small or large organizations, the smaller one is preferable. It does not assert that larger organizations, such as the state, have no role to play, just that the state should only carry out activities that are beyond the capabilities of smaller organizations.

The principle of subsidiarity has been part of the modern Catholic social thought tradition from the beginning, but it was most clearly stated by Pius XI:

It is indeed true, as history clearly shows, that owing to the change in social conditions, much that was formerly done by small bodies can nowadays be accomplished only by

large organizations. Nevertheless, it is a fundamental principle of social philosophy, fixed and unchangeable, that one should not withdraw from individuals and commit to the community what they can accomplish by their own enterprise and industry. So, too, it is an injustice and at the same time a grave evil and a disturbance of right order to transfer to the larger and higher collectivity functions which can be performed and provided for by lesser and subordinate bodies. Inasmuch as every social activity should, by its very nature, prove a help to members of the body social, it should never destroy or absorb them. (*QA 79*)

The underpinning of the principle of subsidiarity is the idea that not only are efficient outcomes important, but so also is the process by which they are achieved — the means and ends cannot be separated. Specifically, human dignity asserts that humans participate in their culture and society as fully as possible. Subsidiarity requires that the decisions and activities that affect peoples lives should be carried out by organizations as close to the individuals affected as can be efficiently accomplished. Obviously activities like an aerospace program cannot be carried out at the community level, yet much of what the state does, as well as large scale private enterprises, can be as effectively (and in many cases more effectively) be carried out by smaller organizations, with greater social participation. The principle of subsidiarity legitimates labor unions and community groups because they allow for greater social participation. It also supports small business over big business when feasible.

The importance of the principle of subsidiarity to the solving of the economic problem should be obvious. First it is an assertion that means can never be completely separated from ends, that how we do something is as much an ethical choice as what we decide to do. The principle bears most directly on the “how to produce?” aspect of the economic problem and tells us we should aim for production methods and systems that maximize social participation. In Catholic social thought rights flow from obligations. All individuals have the obligation to contribute to the well-being of the community. The assertion of the right to participate is merely claiming a natural right that is derived from the nature of the human person and is necessary for the human person to fully develop (as well as for communities to fully develop). This means not only access to given jobs in the economy, but also the design of jobs and production methods that promote the maximum level of participation. The principle of participation also applies to the what to produce and the question of distribution, as both will impact how individuals can participate in society.

Secondly, the principle of subsidiarity is directed at the role of governments in the economy. The state should not take over the responsibilities of smaller groups and individuals when those groups and individuals can work effectively to promote the common good. When they cannot, than the state must step in. It is thus a call for the state to take responsibility for the workings of the economy and a limitation on how they should undertake that responsibility. In some cases this will involve the state taking full responsibility for an economic activity, the case of pure public goods, such as national defense, come to mind here. In other cases this may involve the state intervening in the market so as to allow smaller groups and individuals to more effectively promote the common good (anti-trust and competition policy fit in here, as do such policies as promoting economic development in depressed areas as well as support for farm cooperatives).

The principle of subsidiarity can also be applied to other areas in the economy and society where concentrations of economic power have overstepped their functional need. The

most obvious example of this is the modern large corporation, which is generally much bigger than it needs to be to fully exploit the benefits of modern production techniques (economies of scale in economic terms) and have grown large so as to assert economic power at the expense of smaller companies, workers and consumers. In fact, there is a good argument that even considering the technological advances of economies of scale, it is better for firms to be at a more human scale. We should remember that the economy, and the business firm, exists to serve the well-being of people and not the other way around. Promoting smaller economic organizations would certainly lead to a very different economy than what we now have, but that does not imply it would be a worse situation. While we would certainly have a different combination of goods produced and consumed, it is not obvious that people would be less happy under a system of production in which they had a greater stake and role. In fact, the literature on Authentic Happiness suggests otherwise.

The most common example of the principle of subsidiarity in action is the rise of the labor union, and this principle is one of the reasons that Catholic social thought has consistently supported the right of workers to organize.¹³ The principle of subsidiarity is also in action in the numerous clubs and associations people have formed throughout history as a means of individuals working together to promote a common goal. These intermediaries are necessary because they allow goals that cannot be achieved by individuals acting alone to be realized and because they also allow the individuals to participate in the process of achieving these goals. Keeping the organization at as small a scale as possible is necessary to allow the person to participate. If the activity is assumed by a larger body for reasons other than necessity, this right is denied. Looking beyond the economy proper, the Church's support for the family is another example of the principle in action. The Church has fought efforts of Governments to take over the activities and responsibilities of the family. As in the economy, a takeover of an activity by a larger entity from a smaller entity must be justified based on necessity that no other unit can adequately achieve the desired end (and the desired end must benefit the people in question, and not the state or higher entity). Under communism the state determined the decision on how one would allocate their labor time, under the criteria that the state can better allocate the person's labor than the person could. While the factual aspects of this claim are certainly dubious, the more important issue is whose goals are being served? Is it the person or is it the state bureaucracy? Outside of conditions of dire national emergency, the presumption has to be always in favor of the person and the family.

(7) The Principle of Solidarity

The necessary interdependence of social life needs to be grounded in an authentic concern for the well being of all persons. This is true for those we have direct interaction with and for those whose actions will affect, even if we never see them. The principle of solidarity is "a firm and persevering determination to commit oneself to the common good. That is to say to the good of all and of each individual, because we are all really responsible for all" (SRS 38).

The concept of solidarity is central to Catholic social thought and to its contributions to understanding contemporary economic and social problems and issues. Adam Smith noted that some sort of fellow-feeling is necessary for trade to be mutually beneficial and for there to be any social order. We can call this minimal-solidarity. However, the Christian principle of solidarity means more than just the need for a social bond to allow for secure trade. Solidarity is

an interdependence that allows for the required individual participation which is necessary for the authentic human development of persons.

The concept of solidarity as it has been developed in Catholic social thought comes from the social view of human nature already mentioned. The Catholic social thought tradition has often been seen as an attempt to find an alternative to the excessive individualism and alienation of laissez-faire capitalism and the depersonalization and subordination of the individual under communism.¹⁴ It does this by asserting the true nature of the human person and society in a way that protects the dignity of each person and promotes the common good. Solidarity is recognition of the interdependence of all persons and of the duties that this interdependence implies. It is the opposite of the attitude of extreme individualism that underlies neoclassical economic theory and its strictures that all interpersonal interaction must be based on individual self-interest, with each person using all others as means to an end (which is either the consumption of utility or the maximization of wealth). The concept of solidarity recognizes that we can only promote the common good if we look at others as ends and not as means to our ends.

[Solidarity] is not a feeling of vague compassion or shallow distress at the misfortunes of so many people, both near and far. On the contrary, it is a firm and persevering determination to commit oneself to the common good; that is to say, to the God of all and of each individual, because we are all really responsible for all. This determination is based on the solid conviction that what is hindering full development is that desire for profit and that thirst for power already mentioned. These attitudes and ‘structures of sin’ are only conquered—presupposing the help of divine grace—by a diametrically opposed attitude: a commitment to the good of one’s neighbor with the readiness, in the gospel sense, to ‘lose oneself’ for the sake of the other instead of exploiting him, and to; ‘serve him’ instead of oppressing him for one’s own advantage (*SRS* 38).

As we have seen, human solidarity is not only an ideal to strive toward; it is also a necessary reality for any economy and society to function. In the terminology of economics, a certain amount of solidarity is necessary to reduce the transaction costs of trading, and a much higher level of solidarity is necessary for the social context necessary for economic activity. Christian solidarity calls for us to extend the social bond to all, especially the poor and marginalized.

The Gospel roots for the call for solidarity come from Jesus reduction of the Ten Commandments into two, specifically to love God with all our hearts and to love our neighbor as ourselves. And that we should do this for reasons other than self-interest. Jesus tells us in Luke (6.32-35), “If you love those who love you, what credit is that to you? For even sinners love those who love them. And if you do good to those who do good to you, what credit is that to you? For even sinners do the same. And if you lend to those from whom you hope to receive, what credit is that to you? Even sinners lend to sinners, to receive as much again.” We see the call to place the interests of others ahead of self-interest clearly in Paul’s Letter to the Philippians (2:3-4): “Do nothing from selfishness or conceit, but in humility count others better than yourselves. Let each of you look not only to his own interests, but also to the interests of others.”¹⁵ This ideal is the highest level of human solidarity and is almost universal in terms of the highest human aspirations of the world’s major religions and ancient philosophies.¹⁶ The call to solidarity thus comes not only from the Gospels, but is an expression of the natural law and

natural reason, a value that has been discovered by many traditions when they contemplate the nature of the human person. As John Paul II has noted: “Solidarity helps us to see the ‘other’ – whether a person, people or nation – not just as some kind of instrument, with a work capacity and physical strength to be exploited at low cost and then discarded when no longer useful, but as our ‘neighbor,’ a ‘helper’ to be made a sharer, on a par with ourselves, in the banquet of life to which all are equally invited by God” (*SRS*, 39).

The inability of greed to create an orderly market by itself is merely a small example of the larger problem of “nature” organizing society.¹⁷ Since at least the time of Jean Jacques Rousseau there has been an idealization of nature and the myth of man in a “state of nature” as the ideal society. Yet this is just a myth. Man in a “state of nature” (if such a man were possible) would be much closer to Hobbes than to Rousseau. Nature runs on greed and envy, or more properly, on an over-riding self-preference, which needs to be controlled in order for humans to survive, though it is never fully eliminated. Greed and envy are controllable only through the socialization process and the development of morals. This comes from custom and law; culture and religion. The market tries to channel greed and envy toward the common good, but it is only successful at the margins, with small changes or variations, and with small amounts of greed and envy. The market as a socializing institution encourages and develops greed and envy, promoting them as acceptable values and if left unchecked, turns them into the dominant values. It therefore eats away at the social bonds formed by culture and religion. This is evident in the multitude of Old Testament warnings about the love of wealth, for it draws us away from God and our fellow humans.

The technological advances that have made the organizing of production on a worldwide scale possible are ahead of the social and ethical development necessary for such trade to be carried out in a manner that promotes the interests of all. As John Paul II has stated, we need solidarity not only within nations but between nations (*SRS* 39). This needs to be our directive when dealing with questions of globalization. While economic theory (classical and neoclassical) suggests that trade liberalization will benefit all, the fact of the matter is that the policy of “trade liberalization” has always been one of imposing rules that benefit one side at the expense of the other. In the 18th and 19th Centuries the colonial powers of Europe were forcing open the markets in Africa, Asia and the Americas in order to pillage their resources (natural and human) to build their empire. Today it is the multinational corporations working through the World Trade Organization (WTO).

Market relations based on exploitation are not sustainable. We have seen that at the micro level a certain amount of “solidarity” (“fellow feeling” or concern for others) is necessary for markets to work. Trust and honesty are much cheaper and more efficient, but they require that the interest of the other be considered when making the trade. The frequent problems trade talks, caused by the poor countries walking out, is evidence that such considerations are necessary at the macro level and that the rich countries will have to consider the real interests of the poor countries if globalization will ever be a reality, or more than just a buzz word meaning exploitation and neocolonialism. It is not just a matter of social justice; it is a matter of sustainability.

It is only with a completely distorted conception of “self-interest,” that is a view of the self-interest of individuals rather than a view of the self-interest of persons, that one can argue that greed and selfishness are, and need to be, central organizing principles for an economy. Any rational understanding of one’s own self-interest would have to realize that one’s own interests are so entangled with “others” interests that if I set myself in opposition to the “others” I will be

less able to provide for my own economic, much less my social, well-being. The Christian call for solidarity is meant not only to provide social order and harmony, but aims at the full development of the human person. It recognizes that the two go hand in hand, that they are inseparable. It is only if we adopt solidarity as a requirement of the economic order that we will be able to have meaningful prosperity.

Prudential Judgment: Linking Principles to Praxis

As we stated above, the Catholic social thought tradition does not provide a one size fits all economic model for a “just economy,” nor does it offer a set of economic policies that will create the Kingdom of God here on earth.¹⁸ There is no “Catholic” tax policy, fiscal or monetary policy. Catholic social thought helps us to define what characteristics a just economy would have, but how one actually brings these principles to life will differ at different times and different places. In an agricultural economy combating the exclusion that causes poverty will typically involve increase the poor’s access to land. Land reform, however, would not be an effective anti-poverty policy in most advanced capitalist economies. Poverty then, as now, is based on exclusion, but the barriers are different in each society, thus the ways to overcome them will also be different. The Christian Anthropology that underlies Catholic social thought emphasizes the social nature of the human person, particularly the role of socialization in human development. Social and historical context are important factors that cannot be ignored or assumed away. Christian ethics has always noted that one has to follow one’s conscious, but that does not mean that anything we feel is right is necessarily right, for we have an obligation to have a fully informed conscious, which means first that one adequately understand the moral principles one is to follow, and second that one understand the context in which these principles are to be applied. The purpose of our conscious is ultimately not to discover what we most want, to get at the deep structure of our preference functions, but is instead to discover what is God’s will. As St. Thomas Aquinas noted: “The function of prudence is not to set the goals of moral virtue, but simply to determine means to those goals. ... Prudence presupposes the goals of moral virtue as general starting-points and determines what to do in particular.” (Aquinas, 1988, p. 377). The role of Catholic social thought is to assist in the process of forming our understanding of economic problems, in particular on how they relate to the nature of the human person and their flourishing, and to provide criteria that we can use to evaluate economic outcomes and processes.

The Catholic social thought tradition has always been first to help Christians and people of good will to make better moral decisions, its main purpose is to shape values, which then will shape behavior and outcomes. It is not the goal or purpose of Catholic social thought to dictate how individuals and society as a whole should carry out all their economic actions. The Church does not want to be the central planning agency for the economy. The Church values and promotes freedom, including economic freedom, and it values and promotes individual economic initiative and private property. It values these so much it wants everyone to benefit from them through direct participation in them. But freedom, especially economic freedom, without ethics leads to chaos and slavery. Free economic choice without morals, that is without a solid criteria for making choices, is hard to justify and defend, morally or on grounds of economic efficiency. It is like a sick man choosing their treatment or medicine without knowing what their illness is, or without knowing how various medicines work or what effect they have.

An economy based on free choosing individuals requires more than just freedom to choose, it requires informed choices, and informed choice includes the ethical aspects of our choices. These ethical aspects of our choices start with how the choice will affect our well-being, which of course includes our material well-being, but it does not end there, for it also includes our relationship with our creator. Individualistic ethical analysis might end here, but Christian ethics emphasizes that both our own material well being and our spiritual well-being are tied to how our choices affect others, those whom we have an immediate responsibility for as well as those who we do not have a personal or economic connection with, and especially those who are socially marginalized and excluded. This is true for the individual choices, yet it is even more true for social choices. The goal of Catholic social thought is to inform individuals and society so that they can make better choices, so that their freedom will be meaningful, and so that their individual choices will better promote their own and societies well being.

Appendix: An Overview of the Encyclicals and Official Documents

The Catholic social thought tradition starts with the Old and New Testaments, includes the reflections of the Church Fathers, the philosophical and theological developments of Scholasticism, and in the modern era has been developed in the various social encyclicals and official documents produced by popes and various councils. Many date the beginning of the tradition with Leo XIII's encyclical *Rerum Novarum* (*RN*) (The Condition of Labor) in 1891, yet the principles can be traced back to the older tradition. *Rerum Novarum* was the first official response and reflection on the problems and conditions arising from the Industrial Revolution. Half a century before *RN* there were movements of "Social Catholics" who wrestled with the problems of industrialization from the perspective of the Gospels. Many of the themes they stressed became central aspects of the official Catholic social thought tradition: that Charity is not enough, "you must go beyond charity to justice" (Mich, 2000, p. 11); Just Wages; Need for State Intervention in Economy; Social Nature of Private Property and Need for a More Organic Society. *Rerum Novarum* set the tone for all subsequent encyclicals on economic issues. It emphasized the moral nature of economic actions at all levels, from individual's responsibility to work toward the common good regardless of their roles or place in society, as workers, as employers and as consumers ("right use of money") to the need for social structures to promote social justice (defense of unions and worker organizations). It also stated the Church's teaching on private property, drawing a balance between the need of individuals for private property to promote the well being of themselves and their families and the inherently social nature of property and its responsibility to be used toward the common good (we return to this in Chapter 5).

The Great Depression prompted the next major social encyclical *Quadragesimo Anno* (*QA*) (After Forty Years, or The Reconstruction of the Social Order) by Pope Pius XI. Setting a format that subsequent popes would mostly emulate, it started with a reiteration and extension of the central themes developed in the previous encyclicals (in this case there was just *RN*). More so than most of the official documents, *Quadragesimo Anno* put forward models of economic structures to deal with the problems inherent in both liberal capitalism and soviet style communism. Pius XI introduced the term social justice, which included both the dignity of each person and the promotion of the common good as complementary condition and not as competing goals. One of the most important additions to the CST tradition in this encyclical is the idea of subsidiarity (that larger entities, such as the state, should assume the functions of smaller entities, such as the family, unless the smaller entity was unable to adequately carry out its functions. And in such cases, the larger entity should strive for assisting the smaller entity if possible rather than just take over the roles of the smaller entity).

John XXIII added two important encyclicals to the canon: *Mater et Magistra* (*MM*) (Christianity and Social Progress) in 1961 and *Pacem in Terris* (*PT*) (Peace on Earth) in 1963. O'Brien and Shannon have noted that two features of John XXIII teachings are important to remember: "First in his emphasis on socialization, an increase of the network of relations by which individuals are connected to each other. Justice takes on even more significance as we move into more complex and numerous interrelations. Second, he argued for state intervention to ensure that property would achieve its social functions. Justice required that property be used for the common good" (1992, p. 82). John XXIII also highlighted the gap between the rich and poor nations and the need for wider distribution of property to alleviate this gap (achieved partly through efforts to generate wealth). In *Peace on Earth* he stated one of the central themes of

Catholic social thought, the dual need to promote and defend human rights and responsibilities (we return to this in Chapter Nine). John XXIII also called for the Second Vatican Council which produced the document *Gaudium et Spes (GS)* (Pastoral Constitution of the Church in the Modern World) in 1965. This document placed great emphasis on reading the “signs of the times” of the profound changes in the world and in the social order. It also lays out clearly the anthropology upon which the tradition is based (discussed in Chapter Two).

Pope Paul VI’s two additions to this tradition: *Populorum Progressio (PP)* (The Development of Peoples) in 1967 and *Octogesima Adveniens (OA)* (A Call to Action on the 80th Anniversary of *Rerum Novarum*) in 1971 extended the concern of the growing gap between rich and poor countries as well as calling on lay Catholics to engage in political activities to promote social justice.

John Paul II has been the greatest individual contributor to the tradition, both in terms of volume of his writings, and, more importantly, in terms of the extension of the scope and depth of the analysis of the tradition. Starting with *Laborem Exercens (LE)* (On Human Work) in 1981, and continuing with *Sollicitudo rei Socialis (SRS)* (On Social Question) in 1987 and *Centesimus Annus (CA)* (On the Hundredth Anniversary of *Rerum Novarum*) in 1991, John Paul II has developed both the Biblical foundations of the tradition as well as adding great insights from philosophy and his unique personal experiences as someone who lived under communism and who had a great understanding of the ideas of economic and social theory.

The social teachings of the Church have also been developed by the many statements on economic, social and political issues by national conferences of Bishops. Of these, the most important for our purposes has been the United States Catholic Bishop’s pastoral letter *Economic Justice for All (EJA)* (1986). This document follows in the tradition set out by their *Program of Social Reconstruction* of 1919 (primarily written by the great economist, and Roosevelt advisor, Monsignor John A. Ryan). While most of the attention focused on their support of specific economic policies (like minimum wages), the more revolution or radical aspects of this document were its clearly laying out of the moral principles that should guide economic policy (“*The dignity of the human person, realized in community with others, is the criterion against which all aspects of economic life must be measured*” *EJA* 28) and their call for a Christian vision of economic life. They combined a Biblical understanding of the moral foundations for economic life with a clear and deadly accurate understanding of the state of the US economy in the mid 1980s (“signs of the times”).

Endnotes:

¹ This presentation is taken from sections of my unpublished manuscript “The Challenge of Catholic Social Thought to Economic Orthodoxy.”

² Robert Heilbroner, “Modern Economics as a Chapter in the History of Economic Thought” *History of Political Economy*, 1979, Vol. 11, p. 192-198.

³ Mary Douglas, *The World of Goods: Towards an Anthropology of Consumption*, (London: Routledge) 1996.

⁴ See Adolf Lowe’s *Economics and Sociology: A Plea for Co-operation in the Social Sciences* (1935) for an early argument against the rising narrowness of economics.

⁵ By meaningless I mean literally without meaning. The initial point of post modernism was that any given text can have multiple meanings (with the intention of the author having no priority over others), but few could stop here and the movement quickly attacked the notion that the text could have any meaning.

⁶We should note that there are numerous schools of economic theory, with thousands of economists who are non-neoclassical in their orientation (Institutional/Evolutionary Economics, Post Keynesian, Social Economics, various forms of Marxist economics, Neo-Ricardian/Sraffian economics that follow the older classical tradition to name just the groups that have been around for many decades). Our concern here however is to show how what is known as mainstream economics (neoclassical economic theory) offers too narrow a vision of economic life to present either an adequate explanation of economic activity or useful advice on economic policy issues.

⁷ See John Paul II *Fides et ratio*, 1998.

⁸ Fred Kammer, *Doing FaithJustice: An Introduction to Catholic Social Thought*, 1991, Paulist Press, p. 73

⁹ Then God said, “Let us make man in our image and likeness” ... So God created man in his own image; in the image of God he created him: male and female he created them” (Gen 1:226-27).

¹⁰ Jacques Maritain. *The Person and the Common Good*. University of Notre Dame Press, 1966.

¹¹ Karol Wojtyla, *Toward a Philosophy of Praxis*, edited by Alfred Bloch and George T. Czucka, Crossroads, 1981, pp. 40-41.

¹² “The relation of the person to society and of society to the person forms a separate chapter in Thomistic personalism. The human being is always an individual within the human species. But this individual is a person and the species is a collection of persons—though not a chaotic collection, but one formed naturally into various societies and communities. People are social beings, and so they have an innate tendency not only to form interpersonal relations but also to create societies and communities. This is an effect of the operation of an elementary law of nature, which, however, in the case of human beings does not operate with blind necessity, but allows for the full involvement of consciousness and freedom. Consequently, the relation of the human being to society and society to the human being is subordinate to morality, just as individual life and interpersonal relations are. The basic question that must be resolved in social morality is how to create a system of relations between the individual and society that results in the fullest possible correlation between the person’s true good and the common good that society naturally seeks. To attain this correlation in practice is no easy matter. On the one hand, persons may easily place their own individual goods above the common good of the collectivity, attempting to subordinate the collectivity to themselves and use it for their individual good. This is the error of individualism, which gave rise to liberalism in modern history and capitalism in economics. On the other hand, society, in aiming at the alleged good of the whole, may attempt to subordinate persons to itself in such a way that the true good of persons is excluded. This is the error of totalitarianism” Karol Wojtyla, *Person and Community: Selected Essays*, 1993, Peter Lang, p. 173-174.

¹³The Guilds of the Middle Ages are seen as another example of the principle of subsidiarity.

¹⁴“In order to overcome today’s widespread individualistic mentality, what is required is a concrete commitment to solidarity and charity” (CA, 49).

¹⁵ RSV.

¹⁶Thus the *Koran* tells us “Not one of you truly believes until you wish for others what you wish for yourself” (13th of the 40 Hadiths of Nawawi); and Buddhism: “Treat not others in ways that you yourself would find hurtful” (The Buddha, *Udana-Varga* 5.1); in Judaism: “What is hateful to you, do not do to your neighbor. This is the whole Torah; all the rest is commentary” (*Talmud, Shabbath* 31a); in Confucianism: “Do not do to others what you do not want done to yourself” (Confucius, *Analects* 15.23) and Hinduism: “This is the sum of Duty: do not do to others what would cause pain if done to you” (*Mahabharata* 5:1517).

¹⁷ Here we are relying on Werner Stark’s *The Social Bond* (New York, Fordham University Press, 5 volumes, 1976-1987), especially Volume Two.

¹⁸ It is worth noting that in the history of economic thought a very large number of economists have offered economic policies that they argued would create heaven on earth.