Economic Growth and Welfare in Catholic Thinking

By Alejandro A. Chafuen, Senior Fellow
Acton Institute for the Study of Religion and Liberty


The two major contributions of Catholic thinking to economic growth and human welfare are the teachings on private poverty, and on the human family. I have written extensively on private property, especially with my colleague Leonard P. Liggio (Chafuen, Liggio, 2004). We show that private property and family are also connected. Early demands for private property arose as a means to try to protect the intergenerational family.

Few of my liberal and libertarian allies focus on the family. Perhaps as each of us might have experienced family problems, we are hesitant to touch upon its importance. Most empirical studies show the economic, educational and welfare advantages of children who live most of their childhood with their mothers and fathers. The latest award winning book The Welfare State We’re In by James Bartholomew, released by the Institute of Economic Affairs (UK), confirms this conclusion. F. A. Hayek stated a similar view “The undoubted historical connection between religion and the values that have shaped and furthered our civilization, such as a family and several property, does not of course mean that there is any intrinsic connection between religion as such and such values. Among the founders of religions over the last two thousand years, many opposed property and the family. But the only religions that have survived are those which support property and the family.” (Hayek, 1988) The Roman Catholic Church is prominent among those that have survived.

Those who are skeptical about the benefits of the so-called traditional family, are correct in stating that it is yet early to measure the welfare effects of the changes in family structure occurring in many parts of the world, especially in Scandinavia. With the available data, however, I feel comfortable concluding that the family and private property are the pillars of growth and welfare in the free society. As I have said in other settings, if you do not believe me, believe the Marxists, who as leading enemies of the free society, focused most of its policies in trying to destroy both institutions.
In this presentation I will not focus on those two topics in Catholic thinking, but on three pervasive lines of thinking which I consider are detrimental to development and welfare.

The reality of Europe has, and will continue to have a major influence in the thinking of the Church. The Vatican is very close, geographically and culturally to the European reality. Although the influence of Church thinking in Europe has weakened, it is still a formidable teaching force.

When analyzing Catholic thought one needs to be aware of the varying levels of authority that exist in statements and documents released by different church bodies. Unfortunately, even in major publications of the Roman Catholic Church, “contingent historically conditioned judgments about particular subjects” are given the same weight as fundamental principles. (Gregg, 2006, p. 264) Statements from Bishop conferences, are given the same weight as statements coming from the Pope, and few understand the difference between a speech given by the Pope at an academic conference from a statement made *ex-cathedra*, as in an Encyclical.

Three major 20th Century trends in Catholic thought still affect economic growth in a negative way. These are:

a) The notion that in a capitalist society there is a trend for the rich to get richer and the poorer get poorer
b) The belief that the labor market is radically different from all other markets
c) An “angelical” vision of the state, which recommends government intervention whenever market forces do not produce ideal results

One can see these notions and beliefs in Church documents, statements by the hierarchy and Episcopal conferences, all with various degrees of authority.

**The rich get richer and the poorer get poorer**

Intellectuals of different bent prepared the ground for the acceptance of these views. During the early twentieth century, Vladimir I. Lenin developed his theories of imperialism, touching upon the topic of nations continuously getting richer while others getting poorer. His views on how the rich capitalist nations exploit others still influence the world today. During the second half of the twentieth century the Argentine economist Raúl Prebisch (1901-1986) developed a not so dissimilar theory of center-periphery. It stated that as the cards were dealt, the rich countries in the “center” were bound to get richer and exploit the poor countries in the “periphery.” Even market-oriented authors, like Hernando de Soto, have recognized that countless people have been left out the system and not been able to get their share of the benefits of globalization.

In 1968, the Episcopal conference of Latin American bishops met at Medellin, Colombia. Some paragraphs of the Medellin document have caused great harm to the cause of economic freedom: “The countries which produce raw materials—especially if they are dependent upon one major export—always remain poor, while the industrialized
countries enrich themselves. We wish to emphasize that the principal guilt for the economic dependence of our countries rests with powers inspired by uncontrolled desire for gain.”

Pope Paul VI, in his encyclical Populorum Progressio (1967) used similar language and analysis. He wrote that the economic system left “to itself” widens the gap between rich and poor nations: “Rich people enjoy rapid growth whereas the poor develop slowly. The imbalance is on the increase . . .” He also condemned the owners of landed estates which use their property in a way detrimental to the common good and he criticized those who want to protect their savings from local plundering by sending their money abroad “purely for their own advantage, without care for the manifest wrong they inflict in their country by doing this.”

In a message addressed to the Pontifical Academy of Social Sciences, which recently completed its 13th plenary assembly in Rome, Pope Benedict XVI, repeated the slogan about “the growing gap between rich and poor countries.” As usual, even if this is a contingent matter, he did not provide concrete examples: In what time span have the rich got richer and the poor gotten poorer? Why does rich Argentina lose ground to poor Chile, Singapore or Hong Kong? How come poor Ireland is surpassing other rich European countries?

The labor market

On the issue of the labor market, it was classical economists, even some teachings of Adam Smith and later David Ricardo, who influenced the labor theory of value of Karl Marx. Labor was not only seen as the only source of value, but some even argued that nature had left the workers at the mercy of the schemes of businessmen and of an “Iron Law of Wages.” The supposed law, popularized by Ferdinand Lassalle (1825-1864), a German jurist, stated that if workers earned beyond subsistence levels, they would have more children, which would then enter the work force, and lower the salaries again to subsistence levels.

Although never siding with Marxism, except for the priests of the “Liberation Theology” movement, the statements of the Church have a preference for the worker, as much as for the poor. Labor unions are mostly seen in a positive note, and John Paul II experience with the Solidarity labor movement in Poland, greatly influenced his writings. Although labor unions and leaders are open to sin and error just as anyone else, one seldom finds criticisms to labor unions in Church documents.

Pope Pius XI thought that labor was so special, that according to Oswald Nell-Breuning SJ (1890-1991), one of his favorite theologians, he “asked for the development of a new juris disciplina: labor law. He enumerates the following subjects to be dealt with in labor law: "life, health, strength, family, home, place of work, wages, industrial hazards; in short, everything that concerns the worker and his living conditions . . .with special consideration of woman and child labor."(Nell-Breuning, p. 46)
The Angelical vision of the state

During the period of rapid growth in the nineteenth century, any impartial analyst would have seen abuses, dislocations, and other traumatic developments affecting countless of households and workers. Many of them were caused by, and were blamed on, the selfishness of the owners. To solve these problems intellectuals from very different backgrounds began advocating government mandates and regulators believing that bureaucrats, almost as “angels,” would be guided not by selfishness but by the common good. Even neo-liberal economic stars like those who developed social market economics, such as Wilhelm Röpke (1899-1966), former president of the Mont Pèlerin Society, promoted anti-trust legislation and a number of “conformable” regulations, with the hope of improving the market order. In his writings he paid no, or only scant attention, to the possibility that the regulators would also be selfish and have the potential of creating worse problems than they tried to solve.

Some of the best applied European Catholic moral theology, as that produced by Johannes Messner (1891–1984), Arthur Fridolin Utz (1908-2001), and Joseph Höffner (1906 - 1987), was influenced by authors of the “Freiburg School” such as Röpke, Walter Eucken (1891-1950), and Alfred Müller-Armack (1901-1978). The resulting economic model is usually referred to as “Social Market Economics.” Within that school, Röpke was perhaps the most liberal, and Alfred Müller-Armack, the less liberal, or the most optimistic about the possible improvements due to government activity. Müller-Armack advocated all sorts of government interventions, from minimum wage to income redistribution, to “correct” market failures. (Farmer, p. 320) Röpke saw that the “welfare state” had a dangerous potential for growth: “By its continuous expansion, the welfare state tries to cover more and more uncertainties of life and ever wider circles of the population, but it also tends to increase its burdens; and the reason why this is so dangerous is that while expansion is easy and tempting, any repeal of a measure later recognized as hasty is difficult and ultimately politically unfeasible.” (Röpke, p. 162)

Messner, Utz, and Höffner, are prime examples of moralists who despite understanding basic principles of economics, encouraged even more government intervention than the neo-liberals or ordo-liberals. Karl Farmer correctly states, “The specific philosophical position and Müller-Armack’s paternalistic view of the state prepared the ground for the gradual overexpansion of the welfare state.” (Farmer, p. 321) Europe during the last 50 years has been a major testing ground of these views.

The optimism that some Church authorities have for government agencies is still present in the documents and statements of the Church, especially in what refers to international agencies. This optimism persists despite the huge difference in the views shared by these agencies and the Vatican. International environmental bodies, for example, regard human beings not at the center, but as only one other element in nature. Apart from the divergent foundations, these agencies do not have any special talent to guide market process in directions valued by the Church. Lord Griffiths assessed that John Paul II’s hope “that effective international agencies will oversee and direct the international economy to the common good” is “based on a misunderstanding of the nature of
globalization. The attempt to control it would be no better than the national economic planning proposed by Lord Keynes and others which eventually collapsed in the early 1970’s” (Griffiths, p. 25)

A good example that proves Griffiths point, is what is going on now (June 2007) at the World Bank. A simple search on the media attacks on the managing director Juan José Daboub, would show the countless accusations against him because he dared argue that the World Bank should not be in the business of distributing condoms. Daboub’s alleged membership in a Roman Catholic lay organization is heralded almost as a crime. What is the source for the Church optimism that these international organizations will ever be guided by its principles?

The Truth behind the mistakes

Liberal, pro-growth, economists, scoff at some of these theories, answering that over the long run, in an unbound capitalist system, most of these problems would disappear. The poorer will improve their lot, so would the workers, and competition will get rid of market imperfections. Yet, these three trends in the Catholic thinking are still with us. Nothing prevents an organization from maintaining errors for a long time. The condemnation of interest rates by Catholic theologians lasted for centuries. It is still with us in the Muslim world. Nevertheless, I believe that these teachings about inequality, labor and bureaucracies, that I regard as mistakes, misguided, or poorly developed, have remained so much in the spurious dogma of the Church because each of them has a kernel of truth.

In general, Libertarians and free-market economists take a confrontational stance, and few make an effort to find common ground with those with divergent views. P.T. Bauer wrote a famous essay entitled “Ecclesiastical Economics is Envy Exalted” (Bauer, 1982) and F.A. Hayek, saw little or no room for the concept of social justice, an important concept in the social doctrine of the church. Hayek completely neglected, and almost misstated, the important Catholic tradition on social justice, put forward by Taparelli, and followed by A.F. Utz, Nell-Breuning, and Johannes Messner which argued that social justice has nothing to do with the state but with order in society, and it is not ruled by the state.

Are the rich getting richer and the poorer getting poorer?

The rich can, and at times have gotten, richer at the expense of the poor. This happens when they capture the government and reduce opportunities for the poor. When Paul VI and other religious authorities speak about an economic system “left to itself” they actually mean what they say. This is a system where businessmen make the rules rather than working within a framework of rule of law. That is why John Paul II sides with his predecessors when he criticizes a capitalism in which “freedom in the economic sector is not circumscribed within a strong juridical framework which places it at the service of human freedom in its totality and sees it as a particular aspect of that freedom, the core of which is ethical and religious.” (Centesimus Annus, CA, 42) Nevertheless he endorses a
capitalist system “which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector. ... even though it would perhaps be more appropriate to speak of a “business economy,” “market economy” or simply “free economy.” ” (CA, 42)

Hernando de Soto and his team of researchers, showed like none before them, how an overregulated economy, creates such high costs of entrance to the market for the poor, that it ends up excluding them from just opportunities. In addition to this process, and to explain why so many poor can’t improve their lot, I have pioneered and tried to push the notion of an “unequal distribution of economic freedom”. The unequal distribution of economic freedom leads to a system where the richer get richer because they are the only ones who can afford the costs of legality, or to buy from producers other than the state, the products, such as education and security, inefficiently produced by government. The poor get stuck with poor services.

Is it true that labor is different?

The labor market also has distinguishing characteristics from almost all other markets. Although economic principles such as the law of supply and demand, also apply to the labor market, human beings do not decide, and should not decide the allocation of the traded good, productive work, as in other markets. The price of labor, in the long run, might be determined in the same way than other factors of production (by its marginal productivity) but the dignity of the human person gives this market a special dimension.

Leading and successful businessman, and great champions of free-markets, have recognized the value of treating the worker with special dignity. Frenchman Jacques Raiman (1946-) places this principle at the core of business model (Raiman, 2007). Charles Koch, principal owner of one of the two largest private US based companies (that the shares are not publicly traded), recently released a book where he intends to coin the term “principled entrepreneurship” for what some of us would call “socially responsible” business attitudes towards the laborer (Koch, 2007). No other factor of production gets the same treatment in his book.

Public service requires people with special virtues and they do exist

During the period of great development of the capitalist system, many mistakes were done, and less than ideal situations emerged. It seemed natural that intellectuals and policy leaders would come up with government solutions for market failures. Is the money supply behaving erratically and creating booms and busts? Let’s create Central Banks. Are price cycles causing negative effects in producers? Let’s create price regulatory agencies. There was seldom discussion about what incentive the Central Bank authorities would have to promote stable money rather than accommodate to the desires of political power. Few considered that price regulatory bodies would also be staffed by human beings with similar failings as those who engage in private business. A line of thinking emerged in the Church where bureaucrats, just because they should serve
the common good, began to be treated as if they would actually be acting having the public interest rather than their own private interest in mind. Moralists in the Catholic Church, and from other backgrounds as well, by not recognizing that bureaucrats and regulators have failings also, began treating them as “quasi-angels” and so far, have seldom focused on the set of incentives that encourage bureaucrats to serve themselves or their constituencies that feed them rather than the general public.

Moving forward

As the Church has the mandate to nurture its doctrine with all the contributions of established science, much of the burden for improving the church views on inequality, labor and bureaucratic decision making, lies on the Church and its many Pontifical Commissions. I know several members of these commissions who would be totally at ease at meetings full of people favorable to free-markets: from Nobel Laureate Gary Becker in the Pontifical Academy of Sciences, to Mary Ann Glendon, president of the Pontifical Academy of Social Sciences, to Father Alberto Bochatey, in the Pontifical Academy for Life. They were nominated to those commissions not because they agreed with all contingent statements of Catholic moralists, but by earning an outstanding academic reputation and learning to communicate with moralists with respect and understanding. If we want to influence the thinking of the Church in economic matters, being good economists is not enough. We also need to learn to communicate in the language that they understand, as well as making an effort to understand their traditions.

Those of us, who are economists, can contribute to the improvement of Catholic Social Doctrine by continuing to improve the measurement and understanding of economic reality. I am a founding trustee and secretary of the board of a think tank, the Acton Institute for the Study of Religion and Liberty, which conducts numerous programs which have and continue to have a positive influence in the Church. I am also trustee of another outstanding think tank, The Fraser Institute, in Vancouver, Canada, which has as its motto “if it matters, measure it.” Fraser excels at measuring economic freedom and correlating with measures of wealth and welfare. Are richer nations getting richer and poorer getting poorer? What do measurements say? At international levels, in almost every continent we have seen rich countries fall, and poor countries rise. Like Argentina in Latin America, falling in income per capita and share of the world income, and Chile, rising. Ireland in Europe and Estonia in Central Europe are other good examples. Internally, we have seen inequality, measured by the Gini coefficient, remain unchanged over many decades, in rich and poor countries. Yet the measurement does not take into account movement within the quintiles. How many of the poor yesterday are part of the rich today? The questions about inequality and trends do not have simple answers, and the Church should be less prone to generalizations.

It used to be that being born in the right place, in the right family, was guarantee that one would be rich for life. The dynamics of globalization has been changing all that. Today, a percentage of inequality is still due to asset inequality. But assets are priced by the discounted value of the future flow of income of that asset (a farm, industries, or capital goods, are valued by the expected market value of the goods that one can produce with
them.) The more producers have to compete with producers all around the globe, the less certain they will be about being able to remain competitive, and the more doubts they will have about the future value of their assets. Asset inequality, especially in the developing world, is each time less relevant in analyzing why in certain cases “some rich are getting richer and some poor are getting poorer.” Most inequality is the result of income inequality.

Incomes are heavily dependent on education and increased opportunities for better education in a globalized economy are creating positive shocks in many societies. Children of humble origin can get scholarships to study abroad and jump ahead of their wealthier peers. But these cases are still too few, except perhaps in some Asian countries such as Singapore and Taiwan. In order to diminish inequalities, the Church should continue to promote choice and parental involvement in education and open its educational establishments to the best and the most deserving.

I argued that to improve the Church position on inequality we need better measurements. Who should produce these indicators? I am so skeptical of the usefulness of organizations such as the World Bank, the International Monetary Fund, the IADB and the United Nations, among others, that I would prefer to see them closed. But as that might be too much to ask, I would like to see these organizations put some of their technical talent to good use and improve those measurements, in competition, and perhaps complementing private sector indices. Some good is already being done. Despite some failings, the “Doing Business” indices produced by the World Bank are a welcome addition. They build upon the pioneering work of Hernando de Soto and his team of researchers at the Instituto Libertad y Democracia in Perú. Careful reading of the indices would show moralists that the poorer are getting poorer in countries where the local authorities, not those in the countries in the “center,” impose costly burdens on their local producers.

There are other notions pervasive in the thinking of moralists which create results opposite than those intended. Many moralists, when analyzing profits, seem to regard cost-plus pricing and profit making as more “just” than profits that result from charging as much as one can, even when no fraud, coercion, or unjust privileges are involved. When these mistaken notions about “just profits” lead to legal frameworks where profits are limited as a fixed percentage of costs, rather than as a result of correctly anticipating the market, the rich tend to get richer and the poorer get poorer. Cost-plus pricing tends to be applied today only in products and services provided on government owned or heavily regulated industries. I do not have room here to develop a thorough analysis on how rigid profit structures lead to the paradoxical result of increasing rather than reducing inequality, so I leave it as a topic for further analysis.

Labor Markets

I recommend a similar strategy to influence church statements on labor issues. Improving the measurements about the regulations of labor markets as well as the condition of laborers in each country can be of great help. I recall how helpful my
knowledge of labor statistics and regulations was during the question and answer period after a lecture at a European university heavily influenced by Catholic thinking. Several of the questions alleged some negative consequences of the “savage capitalism” we have in the United States, especially on labor. As chief executive of a foundation, I am an employer in Northern Virginia. I knew therefore that we operate with a decent degree of freedom; we are not required, for example, to have a labor contract. We can hire and fire at will. Yet, “unemployment” in my region stands at 2%, four to five times lower than the one existing in most of Europe. As I was having this friendly debate at a Catholic university, it also helped me to have some data about church attendance, attitudes and legislation about marriage and family, and other indicators, where the US scored better than Europe. It was impossible for them to prove that the more regulated European labor market was more consistent with the dignity of the human person, than the system under which I operate in the United States. Apart from unemployment and salary levels, it is important to continue to gather additional data about labor markets and the condition of the laborers.

Friends of free enterprise would also be more influential in the debate if we would have more “intellectual” businessman, like the above mentioned Raiman and Koch, or Francois Michelin (Michelin, 2003) in dialogue with the Church: recognizing that labor is different, but without having to give up their understanding that the laws of economics also apply to that market.

A labor topic where the Church has to be careful not to make a new “mistake” is that of outsourcing. Archbishop Silvano Tomasi, Permanent Observer of the Holy See to the United Nations and Specialized Organizations in Geneva and to the World Trade Association, recently raised “some cautions concerning the practice of outsourcing.” (Griffiths, p. 58) The Church as a teacher has all the right and duty to analyze the moral questions produced by “outsourcing.” It should not fall, however, in the trap of politically correct analysis.

Apart from looking forward, the Church should also nurture its views on growth and welfare using the best of its traditions. The late-scholastic tradition is a prime example, and scholars from diverse backgrounds are recognizing their contribution. But one does not need to go so far back either. Oswald Nell-Breuning, the moralist who had the greatest influence in Quadragesimo Anno, one of the most influential social encyclicals, had much more sophisticated views on the working of the labor market. Although high salaries might be a sign that a society is more just he states that "The Pope clearly, expressly, and exclusively subjects the amount of wages to commutative justice." (Nell-Breuning, p. 170) This is completely consistent with the views espoused during centuries by scholastic and late-scholastic authors. Nell-Breuning continues "If, however, the economic structure is disturbed, or if it proves to be impossible to give labor its proper place in the system, then the value of work done will more or less fall short of family requirements. Then the employer cannot be required, either on the basis of commutative justice or for some other reason, to pay family wages. On the contrary, in this instance he is unable to pay them. The attempt to pay them in spite of it would merely result in
further dislocation of the economic structure, and would endanger the employer himself." (Nell-Breuning, p. 177-8)

"Trying to enforce the payment of a family wage under such conditions would be unjust to the employer; with respect to the community as a whole it would be an infringement of social justice." (Nell-Breuning, p. 178) Nell-Breuning offers this as "the only possible interpretation that does justice to the wording and spirit of the document [Quadragesimo Anno] . . . with sound knowledge and fullest scientific conviction as the true meaning of the papal words." (Nell-Breuning, p. 178-9) Nell-Breuning makes another statement which we seldom hear today from religious thinkers "A wage rate which causes the breakdown of the firm frustrates the purpose of labor." (Nell-Breuning, p. 182) He concludes that "without being unjust the employer can give his employees the choice between the only two possibilities: either shutdown and layoff, or continued work at lower wages." (Nell-Breuning, p. 184)

Nell-Breuning speaks about the "dependence of the Marxian doctrine of the value of labor upon that of liberal classical economics." (Nell-Breuning, p. 303) Anticipating some of the statements in Centesimus Annus, and basing his work on the importance of human capital on Friedrich Areoboe, he agreed that "improvement of the people's mind is now more important than improvement of the soil." "This is true indeed. Not he who creates and shapes material things, but he who shapes human beings and gives them their character, is the real maker of history." (Nell-Breuning, p. 40)

Bringing the teachings of “Public-Choice” economics to the hierarchy

On the topic of the “angelical vision of the state” those of us who have dialogue with moralists, need to continue to expose them to the lessons taught by the theory of bureaucratic decision making (usually labeled “Public Choice Theory” a term that I avoid) as exemplified in the writings of Nobel Laureate James Buchanan, Gordon Tullock, and many others. This school of thought developed its insights by including in their analysis the assumption that those responsible for government agencies would be motivated by similar selfish interests than in the private sector. Its logical conclusions and predictive value earned them a scientific reputation which should not be neglected by the Church.

To further weaken this “angelical vision” of the state, we should continue to improve the measurements of the cost of the services provided by the government and comparing them with those offered by the private sector. Measuring the cost, quality, and access to goods and services provided under very heavy regulated markets with those that are unregulated is another way to have a more realistic vision of the virtues and vices of state activities.

I stated above that the Hierarchy of the Catholic Church has undue optimism on the behavior of international bureaucracies. Nowhere can this cause more contradictions than in the environmental arena, which has an obvious impact on economic growth and welfare. When addressing his concern for “the environment and sustainable
development”, Pope Benedict recently stated that “The international community recognizes that the world’s resources are limited and that it is the duty of all peoples to implement policies to protect the environment in order to prevent the destruction of that natural capital whose fruits are necessary for the well-being of humanity.” Yet most resources are limited only by our intelligence. A material thing becomes an economic resource only when the human intellect makes them so. That is why humans have been labeled the “ultimate resource” by the late Julian Simon (1983), a Vatican favorite. A natural resource, to use the expression of Armando Ribas, a Cuban-Argentine intellectual, as long as it remains natural, it is not a resource at all. Tourism would be an exception to Ribas aphorism, but one gets the point. Is energy a limited resource? Or is it limited only by today’s knowledge on how to accumulate and use the abundant energy produced by the sun, the wind, and the oceans, in an economically efficient manner?

Pope Benedict also pointed out the need “to assess and forecast, to monitor the dynamics of environmental change and sustainable growth, and to draw up and apply solutions at an international level.” The Roman Pontiff leaves aside the topic of what authority, at international level, would be given the legitimacy on this arena. Would be this the same international bodies that put more emphasis on the right to kill babies in wombs than on creating political economic systems that lead to prosperity? Most of the international bodies push an agenda that directly contradicts Pope Benedict’s second challenge: “Only love within the family,” he stresses, “founded on a man and a woman, who are created in the image of God, can assure that inter-generational solidarity which transmits love and justice to future generations.”

So far the Roman Catholic Church has not joined the radical environmentalist bandwagon. A few months ago the Vatican organized a major conference on global warming, and unlike other international organizations in Europe, the Vatican invited both the skeptics and the advocates of global warming doom. Yet, I understand that these skeptics were added after an enlightened Cardinal alerted in private that the meeting was going to be one sided. I think that the environmental stance of the Church, on global warming, on population growth, and on bio-genetic research can have huge implications for the future welfare and economic growth, in Europe and beyond.

Adjusting to new realities

My major reason for optimism in the direction of Church thinking on economic growth and welfare, is that everything I see and read, confirms the validity of what I regard the major “human” asset of the Church: a correct anthropology and a correct teleology.

All the social and economic teachings of the Church need to pass the test of the human person. As Lord Griffiths has stated, “The cornerstone of Christian social teaching is after all the intrinsic dignity of every human being. It is this that forms the basis of human rights, democratic government, and market economies. For Christians, the ultimate test for globalization is not economic growth per se, innovation, new technology, capital flows, or increased trade, but how it affects the life and choices open to individual persons.” (Griffiths, p. 26)
In this presentation, I focused on pervasive trends in ideas that are inimical to development and welfare. To be fair, however, I want to stress a positive trend: the Roman Catholic Church was one of the first institutions to recognize and include into its doctrine the reality of a changing economy. The focus on the person as the center of the process of development and welfare has helped the Church emphasize the importance of the entrepreneur. During the period immediately preceding the release of Centesimus Annus, the role of free enterprise and the entrepreneur in wealth creation made a modest entrance into the language of the Church. Twenty years ago, speaking in my native Argentina John Paul II stressed that “[T]he degree of well-being that society enjoys today would have been impossible without the dynamic figure of the entrepreneur,” (Chafuen 1990, p. 191)

John Paul II stressed the creativity of the entrepreneur and the right of self initiative in Centesimus Annus, “[I]t is important to note that there are specific differences between the trends of modern society and those of the past, even the recent past. Whereas at one time the decisive factor of production was the land, and later capital—understood as a total complex of the instruments of production—today the decisive factor is increasingly the person, that is, one's knowledge, especially one's scientific knowledge, one's capacity for interrelated and compact organization, as well as one's ability to perceive the needs of others and to satisfy them.” He further expanded on the role of the entrepreneur:

“It is precisely the ability to foresee both the needs of others and the combinations of productive factors most adapted to satisfying those needs that constitutes another important source of wealth in modern society. Besides, many goods cannot be adequately produced through the work of an isolated individual; they require the cooperation of many people in working towards a common goal. Organizing such a productive effort, planning its duration in time, making sure that it corresponds in a positive way to the demands which it must satisfy, and taking the necessary risks—all this too is a source of wealth in today's society. In this way, the role of disciplined and creative human work and, as an essential part of that work, initiative and entrepreneurial ability becomes increasingly evident and decisive.” [CA no. 70]

Conclusion

I focused on economic statements of the Church because my field is economic thought. I am fully aware, however, that for its members, the value of the message of the Roman Catholic Church has little to do with economics and much more to do with the teachings of its Founder. In the Church’s view the transformation of social relations in this world ultimately depends upon “[T]he inner transformation of the human person, in his being progressively transformed to Christ.” (Compendium of Catholic Social Doctrine, no. 42) The teachings of the Church on economic growth and welfare will always need to take this into consideration. Pope Benedict recently reaffirmed this when he stated "If development were limited to the technical-economic aspect, obscuring the moral-religious dimension, it would not be an integral human development, but a one-sided distortion which would end up by unleashing man's destructive capacities."
If, as Christians, the most important task is our salvation and sanctification, as economists we need to continue to improve our understanding of the conditions which bring about development and maximize welfare, and try to bring these views to the moralists.


Griffiths, Brian, 2007, Globalization, Poverty, and International Development: Insights from Centesimus Annus, Acton Institute, Grand Rapids


Michelin, Francois, 2003, And Why Not?: The Human Person and the Heart of Business Lexington Books, U.S. Lanham, Maryland

Nell-Breuning, Oswald von, 1937, Reorganization of Social Economy. The social encyclical developed and explained. Translated and edited by Bernard Dempsey, SJ Milwaukee: Herder.

