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Contact Information

Reprint permissions, advertising, and journal exchanges:

Assistant Editor—Dylan Pahman

dpahman@acton.org

Subscriptions, renewals, and change of address corrections:

Customer Service Manager—Kimberly Brink

kbrink@acton.org

Website Coordinator—David Lohmeyer

dlohmeyer@acton.org

Art Director—Peter H. Ho

pho@acton.org

Copyediting/proofreading by Jan M. Ortiz

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Caritas in Veritate and the Market Economy

How Do We Reconcile Traditional Christian Ethics with Economic Analysis of Social Systems?*

Paul Oslington
Professor of Economics
School of Business and
School of Theology
Australian Catholic University

Benedict XVI's encyclical on globalization *Caritas in Veritate* has aroused a great deal of interest for its theological framework and position on particular public policy issues. The interest also reflects the importance of economics in contemporary culture. This article focuses on the tensions between some older strands of Christian ethics and newer economic approaches. It is argued that Benedict's encyclical does not resolve these tensions but provides theological resources and suggests several paths for others seeking to develop better theological accounts of market order. Considering these tensions raises questions about the extent to which theological frameworks constrain economic analysis.

Introduction

Benedict XVI's encyclical *Caritas in Veritate* has aroused considerable interest since its release in July 2009 and not just in the usual Roman Catholic circles. It made the front page of the *Wall Street Journal* with an article "Vaticanonomics." The *Economist* magazine and the *Financial Times* in Britain devoted space in several issues to Benedict's account of globalization. An open letter by prominent evangelicals about the importance of engaging with *Caritas in Veritate* was published in the journal *First Things*. Conferences on the encyclical have been organized at the historically Protestant institutions Princeton University and Regent College in Vancouver.¹

Such interest in a papal encyclical on globalization reflects the importance of economics in contemporary culture. There also seems to be a hunger for new ethical resources in the wake of the global financial crisis as well as a new

openness to religious perspectives such as that of the encyclical. Within Roman Catholic circles, *Caritas in Veritate* has attracted attention because of its theoretical depth and new theological approach to markets, following from John Paul II's *Centesimus Annus*. In other Christian circles, there is recognition that the papal encyclicals are the most substantial, contemporary, theological engagement with economic issues, and no area is more important than economics for Christian witness in the modern world.

This article considers responses to *Caritas in Veritate*, concentrating on responses to its teaching about markets and economics. I will focus on what I see as the major issue for Catholic social teaching, which is the tension between its traditional emphasis on persons and their face-to-face relationships and economists' emphasis on the properties of large-scale social systems. Considering this tension raises a deeper issue of the relationship between economic analysis and philosophical/theological frameworks in which it is embedded. Can we mix any type of economic analysis with any philosophical/theological framework? If not, how exactly does a philosophical/theological framework constrain economic analysis?

***Caritas in Veritate* and Economics**

Benedict XVI's encyclical touches on many economic issues, though seldom with the clarity and specificity that economists expect in their discipline. For instance, at section 22 the pope asserts that "the world's wealth is growing in absolute terms, but inequalities are on the increase." It is not clear what exactly he means by inequalities. Does he mean increasing divergence between the per capita incomes of different countries or is it an assertion about the distribution of individual incomes across the world? What period are we talking about exactly? The measurement issues and the evidence for several plausible interpretations of the assertion are complex and seriously debated among economists. Even more difficult are the controversies over what might be causing increases in inequality. Is it technological change, lower trade barriers, changes in relative supplies of different types of labor, or something else? There could be a similar discussion about the pope's comments on immigration in section 25, his remarks about trade and competitiveness in section 32, and what exactly he means by "malfunctions" in markets that need correction in section 24. His suggestion in section 67 about the "urgent need of a true world political authority" has attracted a great deal of comment.

This lack of specificity about theoretical and empirical issues may be frustrating for economists reading the encyclical. Statements tend to be fairly general

and programmatic, suggesting what economists and ethicists need to consider rather than attempting to settle theoretical and empirical questions. There are no references to the professional literature, though often the language and what we know of the process that led to the encyclical allow us to connect the encyclical to the professional literature of economics. Benedict reiterates a theme of previous encyclicals that “[t]he church does not have technical solutions to offer” (section 9) and one of the strengths of the social encyclicals, in my view, is their reticence about matters where economists have superior expertise.

Much of the press commentary on the encyclical has been about positions that Benedict has supposedly taken on particular public policy issues, predictably attracting support or criticism from those who hold similar or opposite views on those issues, respectively. The pope’s engagement with all these issues is shaped by his view of relationships among theology, ethics, and economics, and his view of the place of economics in the teaching task of the Church.² Any statements about particular economic issues must be understood in the larger theological and ethical context of those statements, both in the encyclical itself and in the tradition in which it stands.

The reticence of Benedict XVI and his predecessors about particular economic questions does not mean that the Church has nothing to say about economics. There are tensions between Benedict’s view of the world and that which dominates the economics profession.³ First, Benedict asks constantly about meaning and purposes, for instance in section 32 where he calls for “further and deeper reflection on the meaning of the economy and its goals,” picking up earlier statements of John Paul II.⁴ Teleological reflection was banished from economics in the early nineteenth century and these types of questions are not part of the professional discourse of contemporary economics. Second, many economists find it difficult to make much sense of social justice as discussed by Benedict in sections 6 and 35 within the framework of contemporary economics, even without considering Hayek’s view that social justice is incoherent and a dangerous mirage.⁵ Third, the concept of the common good discussed in section 7 and amplified in section 36, where Benedict teaches that economic activity must be directed toward the pursuit of the common good, is another point of tension. Economists are methodological individualists, and if criteria are used to judge outcomes, then they tend to be aggregates of individual satisfaction, with individuals always the ultimate judges of their satisfaction.⁶ Fourth, Benedict’s principle of gratuitousness, for instance the discussion of the “astonishing experience of gift” in section 34, would puzzle most contemporary economists. Economists look for some kind of exchange or contract when something appears to be a free gift.⁷ Fifth, economics is anthropocentric, valuing the environment only to the extent that

environmental goods enter to the preferences of individuals, but Benedict teaches that the environment has a value in itself, based on the doctrine of creation.⁸ See for instance in section 48 where he writes that “nature expresses a design of love and truth. It is prior to us, and it has been given to us by God as the setting for our life.” Sixth, Benedict’s emphasis on love in section 34 and 35 and elsewhere cannot easily be located within the structure of economic theory. The subjective dispositions of agents are usually regarded as irrelevant. What matters to economists are observed actions and their consequences. Finally, seventh, human fallenness, or “man’s darkened reason” (section 36) has no place within economics that treat human preferences as the ultimate ethical standard.

The individualist and consequentialist orientation of contemporary economists comes from its close historical associations with nineteenth-century British utilitarianism and early twentieth-century positivism. Although philosophically sophisticated economists today tend to disown these, they remain part of the culture of the discipline and part of the mindset of those involved in business because of the enormous cultural influence of economics.⁹

Love and the Ethics of Large Impersonal Systems

A major issue for Catholic social teaching, at the root of some of the tensions mentioned in the previous section, is reconciling the traditional Christian ethic of love with the economist’s consequentialist analysis of large-scale commercial societies.

Consider the following example.¹⁰ A bus driver is deciding whether to wait for a passenger running for the bus after the scheduled departure time. A desire in the driver to do the loving thing to the human being before him suggests waiting, and considerations of nourishing relationships strengthen this if the passenger is known to the driver. However, an economist would observe that we have a bus system here where everyone is better served by keeping to time and that the subjective and relational considerations for waiting may frustrate a better outcome for all. They might point out the unknown and unintended consequences for other passengers waiting at later stops on the route of missing connections, and so on. I suspect many persons (especially religious persons) in the driver’s seat would wait, while a “heartless” economist would pull away from the curb at the scheduled time.

Some commentators on *Caritas in Veritate* and previous encyclicals have raised this issue.

Perhaps the most forceful commentator has been Anthony Waterman, in a series of papers on Catholic social teaching, supplemented by a recent lecture at Regent College, Vancouver.¹¹ Anthony Waterman argues there is an incompatibility between the logic of market order and the underlying organicism (society like a body that needs a head) and constructivism (rulers have the knowledge, power, wisdom, and goodness to fix things) that he identifies in the encyclicals. According to Waterman's argument, there has never been a proper engagement of Roman Catholic thinking with economics; the market-friendly language of *Centesimus Annus* was inconsistent with its theological basis, and *Caritas in Veritate* offers no improvement.

The issue goes back long before the modern social encyclicals to tensions when political economy began as a discipline in the eighteenth century between some strains of Christian ethics and the new style of analysis of economic systems.

Adam Smith, in his *Theory of Moral Sentiments* and *Wealth of Nations*, struggled with this issue as he watched the emergence of the system of commercial society in eighteenth century Britain. Smith's struggle is particularly evident in his discussion of the range of sympathy, the roles of benevolence and justice in sustaining commercial society, and unintended consequences. One of Smith's big ideas is the capacity of an impersonal market order to harness self-interested behavior for common good, but there is a bit of both the wait and the go points of view in Smith's writings on bus driver-like problems in the economy.¹²

In the late nineteenth century, the British economist (and Unitarian minister) Philip Wicksteed put the issue as the "non-tuism" of economics, by which he meant the removal of the personal element from economic life and the analyses of it offered by economists.¹³

More recently, Frank Knight, generally recognized as the father of the contemporary Chicago school of economics, argued that while the Christian ethic of love might work in small-scale societies where face-to-face relationships are the most important, it is at best irrelevant and more likely damaging in large-scale societies where the most powerful forces operate through impersonal markets.¹⁴

Knight's arguments have been developed in recent years by Paul Heyne, a Lutheran then Anglican who trained in theology before moving into economics and searching for an adequate Christian ethic for large scale societies. Heyne invented the bus example above and used it for many years in his teaching of undergraduate economics.

Smith, Wicksteed, Knight, and Heyne were all sympathetic to the market order and attempted to develop an ethic appropriate to it. The other response to the rise of the industrial market economy in the eighteenth and early nineteenth

centuries was to reject market order and the analysis of it offered by economists, instead reasserting the older strands of Christian ethics the economists found inadequate. Examples include a long line of Anglican thinkers from Coleridge to Ruskin to T. S. Eliot to Carlyle to R. H. Tawney through to John Milbank today.¹⁵

Within the Roman Catholic tradition, the problem of reconciling an ethic of love with a market system came to the surface in the late nineteenth and early twentieth century discussions of the social question—especially in the attempt to reconcile a living wage for the worker with the survival of the capitalist system. Most Catholic writers in this period rejected market thinking as inconsistent with their tradition.¹⁶

Some recent Catholic writers such as Michael Novak have responded differently, coming down firmly on the side of the new market ways of thinking. Novak writes of the power of democratic capitalism to deliver wealth, “[I]t is not those who cry ‘The poor! The poor!’ who will enter the Kingdom of Heaven, but those who actually put in place the practical institutions that will help the poor to throw off their poverty.”¹⁷ However, it is arguable that Novak represents a representation of the old tradition of personal ethics rather than the sort of engagement with economic analysis of Smith, Wicksteed, Knight, and Heyne. Adam Smith’s idea of self-interested behavior being harnessed in an impersonal market setting is not as prominent in Novak’s argument for capitalism as the celebration of personal creativity and entrepreneurship.

An interesting case is the Catholic philosopher and theologian Bernard Lonergan. He was unusual in his deep engagement with professional economics, his respect for the expertise and autonomy of economists, and his understanding of the system’s approach to social questions. These characteristics are displayed in the discussions of economics in his major philosophical works and several papers on theoretical economics he produced in the 1940s.¹⁸ Lonergan represents a road not taken by other Roman Catholic writers on economics through the twentieth century.

Benedict himself is aware of the problem, having written perceptively about it in an article long before his papacy and *Caritas in Veritate*.¹⁹ In that article, he considered the objection often raised when the Church speaks on economic matters “that the autonomy of specialized realms [like economics] is to be respected above all,” or in other words that “the economy ought to play by its own rules and not according to moral considerations imposed on it from without.” He associates this view with Adam Smith, wrongly I think but understandably, given most German scholarship on Smith sharply separates Smith’s economics from his ethics, downplaying the latter. Whatever the origin of the view, Benedict rejects it, describing as “astounding” the proposition “that the natural laws of the market

are in essence good and necessarily work for the good, whatever may be true of the morality of individuals.” Benedict does concede though that the proposition is “not entirely false, as the successes of the market economy illustrate,” though these “successes” are not decisive for him as a Catholic theologian. The problem is then described as one of the relationship between subjective and objective ethics—with theological ethics emphasizing the subjective and economic ethics the objective. No solution is offered, though he does write that discarding either the subjective or the objective fails. In his words,

a morality that believes itself able to dispense with the technical knowledge of economic laws is not morality but moralism. As such it is the antithesis of morality. The scientific approach that believes itself capable of managing without an ethos misunderstands the reality of man. Therefore it is not scientific. Today we need a maximum of specialized economic understanding, but also a maximum of ethos so that specialized economic understanding may enter the service of the right goals.²⁰

Twenty years later in *Caritas in Veritate*, Benedict does not explicitly discuss the conceptual issue, and a papal encyclical is probably not the place for such a discussion in any case. There are several passages in the encyclical relevant to the issue:

Section 2: “Charity is at the heart of the Church’s social doctrine... it is the principle not only of micro-relationships (with friends, with family members or within small groups) but also of macro-relationships (social, economic and political ones).”

Section 38: He teaches that the principle of gratuitousness must find a place in markets not just civil society.

Section 42: He writes that “the globalization of humanity in relational terms” is needed.

Section 53: “The development of peoples depends, above all, on a recognition that the human race is a single family working together in true communion, not simply a group of subjects who happen to live side by side.”

Section 57: There is no mention of markets when Benedict discusses the divine plan principle of subsidiarity.

Section 65: Benedict does not allow the disconnection between intention and outcome that is part of the economic approach. He writes in relation to finance “Right intention, transparency, and the search for positive results are mutually compatible and must never be detached from one another.”

These and other passages that could be cited indicate that though Benedict on specific issues has gone beyond his European corporatist roots, there is still deep discomfort with the economic approach to the market order.

If Benedict wishes to develop a Catholic ethic for large-scale commercial societies, what are some paths open to him?

One option would be to build in new ways on the natural-law elements of Catholic social teaching (certainly present in *Caritas in Veritate* and especially prominent in sections 48 and 59). Benedict is better equipped than many other contemporary Catholic thinkers to take this option, with his intense desire to avoid an empty moralism and his concern to link natural law strongly to the doctrine of creation.

A second way forward for Benedict that sits well with the Augustinian elements in his thought would be to view the market order as a remedy for sin, similar to the way Augustine viewed government as a remedy for sin. This follows Anthony Waterman's reading of Adam Smith as offering an Augustinian theodicy of markets. The market order then has a role in restraining sin and preserving society, given the informational limitations and moral failings of human beings.²¹

A third possibility might be to develop a decentralized account of the moral intelligence he writes of in the encyclical. For instance in section 30: "Intelligence and love are not in separate compartments: love is rich in intelligence and intelligence is full of love." Or, in section 65: "If love is wise, it can find ways of working in accordance with provident and just expediency."²² There are theological resources to support such an economic analysis; for instance, the biblical Logos and wisdom language, but what is needed is the economic analysis to go with it, or at least a theological appropriation of existing economic analysis.

Theological Frameworks and Economic Analysis

Discussing these options for developing Catholic social teaching on economics raises the deeper issue of what constraints, if any, theological frameworks place on economic analysis.

When Benedict states that "[t]he church does not have technical solutions to offer" and that the church is "open to the truth from whichever branch of knowledge it comes" (section 9), it might seem that any sort of economic analysis is permissible in the service of his theological analysis. Later in the encyclical when he sketches a theological anthropology, surely particular economic models are being ruled in and out. Economists in the Kuyperian tradition who have attempted to build a new economics on the basis of the theological anthropology certainly think so.²³ It would seem that any theology that includes anthropology must have

consequences for economic analysis, unless we adopt completely instrumentalist methodology where the realism of the assumptions of each economic model is irrelevant.

How much, then, and in what ways does a theological framework constrain economic analysis? There are a range of answers in the literature on theology and economics. For instance John Milbank argues that social science is in the end theology, so theology determines our economic analysis. Older Roman Catholic writers have held similar positions without the sophisticated historical and theological arguments Milbank offers in support. At the other extreme, we have writers on globalization such as David Richardson who believe the analysis of consequences offered by economists is universally applicable to any theologians—essentially that any sort of economics is compatible with any sort of theology—and so the theology in no way impinges on the economist’s task.²⁴ Anthony Waterman’s position is similar.

Benedict does not provide clear guidance on this question, and such guidance would be helpful for an economist who seeks to implement his theological vision in the world of economic models and data.

Some of the secondary literature on *Caritas in Veritate*, however, does debate this question, mostly taking Benedict’s theology to substantially constrain economics. David L. Schindler, for instance, suggests that Benedict’s encyclical requires a substantial theological conditioning of economic analysis, while economics has an autonomy and integrity that needs to be discovered theologically.²⁵ Similarly, see also Nicholas Healy’s critique of arguments for the insulating of economics from theology.²⁶

My own view on this is that, although it might be logically possible to separate theological frameworks and economic analysis, it is practically impossible. Economics and theology are done by human beings in such a way that it is impossible to compartmentalize the two and are done in a society where the two will inevitably influence each other. Historical study of the relationships between economics and theology shows their strong but varied influences on each other.

Conclusion

Theological frameworks for economics such as that offered by Benedict XVI in *Caritas in Veritate* do matter, and this one is extraordinarily rich. I have focused on one issue for Catholic social teaching—one that I do not think Benedict deals with adequately. Nevertheless, Benedict’s thought in the encyclical and elsewhere provides resources for those (perhaps Benedict and his papal successors) who seek to develop better theological accounts of the market order with which we live.

Notes

- * This article draws on presentations at an Australian Catholic University conference on *Caritas in Veritate* in November 2009 and conferences at Princeton University and Regent College Vancouver in 2010. I thank participants for their questions and the editor and referees for their comments on the written version.
1. Details of the Princeton conference may be found at http://faithandwork.princeton.edu/news_and_events/events/conference_4_9_2010/conference.php. The Regent conference is described by Paul Williams, "Evangelicals, Pope Benedict, and the Financial Crisis," *Review of Faith and International Affairs* 8, no. 4 (2010): 65–68, <http://conferences.regent-college.edu/globaleconomy>. Our Australian conference proceedings are published as *Globalization and the Church: Reflections on Caritas in Veritate*, ed. N. Ormerod and P. Oslington (Sydney: St. Pauls Books, 2011). There have been many other conferences.
 2. Some of the key works on economics and theology are collected in *Economics and Religion*, 2 vols., ed. P. Oslington (Northampton, MA: Edward Elgar, 2003). The history of their relationship is outlined in P. Oslington, "Christianity's Post-Enlightenment Contribution to Economic Thought," in *Christian Theology and Market Economics*, ed. I. Harper and S. Gregg (Cheltenham: Edward Elgar, 2008).
 3. I found Tracey Rowland's account of Benedict's theology helpful in reading the encyclical, especially *Ratzinger's Faith: The Theology of Pope Benedict XVI* (Oxford: Oxford University Press, 2008). See also Rowland, *Benedict XVI: A Guide for the Perplexed* (New York: T&T Clark, 2010).
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8. L. S. Cahill, "Caritas in Veritate: Benedict's Global Reorientation," *Theological Studies* 71, no. 2 (June 2010): 291–319.
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18. Lonergan's writings on economics are discussed in N. Ormerod, P. Oslington, and R. Koning, "The Development of Catholic Social Teaching on Economics: Bernard Lonergan and Benedict XVI," Manuscript.
19. J. Ratzinger, "Church and Economy: Responsibility for the Future of the World Economy," *Communio* 13 (Fall 1985): 199–204.
20. Ibid.
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22. The beginning of an analysis of decentralized moral intelligence can be found in Bernard Lonergan's economic writings, especially his analysis of how intelligent adjustment of expectations can moderate the business cycle.

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25. D. L. Schindler, "The Anthropological Vision of *Caritas in Veritate* in Light of Economic and Cultural Life in the United States," *Communio* 37, no. 4 (2011): 558–79. See, for instance, statements such as, "Catholic social teaching is a vision of reality—and understanding of being, man, and God—that unfolds an entire way of life, at the heart of which is a moral-social practice," and, "the Christian difference, as it affects the economic and political order, is one not merely of additional motivation but of inner transformation" (564).
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Contributors

Thomas C. Behr (PhD, SUNY Buffalo) is resident scholar and director of workshops and seminars at the Center for the American Idea, as well as director of Liberal Studies at the University of Houston.

Fr. Joseph M. de Torre (PhD in Philosophy, Angelicum, Rome 1953) is professor emeritus at the University of Asia and the Pacific, Pasig City, Philippines.

Eduardo J. Echeverria (PhD, Free University, Amsterdam) is professor of philosophy in the Graduate School of Theology at Sacred Heart Major Seminary, Detroit, Michigan. He is the author of *Dialogue of Love: Confessions of an Evangelical Catholic Ecumenist* (2010) and *"In the Beginning ..." A Theology of the Body* (2011).

Daniel K. Finn (PhD, University of Chicago) is professor of theology and Clemens Professor of Economics and the Liberal Arts, St. John's School of Theology, Collegeville, Minnesota.

Barry P. Keating (PhD, University of Notre Dame) is the Jesse H. Jones Professor of Finance and Business Economics at the University of Notre Dame. He is a leading researcher in the study of data mining and its use.

Maryann O. Keating (PhD, University of Notre Dame) is an adjunct scholar with the Indiana Policy Review. She coauthored *Microeconomics for Public Managers* (Wiley, 2009) and recently lectured in economics at the University of Notre Dame Australia (2010).

Nelson D. Kloosterman (ThD, Theological University of the Reformed Churches [Liberated]) serves as ethics consultant and executive director of Worldview Resources International.

John D. Mueller is the Lehrman Institute Fellow in Economics and director of the economics and ethics program at the Ethics and Public Policy Center. He is also president of LBMC LLC, a firm in Washington, DC, specializing in economic and financial-market forecasting and economic policy analysis.

Paul Oslington (PhD, University of Sydney) is professor of economics at Australian Catholic University.

Marinus Ossewaarde (PhD, London School of Economics) is an associate professor in sociology of governance at the University of Twente, Enschede, the Netherlands.

Anthony E. Santelli II (PhD, George Mason University) is the founder and portfolio manager at AES Capital. He is also a founder and board member of the Catholic Finance Association and member of the Society of Catholic Social Scientists. He has taught economics and finance at Union College and George Mason University.

Manfred Spieker (PhD, Munich University) is professor of Christian social thought in the department of Catholic theology at Osnabrück University, Osnabrück, Germany.

Peter van Dam (PhD, Westfälische Wilhelms-Universität Münster) has been a lecturer of Dutch history at the University of Amsterdam since 2009. He focuses on the history of Dutch and German civil society, religion in Western Europe, and transnational history. Currently he is working on a history of the Dutch fair-trade movement.

Rolf van der Woude (PhD, University of Groningen) is senior researcher at the Historical Documentation Centre for Dutch Protestantism at the VU University Amsterdam.

David VanDrunen (JD, Northwestern University; PhD, Loyola University Chicago) is the Robert B. Strimple Professor of Systematic Theology and Christian Ethics at Westminster Seminary California.

Harry Van Dyke (D.Litt., Free University of Amsterdam) is professor emeritus in history at Redeemer University College, Ancaster, Ontario.

Gerard van Krieken (PhD, Leiden University) is a retired teacher of history at the Kennemer Lyceum, Overveen, the Netherlands.

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Jordan Ballor
Acton Institute
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Grand Rapids, Michigan 49503
E-mail: jbhallor@acton.org

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