Solidarity: The Journal of Catholic Social Thought and Secular Ethics

Volume 1, *Issue* 1 2011 *Article* 2

Connecting Economics to Theology

Garrick Small*

*garricks@optusnet.com.au

Copyright ©2011 by the authors. *Solidarity: The Journal of Catholic Social Thought and Secular Ethics* is produced by The Berkeley Electronic Press (bepress). http://researchonline.nd.edu.au/solidarity

Connecting Economics to Theology

Garrick Small

Abstract

Economics claims to be an independent empirical social science but empirical evidence of the last century challenges this claim. By contrast Caritas in Veritate contains a set of linkages that demonstrate that economics is related to morals, anthropology and theology. Economics is practiced in a cultural setting with a moral dimension related to the human person, which is ultimately grounded in the nature of God. Pope Benedict has focused on love and gift as human qualities reflecting the Divine nature. The anthropology that proceeds from this is a development of Pope John Paul II's emphasis on human dignity and freedom. It suggests moral principles that can guide culture, social institutions and hence economic action. Pope Benedict uses his reflections on the social order to comment on the problems of development for less developed peoples, but his analysis also completes one theme of the social encyclicals. Whereas Pope Leo XIII concentrated on economic and political fundamentals such as property and political organization, subsequent contributions turned attention more towards the human actor in relationship to God. Pope John Paul II made this explicit by turning attention to anthropology. Pope Benedict has connected these and completed the vision initiated by his immediate predecessor. He has described more completely the grounding of anthropology on the family, culture and ultimately the Most Blessed Trinity. The encyclical can be read as an invitation to a broader methodology for economics, one that is better conformed to actual market actors and that has the capacity to overcome some of the contentious aspects of the current discipline. The groundwork has been established by thinkers including Aristotle and St. Thomas Aquinas and some of its elements are evident in the economic organisation of many non-modern cultures.

The Theological and Social Grounding of Economics: the centrality of an adequate understanding of the human person in the social theory of Caritas in Veritate

Garrick Small

Introduction

The problem of development is a pressing issue that tests the applicability of economics to circumstances where difference in economic power cannot be ignored. The world of economic theory is one where all players are on an equal footing and the disjunction between this and the real world, though tacitly acknowledged, tends to be ignored on the assumption that the development of efficient markets will dissolve temporary inequalities. Pope Benedict's encyclical *Caritas in Veritate* (CV) is focused on development, but its thrust concerns the very structure of economic thought. The pope argues a connection to ethics, anthropology and theology that economists would prefer to ignore, but this raises the question of the connection between economics and the other sciences. One position is that economics is an entirely free standing discipline while the other sees it as a practical science linked to other practical sciences, morals, philosophy and theology.

This paper will review the arguments and evidence on the possible linkages between economics and other sciences. It will then interpret Caritas in Veritate as a theory of humanity and moral action that makes valid connections from theology to the economics of development. In this way it will demonstrate that Catholic social thought is a consistent theory of action that has the capacity to correct some of the more problematic deficiencies in contemporary market economics.

Contemporary market economics is not a monolithic body of theory but a pantheon of competing schools of thought that includes the Chicago School, Austrian School, Public Choice Theorists, Institutional Economists, Monetarists, Keynesians, Georgists, Douglas Social Creditors, Distributists and Socialists, amongst many others. Some are dominant, while others are largely marginalised despite maintaining some following. A student of economics is likely to be introduced to an eclectic body of knowledge loosely termed *neo-classical theory* that claims to be the refinement of earlier classical economics usually associated with Adam Smith, David Ricardo and others before the twentieth century. All of this is distinctly modern in flavour, having no link to the more philosophical economics found in St. Thomas Aquinas and Aristotle.[1]

Neo-classical economics shares a common view on free market trade and pricing as being sufficient institutional arrangements to ensure an effective economy, though most schools of theory differ on practical policy for particular circumstances. It also shares a common view of economics as a positive science based purely on empirical observation, similar to other contemporary social sciences and modelled on the natural sciences. As such it is assumed to exist independent to moral thought despite relating to human action.

[1] S Meikle, *Aristotle's Economic Thought*, (Oxford: Oxford University Press, 1995)

Richard Crespo attempted to argue that economics was a moral science,[2] but only attracted controversy and rebuttal in the Acton Institute sponsored Journal of Markets and Morality.[3] Given the thrust of the journal and its substantial Catholic readership, his foray into connecting economics with ethics does not appear popular to at least one prominent sector of the economics establishment and its Catholic audience. Crespo's argument was based on the commonly understood purpose of economics and not on the definition of the discipline adopted by economists themselves. Boettke reminded readers of the formal definition of the discipline and its methodology, neither of which admits a moral dimension.

The Century Long Experiment

Caritas in Veritate clearly considers that the question of development is largely an economic issue and its solution lies in part with the resolution of moral issues. Pope Benedict adopts Crespo's position in opposition to most contemporary economists. In taking this position the Pope is merely continuing the Church's position in its social thought that has never accepted the proposition that economic action is aloof from moral content. In this regard the Church has been more consistent than the economics discipline itself.

At the time the first social encyclical, *Rerum Novarum*, was written by Pope Leo XIII in 1891, economics was studied as a sub-discipline of moral philosophy known as Political Economy. By the end of the nineteenth century many economists were growing uncomfortable with the moral parameters of Political Economy and were pushing for the adoption of a purely empirical science stripped of moral content. Alfred Marshall argued for a purely positive, or empirical, discipline and was one of the first to advocate the new name for the discipline that is used today, *economics*.[4] He acknowledged that the ultimate moral goal of economics included realising the common good, but he argued that the best way to realise it was to avoid direct moral enquiry regarding economic action. Instead he advocated using a natural science approach to analyse quantitative economic data mathematically. This method parallels that used in physics and chemistry and has also found application in some modern social sciences, especially psychology. Marshall believed that once the mathematical relationships of economic behaviour were mastered economic policy could be directed in a 'scientific' manner to achieve social goals.

The debate between Political Economy and Economics was largely settled by the beginning of the twentieth century and economics developed from that point primarily as the study of market behaviour. Today economists cannot understand economic argument that includes moral or metaphysical elements and they believe it is an alien distraction to their discipline. Scott Meikle found this when he tried to relate Aristotle's economic thought to the modern discipline.[5] Aristotle was writing on an aspect of morals using philosophical arguments. Meikle could find no point of connection between this and modern economics. The adoption of *Caritas in Veritate* will depend in some measure on the willingness of economists to recognise that economic questions do have moral dimensions. Leadership in this endeavour must come from economists who have a capacity to use an expanded methodological approach.

---

[2] R. F. Crespo, 'Is Economics a Moral Science?', *Markets and Morality*, Vol. 1 No.2, 1998, pp.201-211.

[3] P. J. Boettke, 'Is Economics a Moral Science? A Response to Ricardo F. Crespo' *Markets and Morality*, Vol. 1 No.2,, 1998, pp.212-219

[4] A. Marshall, *Principles of Economics,* (London: Macmillan, 1890)

[5] Meikle, *op. cit.*

As an empirical science, the discipline has well recognised methodological shortcomings.[6] Economists can seldom run genuine experiments because of the social disruption they would cause. Positive data tends to gleaned from real-world observations that are compromised by masses of uncontrollable variables. In many cases the accepted theories have no robust supporting empirical data, but have been created instead from conceptual reflections built from the anticipated behaviour of conceptualised economic actors. The marginalist theory of the firm is a prominent example of this flawed methodology.[7] Regardless of these methodological shortcomings, the discipline has been used to propose an influential body of theory that has been used to argue the applicability of various economic institutions, including the free market, absolute private property, the monetary, taxation and financial systems.

Pope Benedict has responded by noting that "too much confidence was placed in those institutions, as if they were able to deliver the desired objective automatically".[8] Thomas Rourke had previously come to the same conclusion regarding the institution of the free market in opposition to Michael Novak's claim that the free market automatically provides a moral outcome.[9] Rourke was arguing from philosophy and employing the economic thought of the Thomist scholar, Yves Simon. In addition, the pope's position is supported by numerous practical examples that leave professional economists as some of the few that do believe that economic institutions can automatically deliver moral outcomes independent of the moral orientation of their participants. Other economists such as John O'Neill and Daniel R. Finn have dealt with the same proposition from different perspectives and have concluded in agreement with Tom Rourke.[10] The pope is apparently on solid ground in his criticism of the effectiveness of economic institutions as automated moral agencies.

The thrust of the encyclical is directed towards describing the conditions actually necessary for moral outcomes. Central in this consideration is the importance of human willed action towards solidarity and justice as the necessary adjunct to the success of any economic system and in so doing, the encyclical reiterates the Church's position that "the Church does not have technical solutions to offer".[11] 'Technical solutions' here refers to economic systems and institutions, rather than informed moral action by economic actors. What Pope Benedict has offered instead is a more complete outline of the linkages that connect the reality of God to the solution of the economic problem of development. His insights apply to many of the world's other economic problems as well.

Much therefore rests on whether economics is best understood as independent of morals or not. Marshall correctly recognized that the scientific method was inappropriate for moral enquiry, but his confidence that it could be used effectively to reveal economic laws

[6] See, for example: M. Altman, 'The Methodology of Economics and the Survival Principle Revisited: Some Welfare and Public Policy Implications of Modelling the Economic Agent', *Review of Social Economics* Vol. 57 No.4, 1999, pp.427-449

[7] See: R. Jones, *Supply in a Market Economy*, (London: Allen and Unwin. 1976)

[8] *Caritas in Veritate,* n.11

[9] T. R. Rourke, *A Conscience as Large as the World: Yves R. Simon versus the Catholic Neoconservatives*, (Maryland: Rowman & Littlefield, 1997)

[10] See: J. O'Neill (ed.), *The Market: Ethics, Knowledge and Politics*, (London: Routledge, 1998) and D. R. Finn, 'The Moral Ecology of Markets: On the Failure of the Amoral Defense of Markets', *Review of Social Economy,* Vol. 61 No.2, 2003, pp.135-63

[11] *CIV,* n.9

from data on economic action may have been misplaced. Much of the methodological debate within economics has centred on this question. Many economists, such as Crespo's interlocutors in the pages of *Markets and Morality* believe economic laws have been identified that are effective for policy direction. There is a raft of others who have found the results less than convincing.

Taken as a whole, the last century can be considered as a long experiment investigating whether positive economics can work as a science. Early on it was recognized that observing even simple market relationships was impossible given the complexity of actual markets.[12] More recently the positive mechanics of price have been found to violate the prescriptions of the science.[13] The theory of the market, upon which much of economics rests, is weakened by these failures, but more damning are the empirical deficiencies in the marginalist theory of the firm that is the key theoretical foundation of free market theory. Richard Jones is only one of many authors who have shown conclusively that the theory of the firm is neither based on positive science or reflective of the real world, but he has the distinction of nevertheless being a strong advocate of the liberal free market.[14] This leaves him as a promoter of an economic position that he himself has shown rests on sand. Many other critics of contemporary economic theory also share with Jones a general support of the market system, but are cognizant of its theoretical deficiencies.

Empirical evidence on policy effectiveness is little more encouraging. While Langholm and Jones both note the widely recognized fact that actual firms do not set prices the way economists say they do, William Grieder (1987) in his account of the operation of the US Federal Reserve Bank (Fed) in its fight against inflation up to 1986 chronicled the role of economic theory in the operation of the Fed. Not only was there no convincing economic modelling driving the decisions of the Fed, but its halls were wracked by controversy between two opposing economic theories. Although the monetarists did eventually out manoeuvre the Keynesians, the policy result was still not driven by any calibrated quantitative algorithm, but only on a vague belief that the problem would be overcome once interest rates went high enough. Greider noted the extensive collateral damage of the strategy that included high levels of business failure, unemployment and human misery.

A similar strategy was applied to Australia in 1989, but Small (2009) has shown that it was likely that the real underlying driver for inflation had been exhausted by the late 1980s and the inflation problem would have most likely abated without monetarist intervention, albeit more gradually. Other business cycles have also shown a similar tendency to proceed independent of, or contrary to, economic theory. Prior to the sub-prime crisis in the USA, the economic consensus both in that country and Australia was that the economy was strong and robust. Despite the fact that most economists now claim that they actually did see it coming, their published positions at the time suggest that if they really did it was not on the basis of their discipline or reflected in their public utterances immediately before the event.

---

[12] See, for example: J. H. Clapham, 'Of Empty Economic Boxes', *The Economic Journal*, Vol. 32, 1922, pp.305-314 or E. J. Working, 'What do Statistical "Demand Curves" Show?', *The Quarterly Journal of Economics*, Vol. 41, 1927, pp.212-235.

[13] This can be seen in sources such as: O. Langholm, *Full Cost and Optimal Cost*, (Bergen: Universitetsforlaget, 1969) and R. M. Skitmore, G. Runeson, 'Construction Price Formation: Full-cost Pricing or Neoclassical Microeconomic Theory?', *Construction Management and Economics*, Vol. 24 No. 7, 2006, pp.773-783

[14] See: R. Jones, *Supply in a Market Economy*, (London: Allen and Unwin. 1976)

Lawrence Boland has provided the most complete critique of economics based purely on its internal inconsistencies, contradictions and positive failures.[15] Usually a critique of market economics is pigeon holed as socialist, but Boland, and other authors listed above have revealed themselves as anything but socialists. They are merely scholars who have examined the data and their implications for that body of theory that comprises contemporary economics. Overall they provide a corpus of evidence and argument that demonstrates that economics as a value free empirical science has not met expectations.

In terms of the century long experiment to see if economics can exist as an independent empirical science, there is too much evidence to the contrary for Marshall's claim to be upheld. Boland argued that the discipline lacks an adequate metaphysics.[16] This hints at the potential usefulness of the method that St. Thomas Aquinas used in treating economic issues, though Boland does not make the connection. The social encyclicals have been supplying exactly this need to a generally unwilling audience over the same period. Pope Benedict explicitly connected "the rejection of metaphysics by the human sciences"[17] to failures in overcoming the problem of development, recognising the very point that Boland came to purely by examining the internal methodological shortcomings of the discipline. Apart from the validity of the Pope's observations on economics that this infers, it also suggests the importance of the social encyclicals as a consistent body of thought capable of leading economics towards the resolution of its own internal inconsistencies. Moreover, the Pope has placed this observation in the context of the connections between the sciences, suggesting that the resolution involves a better integration of economic thought within the broad spectrum of sciences.

Economics Within the Sciences.

Marshall's claim that economics could exist apart from morals has always been flawed, regardless of its acceptance by most economists. Economics assumes an economic actor who is a rational utility-maximising self-interested individual, sometimes called *homo economicus*. This is a combined anthropological theory and moral theory. Despite its highly dubious applicability to actual humanity, *homo economicus* is fundamentally necessary for the operation of the mechanics of current economics. The assumption that he is a utility-maximiser infers that he follows the moral system known as Utilitarianism, first proposed by Jeremy Bentham and developed by John Stuart Mill. Utilitarianism claims that moral acceptability is that course of action that returns *the greatest good for the greatest number.*[18]

Bentham claimed that utilitarianism was empirically verifiable therefore comparable to the natural sciences. Scott Meikle noted that utilitarianism was necessary as a foundation of modern economics, but that modern economics was the only positive validation of utilitarianism. This makes the two a self-referencing pair—each is the validation of the other. Bernard Williams noted this earlier and further concluded that apart from utilitarianism's

[15] See: L. A. Boland, *The Foundations of Economic Method*, (London: Allen & Unwin, 1982), *The Methodology of Economic Model Building: Methodology After Samuelson*, (London, New York: Routledge, 1988), *The Principles of Economics: Some Lies My Teachers Told Me*, (London: Routledge, 1992), and *Critical Economic Methodology: A Personal Odyssey*, (London: Routledge, 1997)

[16] Boland, *The Principles of Economics*, pp. 14-19

[17] *CIV,* n.31

[18] J. Bentham, and L. J. Lafleur, *An Introduction to the Principles of Morals and Legislation*, (New York: Hafner Pub. Co., 1781)

claimed success in economics, it achieved little else of what a moral system is expected to do.[19]

If current economics relies on the moral system of utilitarianism, and the anthropology of *homo economicus*, both of which can be shown to be deficient, its seems reasonable to propose other economic systems based on other anthropologies and moral systems. This is precisely what the social encyclicals, and most particularly the work of the last two popes, are proposing.

Fr. Robert Sirico has argued that the free market, populated with moral actors, is the ideal economic system,[20] however he and his colleagues have been coy in exploring exactly what a moral economic actor looks like. His suggestion can be shown to be quite sound, but it does require confidence in the existence of a knowable set of moral principles applicable to economic life.[21] While Sirico has a profile as an apologist for the position that economics itself is aloof from morals, his deference to moral market actors recognises that an economy is a human system and its success is dependent upon the moral standards of its members.

Pope Benedict supports this view recognising that the market "must draw its moral energies from other subjects that are capable of generating them".[22] In this he continues the teaching of the Church supporting freedom in the marketplace, while simultaneously reiterating the consistent position of the Church through its social encyclicals and earlier thought regarding serious concern for the ideology previously referred to as Liberalism,[23] now more commonly known as Capitalism.[24] Pope Benedict has gone further by placing considerable emphasis on the importance of culture in the problem of development. One dimension of a culture is its set of moral standards, and these usually include morals specifically related to commercial relationships.

There are many historical examples of different cultures that have enjoyed considerable economic success under very different economic systems. The Ancient Hebrews as a culture had strict rules relating to property,[25] a general aversion to usury, especially when practiced on fellow Hebrews, and a notion of justice in exchange, especially with respect to labour. Christian Europe had a well developed understanding of just price and a property institution that stressed obligation as much as ownership, and it outlawed usury for over a millennium until it was subverted by the Reformation.[26] It also enjoyed strong economic and technological growth, especially 800-1400AD.[27] St. Thomas Aquinas provided careful philosophical and theological defences for economic principles of his time such as private property, just price and usury.[28] The Islamic world has a long tradition of moral guidelines

[19] Bernard Williams, *Morality: an introduction to ethics*, (New York: Harper & Row, 1972), pp.96-112

[20] R. A. Sirico, *Toward a Free and Virtuous Society*, (Michigan: Acton Institute, 1997)

[21] G. Small, 'Property, Commerce and Living God's Will', *Journal of Interdisciplinary Studies*, Vol. 16 No. 1/2, 2004, pp.157-72.

[22] *CIV*, n.32

[23] E. Cahill, *The Framework of a Christian State*, (Dublin: Gill & Son, 1932)

[24] Pope John Paul II, *Centesimus Annus*, (Vatican: St.Paul, 1991)

[25] See: Leviticus: 25

[26] O. Langholm, *Aristotlean Analysis of Usury*, (Bergen: Universitetsforlaget As., 1984)

[27] See: J. Burnette, J. Makyr, (1995). 'The Standard of Living Through the Ages' in Simon, J. (ed.), *The State of Humanity*, (Cambridge, Mass: Blackwell, 1995) and G. W. Grantham, 'Agriculture Before the Green Revolution' in Simon., J. (ed.), *The State of Humanity*, (Cambridge, Mass.: Blackwell, 1995)

[28] T. Aquinas, *Summa Theologica*, (Westminster, Maryland: Christian Classics, 1981), II-II, Q.66, 77 & 78

for commerce very similar to St Thomas Aquinas.[29] Indigenous peoples around the world display curious similarities regarding their views on property.[30] Karl Zimmerman showed exhaustively how the ancient Greek, Roman and other civilisations flourished under property institutions very different to our own and tended to cultural atrophy as cultural changes caused private property to change into something resembling contemporary absolute private property.[31] All these represent different cultures that contain substantial systems of economic moral guidance informing their institutions. They also include many cases of substantial economic success. By contrast, the modern west is peculiar in its lack of moral guidance in the marketplace. Pope Benedict has merely recommended that we respect different cultures in the effort towards development. That infers recognising that in many cases non-modern cultures do supply moral guidance towards what Fr. Sirico understands to be a necessary part of making the market economy work.

A curiosity of the non-modern cultures mentioned above is that despite their geographical and temporal isolation, the economic guidelines enshrined within their cultures exhibit surprising similarities. This is especially evident with respect to the institution of property,[32] but it is also evident with respect to notions of just dealings in trade and the use of money. Pope Benedict has drawn attention to the matter of commutative justice and distributive justice.[33] These principles relate to the just pricing of goods and labour in the exchanges that constitute most economic action. Pope Leo XIII drew attention to the matters of property, just wages and usury in the first of the social encyclicals and these themes have been consistently developed through the social encyclicals.[34] The pope's call to acknowledge and incorporate cultural difference can also be seen as building on his appraisal of the state of modern western culture made before he was made pope.[35] Taken as a whole, the pope is recognising that the dominant global culture is currently in poor shape, whereas the cultures of many developing countries contain desirable elements for the realisation of robust and satisfying development outcomes.

Separate to his call for a respect of culture, Pope Benedict has provided an explanation for the key moral elements based on the nature of the person developed from the relationship of the person to God.[36] Pope Benedict has implicitly proposed a set of relationships in the sciences that runs from theology to economics. The pope has suggested that the economic problem of development has a cultural/moral foundation and needs to be addressed by something wider than the currently dominant modern cultural perspective. While he has made a call for the recognition of cultural variety in the treatment of the problem of development, he has also made a very clear point that culture includes a moral dimension.

---

[29] F. Nomani, A. Rahnema, *Islamic Economic Systems*, (London: Zed, 1994)

[30] As has been shown by: F. D. Coulanges, *The Origin of Property in Land*, (London: George Allen, 1890) and I. C. Ezigbalike, 'Cadastral "Reform" - At What Cultural Costs to Developing Countries', *The Australian Surveyor*, Vol. 39 No.3, 1994, pp.177-186

[31] C. C. Zimmerman, *Family and Civilization*, (New York: Harper, 1947)

[32] See, for example: G. Small, 'A Cross Cultural Economic Analysis of Customary and Western Land Tenure', *The Valuer*, Vol. 34 No.7, 1997, pp.617-625.

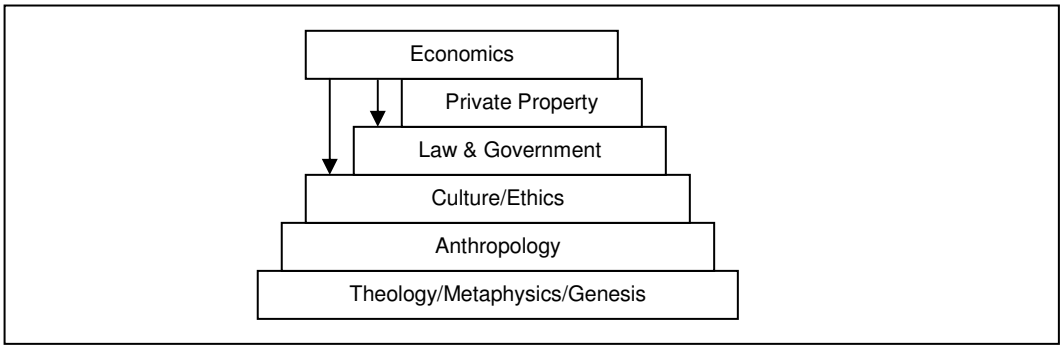
[33] *CIV*, n.35

[34] On this development, see: R. J. Ederer, *Economics As If God Mattered: A Century of Papal Teaching*, (Indiana: Fidelity Press, 1995)

[35] J. Ratzinger, *Christianity and the Crisis of Cultures*, (San Francisco: Ignatius, 2005)

[36] *CIV*, n.34

The quality of a culture is partly dependent upon the quality of its moral system, making morals the test of culture. To understand morals it is necessary to understand the nature of the human person, that is, to have an adequate anthropology. An adequate anthropology is one that is a true understanding of what it is to be human. A false anthropology will result in a false ethic, hence a sound anthropology is necessary for sound moral thought. Our understanding of what it is to be human is related to our understanding of the origin of humanity, its cause. This is part of our cosmology. Cosmology concerns our understanding of the origin of creation, and for most people this is ultimately theological, relating to the accepted genesis belief that motivates a culture. This hierarchy of the sciences is shown in the figure below.[37]



Pope Benedict has considered the various legal and economic institutions that impact on economics and development and has pointed out that they are culturally dependent with moral implications. He has linked the moral aspects to the nature of the human person and he has further expanded his exposition of the human person begun in *Deus caritas est*. The human person is fundamentally ordered towards dignity, freedom and love and the Pope shows how this understanding of the person can find expression in the economics of development.

In particular, the Pope's interest in gift is significant, reminding his readers that gift describes the relationship of God to humanity and that the "human being is made for gift, which expresses and makes present his transcendent dimension".[38] Pope Benedict has summarised here the circular movement of creation, coming from God and finding its fulfilment in return to God, that was developed by St. Bonaventure.[39] Likewise, the importance of gift can be traced to the nature of the Most Holy Trinity as understood especially in the Franciscan tradition, also following St. Bonaventure.[40] St. Bonaventure explored the implications of God the Father as a *loving* God to conclude that He is infinitely giving. The Son as receptive love is infinitely receptive and the reciprocity of their love relationship is fecund in the procession of the Holy Ghost. Significant here is the centrality of gift and its relationship to love as the defining character of the Godhead.

[37] Adapted from: G. Small, 'Human action and Property', *Pacific Rim Property Research Journal*, Vol. 9 No.4, 2003, pp.348-60.
[38] *CIV*, n.34
[39] See: I. Delio, *Simply Bonaventure*, (New York: New City Press, 2001)
[40] For an explanation of this notion, see: S. Bonaventure, *Disputed Questions on the Mystery of the Trinity*, (New York: The Franciscan Institute, St. Bonaventure University, 1979)

Pope Benedict is especially familiar with the thought of St. Bonaventure, having earlier studied him in connection with his work on the theology of history.[41] The influence of St. Bonaventure is evident in the exposition of gift in Caritas in Veritate. The pope is recognising the fulfilment of humanity as acting freely as an image of the Most Holy Trinity and is recommending application of that reality to the world in the economic resolution of the development problem. The pope is connecting the Most Holy Trinity to economic action via the intermediaries of anthropology, morality, and culture.

Property and Price for the Christian

The puzzle of economic relationships is resolved once the acting person becomes aware that fulfilment comes not from wealth or poverty, but from freely giving from the excess bounty that has been received, ultimately as gift from God. Max Weber described the way the capitalist believes that wealth is a sign of the favour of God consistent with Protestant thought,[42] while the socialist, following Marx, sees social fulfilment in the atheistic revolt of the poor and views property as theft. However, the Christian acknowledges that while wealth and poverty are realities of our fallen condition, happiness comes from indifference to wealth, exercised as charity and justice, not Puritanism. The Christian sees the blessing of wealth as the material requirement for the exercise of the virtue of liberality, of free giving, especially to those in great need. Gift therefore becomes the key to development, as well as to most other economic questions.

Differential power relations are the reality of the market, which means that in every transaction one party has some capacity to exploit the other. The market economy tends to ignore the reality of power differentials in practical market encounters, and this becomes a central weakness in economic theory. To compensate, economic theory posits a *perfect market*, where the prevailing conditions supposedly dissolve power differentials and force participants to act appropriately. Market forces are believed to remove the freedom that powerful economic actors would otherwise have to exploit and in so doing market apologists assert that the market institution ensures a moral outcome. If markets were perfect then the price outcomes would automatically be just, but ironically that very automation would eliminate any possible moral merit accruing to persons engaged in trade. Although this constitutes a powerful reason to argue that economics does not need morals, the facts that perfect markets are never found in practice, and that they reduce economic actors to something less than human, negate its persuasiveness.

It is only when the person holding superior power freely chooses not to use that power to exploit the other that moral economic action will result. This is the challenge of the free market as it is encountered in practice. It can be shown that a free marketplace is necessary and appropriate for moral action, but that it also requires participants who are aware of the objective moral dimensions of their commercial actions and motivated towards solidarity.[43] This requires a disposition towards one's trading partner capable of motivating just action. St. Bonaventure observed that *"If one does not love one's neighbour, it is not easy to do him*

[41] In: J. Ratzinger, *The Theology of History in St. Bonaventure*, (Chicago: Franciscan Herald Press, 1971)

[42] M. Weber, *The Protestant Ethic and the Spirit of Capitalism*, (Kentucky: Routledge, 2001)

[43] G. Small, 'Property, Commerce and Living God's Will', *Journal of Interdisciplinary Studies*, Vol. 16 No. 1/2, 2004, pp.157-72.

justice"[44] suggesting that economic justice is more likely in an environment of love. Pope Benedict agrees and uses an emphasis on gift as the manifestation of love.

Pope Benedict's focus on gift can be broken into three levels, gifts of justice, gifts from excess and sacrificial gifts. He does not specify which is intended, but it could be argued that it is the tardy supply of all three that has stunted development in the world. Economic theory can be shown to be responsible for a lack of gifts of economic justice, but critics of the pope's focus on gift will likely focus only on the unreasonableness of gifts of sacrifice.

In an environment where one party has the capacity to exploit the other without fear of reprisal, the choice *not to exploit* is a form of gift to the weaker party. Justice in this case is a gift—unexpected, the result of free choice and the surrender of something of value that the donor is not forced to give. Justice is gratuitous in an environment where law and custom side step its precepts, leaving the conscience unformed regarding its application. Modern neo-classical economics fosters such an environment. It is only in extreme cases that legal means exist to control exploitation in the market, such as through restrictive trade practices legislation. However, any case of an imperfect market is an opportunity for some level of exploitation, i.e. injustice. This lacuna provides ample shelter for an array of predatory practices that may be legal and even esteemed in the culture.

In the case of development initiatives between rich and poor societies, justice could exist as the choice *not* to exploit the less developed party despite having the power to do so. Examples of exploitation include: poor prices paid for local wages, cheap rents or royalties paid for the extraction of resources and agricultural products, or other dissolution of effective property rights; and extortionate loan structures designed more for the benefit of the lender than the borrower. These three general cases relate closely to the principles for economic action suggested by St. Thomas, just price, correct understanding of property, and usury.

Gifts from excess wealth are gifts that have negligible real impact on the donor's standard of living. They are most likely the type of gifts that Pope Benedict was considering. Jesus identified these gifts in His comments regarding the widow's mite.[45] Most of the temple gifts were given out of the donors' excess and Jesus pointed out that they really did not constitute any real sacrifice. John Medaille outlined the impact that micro banking can have on the world's poorest families.[46] A loan of less than the cost of movie tickets for two in a developed country can permanently free a poor Indian family from the cycle of debt and poverty. Insignificant gifts can have massive impacts. For many wealthy families in the world significant portions of their incomes do not support their standards of living but are directed towards investment. That is, towards a strategy for to produce more future income. While provision for risks, retirement and support of dependents are reasonable and prudent, in many cases there is still a considerable excess. Christ said "And so I tell you this: use your money, tainted as it is, to win you friends and thus make sure that when it fails you, they will welcome you into the tents of eternity".[47] Pope Benedict is putting this Gospel admonition into a contemporary context. St. Thomas also dealt with the matter of gift, especially under

[44] O. Langholm, *Economics in the Medieval Schools: Wealth, Exchange, Value, Money and Usury According to the Paris Theological Tradition*, (New York: Brill, 1992), p.155

[45] In: Mark 12:41-44

[46] J. Medaille, *The Vocation of Business*, (New York: Continuum, 2007)

[47] Luke 16:9

the headings of liberality, magnanimity and magnificence.[48] When liberality is added to the more evident economic virtues, they convey a complete set of fundamental moral guidelines for economic action.

In his focus on gift, Pope Benedict is not advocating socialism, as that would entail the forceful removal of private wealth. He is instead equipping the wealthy of the world with an invitation to freely act in a Godly way, in harmony with the Gospel, and in a manner that is known to foster peace and happiness, for both the donor and recipient. As a call to the individual, the pope is expressing confidence in subsidiarity and social action motivated by awareness of human solidarity.

The third class of gift is the widow's mite. This is heroic sacrificial gift. Nowhere does the Pope insist on this level of giving, but it is likely that it will be the type of gift that will attract most attention. It is the gift of St. Francis of Assisi and Blessed Mother Teresa of Calcutta—exemplars of leadership for the world. This is the call to the sacrificial leadership that is the tradition of Christianity.

It is also the impossible gift that Pope Benedict's critics will object to as an unreasonable imposition. It is unreasonable to a culture that is grounded in self indulgence by the machinery of marketing, the media, and sexual indulgence. It is unreasonable because economic theory teaches that economic actors have infinite desires, so any gift will necessarily compromise some desire, making any talk of gift unreasonable.

Gift at this sacrificial level is the watershed between Christianity and the world. It is the duel between the saints and *homo economicus* for the heart of mankind. It is the light of Christ illuminating the darkness of selfishness and pride. The Godless person will be like the man whose good harvest swelled his barns to the point he believed he could live in self-indulgence only to be levelled by death.[49] Such a person will always be insecure because he himself is his only security. His barns will never be full enough. He will leave others to care for themselves.

Lester K. Little identified these two economic approaches as the gift economy versus the contract economy and used history to illustrate the way that the gift economy which dominated.[50] Christendom was gradually replaced by the contract economy that now dominates western thought. Glimpses of the gift economy can be seen in the social practices of certain eastern people where reciprocal gift is key to social and even business relations. It can be seen as resonant with the Tönnies' *Gemeinschaft*,[51] or community approach to society. The contract economy favours an individualistic, or association approach, to society and uses a focus on money value and exchange rights to provide the security that a functioning community provides through solidarity and gift. The general focus on rights in political discussion is a reflection this underlying economic metaphor for social relations. Aristotle noted that money was the one thing people desired that was not capable of sating any desire and was therefore desired without natural limit.

[48] Aquinas, *op. cit.,* II-II, Qs 117 129 & 134
[49] Luke 12:15-21
[50] L. K. Little, *Religious Poverty and the Profit Economy in Medieval Europe*, (New York: Cornell University Press, 1978)
[51] F. Tönnies, *Community and Society*, (Michigan: Michigan State University, 1957)

The Christian recognises that unlimited desire for money is a disordered parody of the infinite desire man has for God.[52] Christianity rejects preoccupation with money and places all hope in God. This gives the Christian the freedom to recognize his excess and to share it with his fellows without diluting the importance of effective economic action through labour and enterprise. It places the Christian beyond the narrow individualism of the contract economy and makes gift the identifying characteristic of Christianity.[53] The result is solidarity and the practical security it tends to produce. It is broad based and therefore more robust. Chesterton would probably say it is also more jolly. Indirectly it provides the mental space to consider economic justice.

The concept of justice in economic relationships has been rendered almost meaningless by the movement of economic thought over the last century. Discussion of economic justice usually reduces to Pareto optimality, which rests on the assumption the free market will result in the optimum distribution of utilities.[54] If the free market price is believed to be automatically just, then there can be no injustice in its operation and no need for moral oversight. It leaves Fr. Sirico's plea empty, as moral actors have nothing to contribute to the operation of the economy. By contrast, if there are objective knowable parameters for setting price, or dealing with property, or using money, then these may inform the economic actor's conscience. This was the task of St. Thomas, and widely understood in his world. Although not stated, Caritas in Veritate points back to the need for a re-examination of the validity of these critical moral principles as outlined by the Angelic Doctor.

In this way Pope Benedict XVI has pointed out the necessary direction for resolution of the contemporary rift between what is currently termed social justice and economic justice. Appeals for social justice currently rely heavily upon assumptions related to human dignity and appear to violate the legal logic of property rights and contract that underpin economic justice. John Perkins is illustrative of an economic agent who was involved in development activities that conformed to contemporary economic justice but violated social justice.[55] His eventual repudiation of contemporary predatory commercial activity demonstrates that even without grounding in Christian social thought the human person is aware of the injustice that is currently possible within legitimate economic activity where there are significant disparities between the players.

The future direction of economics

The major and necessary change for economics, if it is to become an adequate science of human economic action, will be the recognition that Marshall's experiment has been a failure. Many of the claimed achievements of economics can be shown to be the result of other causes while many of the world's economic problems can be shown to be the result of the operation of the institutions that economic theory recommends.[56] More fundamentally,

[52] See for example Matt (6, 24-33), Luke (12: 33-34), Luke (16, 9-13),

[53] The property owner in Matt (20: 1-16) effectively made gifts of excess wages to the late arrival labourers comparable to the steward in Luke (16: 1-8) making Christ's teaching regarding gifts from excess unintelligible to the Pharisees who loved money and strengthened their rejection of the Messiah on the basis of his economic admonitions (Luke 16: 14-15). The behaviour of the early Christians is intelligible in terms of gift economy (Acts 2:45 & 4:32).

[54] See: M. G. Velasquez, *Business Ethics*, (Englewood Cliffs: Prentice Hall, 1988)

[55] H. Perkins, *Confession of an Economic Hit Man*, (San Francisco: Berret-Koehler, 2004)

[56] For an explanation of this, see: A. K. Sen, *Poverty and Famines: An Essay on Entitlement and Deprivation*, Oxford: Oxford University Press, 1981)

economics as a discipline does need a moral compass and it needs one that is better conformed to the real economic actor, not *homo economicus*.

The Catholic Church is not the sole custodian of the moral economic principles, other cultures have possessed them, at least in part as Schumacher illustrated in his treatment of Buddhist economics and Mehmet's appeal for recognition of the economic sensitivities of indigenous peoples. The pope has recognized this in his call to respect culture.[57] The Church does have one of the best developed systematic understandings of these moral principles, having practiced them and reflected on them over millennia.

The rejection of the Christian position, first begun by the Protestant revision of culture, and consolidated through the development of modern philosophy, has caused the active promotion and development in understanding of these sensitive issues to be stunted. When Pope Leo XIII outlined the reasoning behind the Church's position regarding property he was only paraphrasing and applying a doctrine that was perfected almost eight hundred years earlier by the Angelic Doctor.

Caritas in Veritate is similar in this respect. It has recognised the dependence of economic moral principles on the nature of the human person and it has shown how this is best understood using the light of theology. These are also ancient notions in the Church. Pope Benedict has focused on gift and love as the driving forces behind just and truly human economic action and in so doing has directed attention to the thought of the Seraphic Doctor, St. Bonaventure. Modernity may be distinguished by its attempt to rely on reason to the point that love has all but disappeared from the social sciences. Love finds no place in the theories of modern sociology, negligible significance in modern psychology and is absolutely excluded from modern economics. The Seraphic Doctor's philosophy was grounded on love. It is an idea that is overdue in the current world.

The ancient principles enunciated by St. Thomas and St. Bonaventure deserve re-examination and development, especially in the light of recent experience and economic understanding. The scholarship that has attempted to unseat them needs critical review. The notion that there is such a thing as a *just price* is not news to the average taxi driver, but it is anathema to the professional economist. The demise in the Church's position on usury has a complex history that owes more to politics than economic theory, at least economic theory based on defensible metaphysics. The modern defences of usury can be shown to be flawed, but its cultural acceptance continues almost unshakably.[58] Private property in the west has been accepted as "... that sole and despotic dominion which one man claims and exercises over the things of the world, in total exclusion of the right of any individual in the universe."[59] Somehow we have accepted despotism as desirable over solidarity. Richard Weaver agreed when he concluded that "Europe, after the agony of the First World War, turned (from the moral gentleman) to the opposite type for leadership, to gangsters, who, though they are often good entrepreneurs, are without codes and without inhibitions".[60] Being

[57] See: E. F. Schumacher, *Small is Beautiful*, (London: Abacus, 1974) and O. Mehmet, *Westernizing the Third World*, (London: Routledge, 1995)

[58] As has been explained by: G. Small, 'Rapacious Usury: Fact or Fiction?' *Campion Institute Annual Meeting,* (Toongabbie, Australia: Campion Fellowship, 2002)

[59] W. Blackstone, *Commentaries on the Laws of England: A facsimile of the First Edition of 1765-69*, (Chicago: Chicago University Press, 1769), p.2

[60] R. M. Weaver, *Ideas Have Consequences*, (Chicago: University of Chicago Press, 1948), p.55-6

one of the better known US conservatives, Weaver was no socialist, making his observation especially poignant. Pope Benedict is perhaps making a similar observation, though far more gently. His call for justice and gift seems reminiscent of Weaver's gentleman and would certainly reverse the trend that Weaver lamented.

The way forward is clear. Pope Benedict has set out an intellectual framework for economics that will reunite it with the other sciences and foster continuity with the intellectual tradition initiated by St. Thomas Aquinas and developed by writers such as Fanfani.[61] Like David Schindler, Pope Benedict recognizes that the solution to the problem of development is related in no small measure to the incarnation and the example of gift that it conveys.[62] The pope is inviting Christian leadership of development and economics and is pointing out the way it requires a more complete understanding of the human person. Despite the pre-eminence given to Christian theology, Pope Benedict is nevertheless advocating respect for various cultures, thereby respecting human dignity and freedom.

[61] See: A. Fanfani, *Catholicism Protestantism and Capitalism*, (London: Sheed and Ward, 1939)

[62] For a clear example of Schindler's work, see: D. Schindler, *Heart of the World, Centre of the Church: Communio Ecclesiology, Liberalism, and Liberation*, (Edinborough: T & T Clark, 1996)