

AFTER CARITAS IN VERITATE?

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This article provides a summary of the thought of the major economic thinkers of the past two centuries, especially tracing the development of economic liberalism. It notes the resurgence of that perspective in the current era (what is called “neoliberalism”). It points to the flaws in economic liberalism and contrasts the modern social teaching of the Church in the encyclicals to it and to its purported nemesis, Marxism. It notes Pope Benedict XVI’s acknowledgment of the influence of the early German Catholic social thinkers, such as Bishop Wilhelm Emmanuel von Ketteler, on that teaching.

Caritas in Veritate—the latest social encyclical addressed to the economic order which is now once again in continuing crisis on a worldwide scale—has been written, examined, praised by some, found wanting by others, and put on the shelf along with the rest of such efforts by popes dating to Pope Leo XIII in 1891. Except during the period surrounding the Great Depression, they were never taken as seriously as would have been merited considering the harsh conditions and the twisted thinking that gave rise to those conditions. During that former era, in the United States, names like Father Charles E. Coughlin and Msgr. John A. Ryan were known widely for their activity in promoting them, along with certain other priests like Father (later Bishop) Francis J. Haas, and the Jesuit scholar Joseph Husslein. Indeed, the term “labor priest” became a common term, and various dioceses around the country established what came to be known as “labor colleges.” There one could get a rudimentary knowledge of what Leo XIII and Pius XI had taught in *Rerum Novarum* and *Quadragesimo Anno* about the rights of workers to organize, and to a just wage and other humane working conditions.

In recent years, we have seen some in the Church troublingly go along with a resurrected liberalism (“neoliberalism”), which arose in opposition to the increased government intervention sparked by the widespread economic crisis during the decades following World War I. On the other side of the spectrum of social ideology, there has been some clerical activity in the direction of what came to be known as “liberation theology.” It reflects, among other things, the experience of certain missionary orders amid the harsh economic conditions where they serve, for example, in some Latin American countries. These advocates were at times disturbingly to the left of the mark established in authentic

Catholic social teachings as pioneered by Pope Leo XIII and updated in timely fashion until the present.

Pope John Paul II indicated that those teachings were to provide the “starting point in the search for practical solutions” (*Ecclesia in America*, no. 54). That led him to the practical suggestion, since carried out, “to have a compendium or approved synthesis of Catholic social doctrine” (*ibid*). Meanwhile, the Russian mothership of all leftist ideology moved in the direction of a market-type economy, so that much basic support for the old revolutionary Marxian socialism has vanished. At the same time the body of what has come to be known generally as “Catholic social teaching” (CST) has been designated by Professor Stephen M. Krason, the founder and president of the Society of Catholic Social Scientists, as “one of the best kept secrets in America.” Nevertheless, Pope John Paul II referred to it in his Post-Synodal Apostolic Exhortation *Ecclesia in America* in 1999 as “this treasure which is the Church’s social teaching” (no. 54).

In the midst of the tumult, the social magisterium of the Catholic Church was not caught unaware of the neoliberal reawakening that had actually been going on since the period following the Communist Revolution in 1917. As early as 1923, Heinrich Pesch, the German Jesuit economist who provided much of the raw material for the Pius XI social encyclical *Quadragesimo Anno* (1931), characterized as “Neo-Manchesterism [*Neo-Manchestertum*]” the original intense reaction to Marxian socialism by the economist Ludwig von Mises.¹ Mises (1881–1973) who was born in what is now Ukraine, and his renowned understudy Friedrich von Hayek (1899–1992), a former socialist, have for many come to be virtually identified as the “Austrian School,” even though their thinking and originality is by no means co-extensive with the actual Austrian School (Karl Menger [founder], Eugen Böhm-Bawerk, and Friedrich von Wieser). In the United States, the revival of the free market orientation assumed a life of its own, especially as an adjunct of the Cold War. Milton Friedman (1912–2006) at the University of Chicago was perhaps its leading economist.

In 1971, Pope Paul VI, while hard-pressed on all sides amid the post-Vatican II tumult, warned in his Apostolic Letter *Octogesima Adveniens* that “the Christian who wishes to live his faith in political activity... cannot without contradicting himself support ideological systems which radically or substantially go against his faith and his concept of man” (no. 26). Specifically he referred to “the Marxist ideology” which was then still rampant in a large part of the world, and also to “the liberal ideology.” For Americans and others, for whom “liberal” means the virtual opposite of what it represents in Catholic

social teachings, there followed an explication that should once and for all clarify what kind of economic ideology the popes were referring to whenever they used that term in their social encyclicals. Now, in *Octogesima Adveniens*, eighty years after *Rerum Novarum*, Pope Paul VI referred to it as a system “which believes it exalts individual freedom by withdrawing it from every limitation, by stimulating it through exclusive seeking of interest and power, and by considering social solidarities as more or less automatic consequences of individual initiatives, not as an aim and a major criterion of the value of the social organization” (no. 26). He was talking about “a renewal of the liberal ideology,” indicating that at “the very root of philosophical liberalism is an erroneous affirmation of the autonomy of the individual in his activity, his motivation and the exercise of his liberty” (no. 35). In somewhat less philosophical terms, the expressions “rugged individualism” and “laissez faire economic policy” indicate what is involved here.

Pope John Paul II, now often referred to as “the Great,” was perhaps the ultimate master and promoter of Catholic social teachings. I say that, first of all, because of the great depth and grand scope of what Pope Benedict XVI in *Deus Caritas Est* (no. 27) referred to as that pope’s “trilogy of social encyclicals”: *Laborem Exercens* (1981), *Sollicitudo Rei Socialis* (1987), and *Centesimus Annus* (1991). In addition, it was during his pontificate that the *Catechism of the Catholic Church* appeared (1994), wherein the essence of Catholic social teaching was subsumed to where it properly belongs: under the heading of the Seventh Commandment and the Tenth Commandment (basically, theft and greed). Finally, the immensely valuable *Compendium of the Social Doctrine of the Church* was issued in 2004 according to his direction. It constitutes an excellent authentic reference work, and it could serve well as a textbook for university-level courses in Catholic social teachings. It was the great Polish Pope who followed his predecessor, Pope Paul VI, in warning against neoliberalism in his apostolic exhortation *Ecclesia in America*, in 1999. “More and more in many countries of America, a system, known as ‘neoliberalism’ prevails; based on a purely economic conception of man, this system considers profit and the market as the only parameters, to the detriment of the dignity of and the respect due to individuals and peoples” (no. 56). This is intensely radical material compared to even the Marxian doctrine, and that eventually faltered in its more than century-long contention with the paleo-liberalism that distorted the budding science of economics after it emerged during the 18th century.

As so often, the French were the great original thinkers in such matters and, as modern European history relates, consummate in their

worship of the goddess Liberty. The Physiocrats, starting with the physician, Francois Quesnay (1694–1774), and his loyal follower the industrialist, Pierre Dupont de Nemours (1739–1817), to whom the expression “laissez faire” is widely attributed, were the first to call themselves *Les Economistes*. They were also the first to draw a sketch of the entire economic process paralleling the human circulatory system, so that, in a sense, they started the young science off in the positivistic mode of a natural science. Subsequently, another Frenchman, Jean Baptiste Say (1767–1832) “discovered” one of the first of what would become many “laws,” as are deemed appropriate for a proper “science”—a term that was coming to be used in an increasingly exclusive sense for the budding natural sciences. His *théorie des débouchés*, known later as the “law of markets,” proposed that supply creates its own demand, so that the aggregate supply of goods would always equal the aggregate demand for them. Another century would go by before the noted British economist, John Maynard Keynes (1852–1949), launched his theoretical assault against the laissez faire system by laying to rest Say’s Law, both of which concepts were concocted by pioneer French economists. To some degree it was Keynes’ success that later stimulated, among others, Ludwig von Mises and Friedrich Hayek. They played a leading role in the campaign to revive the free market economies that had fallen apart in the face of the actual widespread failure of aggregate demand to equal aggregate supply throughout much of the world during the decades following World War I.

Meanwhile, it was the British who had given economics its definitive form, which is to say, they developed a *classical* science of *political economy*. Theirs was a heritage that extended from Adam Smith (1723–1790) to Alfred Marshall (1842–1924), who updated it into what then came to be known as “neoclassical economics.” That prevailed until the so-called “Keynesian revolution,” which prompted some to begin speaking seriously about a “new economics.”

Other important names involved in the building of classical economics were the Anglican minister Thomas Malthus (1766–1834), and the successful stockbroker David Ricardo (1772–1823) whose family made its way from Portugal to England by way of Holland. The German-born Jewish, then Lutheran, then atheist Karl Marx (1818–1883) relied on Ricardo’s approach to economic analysis as providing the proper description of the capitalistic system that he then undertook to demolish. Marx too envisioned himself as presenting the kind of “scientific” approach to socialism that Ricardo, in his judgment, had applied to capitalism. Other notable English economists, like Jeremy

Bentham (1748–1832) and John Stuart Mill (1806–1873), extended the breadth and depth of the emerging science significantly, if not always wisely.

The eventual preeminence of the British in the development of the economic science reflected not only the brilliance of the particular persons, but also the emerging predominance of Great Britain in the real political and economic orders during that period in history. They were, of course, also acknowledged leaders in the budding Industrial Revolution that was radically revising life on this planet. Brilliance, unfortunately, does not always light the way to what is true and good! It sometimes leaves in its path litter and debris left over from the earnest acceptance and application of half-truths and grievous distortions of important truths. Blinded by the dazzling light that stemmed from the Enlightenment, certain champions of liberty made authentic *freedom* itself a prime victim of such distortion. Perhaps that is what motivated Pope Benedict XVI to entitle his social encyclical, *Caritas in Veritate*. Citing John 8:32, “then you will know the truth, and the truth will set you free,” he concluded his “Introduction” to the encyclical with the statement: “Fidelity to man requires *fidelity to the truth*, which alone is the *guarantee of freedom and of the possibility of integral human development*” (9, italics in text).

Now the Scot, Adam Smith (1723–1790), is regarded by some as the greatest among economists, if not actually the father of the economic science. He was a major influence in establishing certain important principles, and his *Wealth of Nations* has long ago, since its first publication in 1776, been translated into all major languages.² It contains much that is basic to an understanding of economics and the economic system. Yet, it has its mistakes, including a decisive error which one might consider Smith’s “original sin” because of its persistent and grand-scale implications. One may overlook his attributing the origin of the division of labor—human beings developing specialized skills early on—“to a certain propensity in human nature ... to truck, barter, and exchange one thing for another” (13). A moment’s reflection suggests that the reverse was probably true. People have different innate natural endowments, talents, and inclinations, as well as varying access to certain natural resources. All such circumstances lead them into situations where they end up with surplus products and resources. That is what brings them to a point where they seek to exchange their own surplus products for the surplus products of others, in which they experience a deficit. This issue is in a sense a speculative one, and not much has ever been made of it, but it does establish at the outset the fallibility of Adam Smith. What is lost in the process is the all-important

interdependence that their different innate natural endowments, talents, and inclinations establish among people. That is what gave rise to the *principle of solidarity* in the economics of Heinrich Pesch³ and in the theology of Pope John Paul II (*Centesimus Annus*, no. 10).

Therein lay the critical error that emerges halfway through Smith's *Wealth of Nations*. It was—and is—of major practical as well as theoretical consequence, and it has had a devastating impact on economic conduct. In fact, this distortion lies at the root of what has become a major, if not the quintessential, conflict in economic ideology until the present moment in history. It surfaces at the heart of Smith's classic in a chapter dealing with *Restraints on Particular Imports* where he maintains that while “every individual necessarily labours to render the annual revenue of society as great as he can...”

He generally, indeed, neither intends to promote the public interest nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation indeed, not very common among merchants, and very few words need to be employed in dissuading them from it.
(423, italics added)

We have here a corruption and eventual dismantling of the universal ongoing obligation that mankind at all levels has toward the crucial element: *the common good*. According to papal social teachings from their beginning until now, that obligation is of critical importance for all sectors of society from its cell unit—the family—to the nation and, in our time, also to the international community.⁴ It is the object of what they deemed essential for social order: the virtues of social justice and social charity (solidarity).⁵ While the canny Scot did not use the specific expression “the common good” at all, from the entire context it is obviously what he meant by the expressions “public interest” and “public good.” It is also clear that he stands for precisely what Pope Paul VI in *Octogesima Adveniens* referred to as the “liberal ideology” which

considers “social solidarities as more or less automatic consequences of individual initiatives, not as an aim and a major criterion of the value of social organizations” (no. 26).

Like the Marxian fantasizing about “a spectre that is haunting Europe,” and proposing that, “The history of all hitherto existing society is the history of class struggles,” Smith’s fiction about an “invisible hand” which would automatically bring about the best in economic life may be considered the *Manifesto* of the liberal and now neoliberal ideology, as well as of the prevailing—but now once again faltering—capitalistic system based on it. Nevertheless, that was not yet the sum and substance of the kind of economics that helped to bring about conditions that made the Marxian gospel seem salvific to millions throughout the world during the twentieth century.

Adam Smith was followed by other economists, eventually deemed “classical,” for whom apparently what the invisible hand would bring about was far less promising. The clergyman Thomas Malthus turned to the up-and-coming economic science as an outlet for gloomy theories about population and natural resources. One should note here the intriguing attraction economics has had for persons concerned with ethics from its earliest beginnings (Aristotle). Adam Smith too had originally thought of becoming an Anglican minister, and he later held the chair of moral philosophy at the university in Glasgow. Malthus succeeded in casting a pessimistic aura over the economic discussion that would traumatize human civilization from his time until the present. His sometimes simplistic theories, like the supposed clash between an arithmetical growth of the food supply alongside a geometrical increase in population, would also influence the thought and writings of other economists, starting with his contemporary David Ricardo. What is more important, Malthus’ largely discredited theories would influence actual policies until now on virtually a global scale. China, at present the most populous and fourth largest country on earth, notwithstanding that it has also at present the second largest and fastest growing economy, is committed to a population policy that allows one child per married couple. There are severe penalties for violations of that Orwellian norm. It reflects a neo-Malthusian fear of overpopulation which persists throughout our world even at the present time when birth rates are so low that many nations, including Japan and most European ones, are below the 2.1 child-size family supposedly required for replacement without growth or decrease.

Malthus also influenced his contemporary Ricardo, who not only spoke the language of capitalism, but was himself a highly successful capitalist. While they did not agree on all matters, Ricardo’s

theories about rent from land and wages reflected the Malthusian population fright. From his perspective, in the long run the population continues to grow even as the land use which it requires for its food supply moves ever toward margins where it is less and less productive. Hence the fund from which workers' wages are paid (the "wages fund") must be spread ever more thinly until the subsistence level is reached. One can appreciate how Karl Marx relished and seized upon such an analysis of how the capitalistic system, which then still involved extensive land-ownership and agriculture, operates. It fed into his own theory about the way in which workers are exploited by the capitalists, because they end up being paid bare subsistence, and that is so even though, according to his theory, labor, not capital or land, is the source of all exchange value. Thus we have a highly successful retired capitalist-turned-economic theorist, David Ricardo, supplying the would-be destroyer of capitalism, Karl Marx, with the ammunition he needed to do away with it. The final irony is the fact that an Anglican clergyman, who urged "moral restraint" rather than the barbarian methods of population control that are now endemic to our post-Christian culture, provided the underlying formula for its undoing.

One can appreciate how another Scot, the great historian Thomas Carlyle, reached the point where, after viewing such theories, he turned against them and termed economics the "dismal science." He was equally exasperated by the unique twist whereby an English social philosopher of the classical era, Jeremy Bentham (1748–1832), reduced all economic actions to weighing and balancing pleasure against pain. That led Carlyle to the designation "pig philosophy." Meanwhile, the stellar English novelist, Charles Dickens, ended up capturing the capitalist spirit far more aptly than anything found in the stodgy tomes of the British classical economists. I refer in particular to the fictional prototypical capitalist, Ebenezer Scrooge, before his conversion.

Add John Stuart Mill (1806–1873), certain of whose libertarian works were placed on the Catholic Church's *Index of Forbidden Books*, to the ranks of the classical economists, and you end up with what the late St. Louis University economist Bernard W. Dempsey, S.J., labeled as "an unsatisfactory science."⁶ The dreary economic landscape that the "dismal science" with its "pig philosophy" depicted and helped to bring about was receptive to the rising tide of socialist criticism by Karl Marx, among others, by the mid-nineteenth century.

Meanwhile the Industrial Revolution, often mistakenly identified with liberal capitalism, because it happened within roughly the same time and place framework, actually offered enormous potential for improving the economic lot of humanity on the planet earth. In fact,

the improvements and by-products of that Revolution vastly improved the survival rate and lifespan of countless human beings. That—not increased birth rates which were in any case a highly propagandized myth—has in fact been the real cause of the so-called population explosion during the past two centuries. Unfortunately, the fruits of the providential largesse resulting from various aspects of the Industrial Revolution were harvested disproportionately in favor of the capitalists and their host nations according to the warped liberal economic logic that prevailed during that era.

To fend off the emerging errant socialist agitation, the Catholic Church began its tradition of social teachings by addressing also the flawed and unbalanced economic order that had emerged by the mid-nineteenth century. Pope Benedict XVI felt compelled to admit in his encyclical *Deus Caritas Est* (2005) that the Church's leadership was "slow to realize that the issue of the just structuring of society needed to be approached in a new way" (no. 27). In that context, he singled out as one of the "pioneers," the bishop of Mainz in Germany, Wilhelm Emmanuel von Ketteler (1811–1877).⁷ Ketteler began what I believe may be termed the "Germanic tradition of Catholic social teachings."⁸ This tradition may perhaps reflect the persistence of certain medieval roots like the strong and inveterate guild culture. It may also have been a reaction to the fact that Germany early on became the hotbed of socialist agitation by scribes like Ferdinand Lassalle (1825–1864), Karl Rodbertus (1805–1875) and, of course, Karl Marx himself. (Incidentally, it is too easily forgotten that the political party started by Adolf Hitler was designated officially the National Socialist German Labor Party). In any case, the Germanic input was a great boon for the Catholic Church in the development of its social teachings.

Perhaps it is providential that Catholic social teaching addressed to the economic order has reached its present level of excellence with Pope Benedict's encyclical *Caritas in Veritate* at this precise moment in history. The stubborn persistence of what is now being labeled as the "Great Recession" suggests that there is more going on here than merely another phase of what has come to be identified in the United States somewhat prosaically as the business cycle. Therefore, it will no longer do to simply view the social order like a great cuckoo clock whose pendulum swings endlessly from one unacceptable extreme to an opposite one. Without futile speculation about what may follow directly, it is always possible that we may at last be approaching the end of the capitalistic era!

Donoso Cortés, the great nineteenth-century Spanish political philosopher, once commented that with the decadence of France by the

mid-nineteenth century, “Europe will have to take everything, the good like the bad, from ... the Slavs and the Germans,” which he termed “the races of the great solutions.”⁹ This prophetic note was sounded nearly a century before Europe and then the world became the battleground against the Nazi cult of Berlin and then the Russian Communist one centered in Moscow. Clearly Donoso did not mean that “great” solutions are necessarily good solutions. As he indicated earlier: “What was needed was those ideas with which Christianity had once civilized Europe but which ... are not now in civil society.”¹⁰ For him, ranking high among those ideas was what he referred to in his *Essay on Catholicism, Liberalism, and Socialism* as “the dogma of solidarity.” In fact he presented that as “one of the most beautiful and noblest of Catholic dogmas.”¹¹

Those prophetic words were written a half-century before *Rerum Novarum*. The “ideas with which Christianity had once civilized Europe,” and which “are not now in civil society,” have nevertheless been encapsulated into a most impressive body of social teachings that were developed over the past century by a succession of outstanding Catholic popes. Among these, none was more prodigious in his output than the Polish Pope, John Paul II. It was he who in *Laborem Exercens*, the first in his great trilogy of social encyclicals, made it clear that the basic “just wage is the concrete means of verifying the justice of the whole socioeconomic system” (no. 89). Then, in the second, *Sollicitudo Rei Socialis*, he declared: “*Solidarity* is undoubtedly a *Christian virtue*” (no. 40, italics in text). In the third encyclical, *Centesimus Annus* (no. 10), he identified that as “social charity” which Pius XI in *Quadragesimo Anno* had presented along with social justice as the twin principles needed for restoring social order (no. 88).

Now Pope John Paul II had come to be referred to as the “Pope of Solidarity” mainly because the world at large first identified him with his support of the Polish labor movement *Solidarnosć*. Before his pontificate came to a close, he merited that designation perhaps even more for his implanting of the virtue of solidarity at the core of his Church’s social teachings in his second social encyclical. There he dared to paraphrase Sacred Scripture (Is. 32:17, Jas. 3:18) by suggesting: “*Opus solidaritatis pax*, peace as the fruit of solidarity” (*Sollicitudo Rei Socialis*, no. 39).

Notes

1. See: Heinrich Pesch, *Lehrbuch der Nationalökonomie/Teaching Guide to Economics*, trans. Rupert J. Ederer (Lewiston, Queenston, Lampeter: The Edwin Mellen Press, 2005), Vol. V, Bk. 1, v.
2. Adam Smith, *The Wealth of Nations* (N. Y.: Random House Edition, 1937), 6.
3. Pesch, I, 1, 36-37.
4. It was Pope Paul VI who in 1967 wrote the first social encyclical (*Populorum Progressio*) addressing directly the application of social principles at the level of the international community.
5. See *Quadragesimo Anno*, no. 88; *Divini Redemptoris*, no. 51; *Centesimus Annus*, no. 10.
6. Bernard W. Dempsey, S. J., *The Functional Economy* (Englewood Cliffs, N.Y.: Prentice-Hall), 1958), 1-17.
7. See Rupert J. Ederer, *The Social Teachings of Wilhelm Emmanuel von Ketteler* (Washington: University Press of America, 1981).
8. It was a tradition that produced a succession of outstanding contributors like Father Franz Hitze, and the great-uncle of Pope Benedict XVI, Father Georg Ratzinger; also the Jesuit economist Heinrich Pesch along with his two prominent Jesuit understudies, Oswald v. Nell-Breuning and Gustav Gundlach. Then there was the great Austrian scholar, Msgr. Johannes Messner, and also the illustrious layman, Karl von Vogelsang.
9. See John T. Graham, *Donoso Cortés* (Columbia, Mo.: University of Missouri Press, 1974), 176.
10. *Ibid.*, 155.
11. Pesch, I, bk.2, 199.

