The Centre for Enterprise, Markets and Ethics

Theology and the Market Series

Business in Catholic Social Thought

Martin Schlag

Copyright © 2016 by Martin Schlag
This edition © 2016 by the Centre for Enterprise, Markets and Ethics
The moral rights of the author have been asserted.
All rights reserved. This book or any portion thereof may not be reproduced or used in any manner whatsoever without the written permission of the publisher, except for the use of brief quotations in a book review.
Unless otherwise stated, scripture quotations are from the ESV® Bible (The Holy Bible, English Standard Version®), copyright © 2001 by Crossway, a publishing ministry of Good News Publishers. Used by permission. All rights reserved.

Scripture quotations marked NAB are taken from the New American Bible © 1991, 1986, 1970 Confraternity of Christian Doctrine, Washington, DC and are used by permission of the copyright owner. All Rights Reserved.
Cover picture: Sermon on the Mount by Carl Bloch

First edition, 2016
ISBN 978-1-910666-04-3
Published by:
Centre for Enterprise, Markets and Ethics
31 Beaumont Street
Oxford OX1 2NP

Printed in the United Kingdom by Foremost Print Ltd., Unit 9a, Vantage Business Park, Bloxham Road, Banbury, Oxfordshire OX16 9UX

The Centre for Enterprise, Markets and Ethics

We are a think tank based in Oxford that seeks to promote an enterprise, market economy built on ethical foundations.

We undertake research on the interface of Christian theology, economics and business.

Our aim is to argue the case for an economy that generates wealth, employment, innovation and enterprise within a framework of calling, integrity, values and ethical behaviour, leading to the transformation of the business enterprise and contributing to the relief of poverty.

We publish a range of material, hold events and conferences, undertake research projects and speak and teach in the areas with which we are concerned.

We are independent and a registered charity entirely dependent on donations for our work.
Our website is www.theceme.org.

Please contact the Director, Revd Dr Richard Turnbull, for further information at:

The Centre for Enterprise, Markets and Ethics
First Floor, 31 Beaumont Street,
Oxford OX1 2NP

About the author

Professor Martin Schlag is Professor of Social Moral Theology at the Pontifical University Santa Croce and the Director and co-founder of the Centre for Markets, Culture and Ethics. In 2012 he was appointed as Consultant to the Pontifical Council for Justice and Peace. Professor Schlag is a Fellow of the Centre for Enterprise, Markets and Ethics.

Theology and the Market

Welcome to our Theology and the Market publications series.

Our aim is to explore the central role of the market economy built upon ethical foundations. We want to encourage business professionals, church leaders, policy makers, academics and other interested groups to think deeply about the foundations of economic life. Our authors bring their intellectual and academic skills to this task.

Contributors are free to debate the intellectual arguments and express opinions. These views are not necessarily those of CEME, its Board or staff, but we hope they will stimulate further discussion and reflection.

Contents

1. Introduction 6

2. General perspective on the development of Catholic social thought 7

3. The paradigm shift at the Second Vatican Council 10

4. The principles of Catholic social teaching 13

5. Specific topics 15

    5.1 Private property 15

    5.2 Wealth and profit 19

    5.3 Markets, exchange, value and just price 23

Chapter 1

Introduction

Why does Catholic theology deal with business and the markets if sound epistemological principles limit theology – as any other science – to its field of competence? In the case of theology this would be religion, God and the relationship to him. Why therefore does theology reflect on business and markets? Because God is the creator and the final cause of all that exists. In all we do we should aspire to live according to God's will and to love him; also in economic dealings. Thinking about the moral dimension of business means thinking about God as the aim of all our activities. Besides, the Catholic tradition reflects on the economy from a viewpoint of faith because Christian faith has a public or, as one might say, a cultural dimension, as John Paul II wrote: 'a faith that does not affect a person's culture is a faith "not fully embraced, not entirely thought out, not faithfully lived"'.[1]

1 John Paul II, Apostolic Exhortation *Christifideles laici*, n. 59. The inner quotation is from one of his earlier statements.

Chapter 2

General perspective on the development of Catholic social thought

For the Protestant reader it might be important to understand the differences between the course the Catholic tradition took as compared to the Christian communities that emerged from the Reformation. The Catholic and Protestant traditions both attempt to solve a tension immanent in Christianity as such: the tension between temporal power and spiritual authority, a distinction that stems from Christ's injunction to give to God what belongs to God and to Caesar what belongs to Caesar.[1] In religions in which those who wield the temporal power are entrusted also with the religions questions, as was the case in pagan Rome, or in which the spiritual authority also regulates temporal affairs, there is theoretically no intrinsic tension between the two because religion and politics are exercised by the same people, who belong to one and the same system. Even when they ideally distinguish the profane from the sacred sphere, the people who are in charge of the vertical relationship with God are also in charge of horizontal earthly affairs. There will be different interpretations or political alignments among these people, but on principle the tensions will not be between 'Church and state'. This is the system of 'monism'. Christianity, by contrast, has universalised 'dualism', starting with the Old Testament distinction between the royal and prophetic institutions. In the name of God, the prophets of the Old Testament raised their voice to defend justice against the abuses of civic power. Christ reinforces this. In dualism, both functions, the spiritual and the temporal, serve the same people but are entrusted to two different sets of institutions in one and the same society: the Church and the civil power structures. They can each oppose the other. This 'Christian dualism' thus opens a field of tension and has also had the consequence, which Pope Benedict XVI summarised, that 'Unlike other great religions, Christianity has never proposed a revealed law to the State and to society, that is to say a juridical order derived from revelation.'[2]

Unlike Islamic sharia, Christianity has generally not proposed a revealed civil law. However, the Christian Church was and is challenged to make its faith fruitful for social life. In its millennial endeavour to find a social order that was compatible with Christ's revelation in the specific historical circumstances of its time, the Church throughout the centuries up to the Reformation strove, with varying degrees of success, to maintain two principles: first, the distinction and institutional separation of temporal power and spiritual authority; second, and at the same time, the moral ascendancy of Christian moral law over politics. This second principle expresses the conviction that the state is not the supreme authority in the universe, or in other words that God is the Lord of history and of all things, and that therefore God's moral law also binds politicians. This second principle is a common heritage of all Christian denominations.[3]

1 See Matt. 22.21 and parallels in Mark and Luke.

2 Benedict XVI, *Address to the Bundestag*, Berlin, 22 September 2011; see http://w2.vatican.va/content/benedict-xvi/en/speeches/2011/september/documents/hf_ben-xvi_spe_20110922_reichstag-berlin.html.

3 See Hugo Rahner, *Church and State in Early Christianity* (San Francisco: Ignatius Press, 1992); Martin Rhonheimer, *Christentum und säkularer Staat* (Freiburg/Basel/Wien: Herder, 2012).

Since the Reformation, Protestant and Catholic social thought have taken different roads in the relationship between these two principles.

In contrast to Luther's two-kingdoms doctrine[4] and the tendency in Protestant countries to entrust the secular sovereign with the government also of the visible and external affairs of the Church,[5] the Catholic tradition developed the theory of *potestas indirecta*. This theory is linked to late Scholasticism, in particular the School of Salamanca. It was spread and made known to a wide public by Francisco de Vitoria[6] and Robert Bellarmine SJ.[7] In a nutshell, the *potestas indirecta* doctrine meant that the pope had the right to teach the moral principles – and these alone – to the Christian princes, who were obliged to put them into effect through their civil power apparatus. This was a limitation of papal power because it denied the pope *direct* political power. Popes, Bellarmine taught, usually had no right to interfere in the political affairs of Christian monarchs, and obviously none at all in those of non-Christian princes. On the other hand, differently from the Reformers, the Catholic Church taught and teaches that it is at the same time the visible and the invisible Church, and the pope is sovereign over both of these spheres. The Church is also called to speak out on temporal matters; and Christian behaviour in temporal matters, not only grace, is decisive for salvation. The moral principles for politics and the social order, including the economy, which the Catholic Church taught, were not based on revelation but rather on reason, and were called 'natural law'. In the words of Benedict XVI, the Catholic tradition 'has pointed to nature and reason as the true sources of law – and to the harmony of objective and subjective reason, which naturally presupposes that both spheres are rooted in the creative reason of God'.[8]

The problem of the *potestas indirecta* doctrine was the case of conflict. What happened if the Christian monarch did not obey, stalled or even acted in a way that contradicted the pope's injunctions? In that case, says Bellarmine, political power devolved to the pope, and he could legislate, pass sentences, exercise administrative powers and even depose kings and queens.[9] This was one of the reasons this theory was only partly successful.

---

4 See Robert Kolb, 'Two-Kingdoms Doctrine', in *The Encyclopedia of Christianity*, ed. Erwin Fahlbusch, Jan Milic Lochman, John Mbiti, Jaroslav Pelikan and Lukas Visher (Grand Rapids, MI, Cambridge, Leiden, Boston: Eerdmans/Brill, 2008), Vol. 5, pp. 569–75; Reiner Anselm, 'Zweireichelehre I', in *Theologische Realenzyklopädie* (TRE) (Berlin, New York: De Gruyter, 2004), Vol. 36, pp. 776–84; Wilfried Härle, 'Zweireichelehre II', in TRE, Vol. 36, pp. 784–9; Max Josef Suda, *Die Ethik Martin Luthers* (Göttingen: Vandenhoeck & Ruprecht, 2006), pp. 117–37; Harold J. Berman, *Law and Revolution II: The Impact of the Protestant Reformations on the Western Legal Tradition* (Cambridge, MA/London: Harvard University Press, 2003), especially pp. 40–2, 177.

5 See especially Thomas Hobbes, *Leviathan* (various editions), Book III, ch. 42.

6 Francisco de Vitoria develops his theory of *potestas indirecta* in connection with the Spanish conquest of America, of which he is deeply critical, in *Relectio De potestate Ecclesiae prior*, in *Obras de Francisco de Vitoria: Relecciones teológicas*, ed. Teofilo Urdanoz (Madrid: BAC, 1960), pp. 242–327. For more information, see Luciano Pereña, 'La Escuela de Salamanca y la duda indiana', in *Francisco de Vitoria y la Escuela de Salamanca: La ética en la conquista de América*, ed. D. Ramos, A. García, I. Pérez et al. (Madrid: Consejo Superior de Investigaciones Científicas, 1984), pp. 291–344.

7 See Robertus Bellarminus, *Controversiarum De Summo Pontifice Liber Quintus (De potestate Pontificis temporali)* (1586–9), in J. Fèvre (ed.), *Roberti Bellarmini Opera Omnia*, Vol. 2 (Paris: Vivès, 1870); a partial English edition of various writings can be found in Robert Bellarmine, *On Temporal and Spiritual Authority*, ed. Stefania Tutino (Indianapolis, IN: Liberty Fund, 2012).

8 Benedict XVI, *Address to the Bundestag*.

9 Cf. Bellarminus, *Controversiarum*, Book V, 6.

By the time of the Second Vatican Council (1962–5) it had become completely untenable. In 1962, in most countries, pluralist democracies had replaced monarchies, and after the terrible experience of totalitarianism the Holy See had become very wary of assurances by authoritarian governments that they defended the interests of the Church. However, it is important to note that during the first half of the twentieth century the *potestas indirecta* doctrine was the 'default position taken by bishops in Catholic countries: the Church was the guardian of moral and spiritual values that the government should uphold and implement, while respecting the Church's freedom to Christianise society.'[10] This was also the situation in Argentina, where Pope Francis grew up.

10 Austen Ivereigh, *The Great Reformer: Francis and the Making of a Radical Pope* (New York: Holt, 2014), p. 27.

Chapter 3

The paradigm shift at the Second Vatican Council

In the Second Vatican Council's Pastoral Constitution *Gaudium et spes*, the Catholic Church undertook a paradigmatic shift. It is already expressed in the wording of the Constitution's title, which is not merely terminological. While Leo XIII had defined the relationship between faith and society as one between Church and state, the Second Vatican Council envisaged the Church 'in the world'.[1] What this implies is a change in the way the mission of the Church and its evangelisation are conceived. Whereas before the Council there was a tendency towards a top-down approach, this was replaced by a bottom-up one. In other words, whereas before the Council the stress was put on facilitating the conformity of society with moral law through the aid of political instruments (laws, decrees, concordats and so on), after the Council hope was placed on the apostolate of the laity and culture. This process has been called the 'voluntary disestablishment' of the Catholic Church,[2] which opted

Image: Second Vatican Council, 1962 – St Peter's Basilica

1 The Constitution's title is 'the Church in the modern world'.

2 See José Casanova, *Public Religions in the Modern World* (Chicago and London: University of Chicago Press, 1994), pp. 62f.

for a new habitat in civil society and proclaimed the hour of the lay Christians. These too are called to holiness, and through their personal apostolate from within the world to bring about the evangelisation of the society in which they live. This implied the Church's recognition of spheres of earthly affairs with their own laws and logic. If Christians are supposed to be true citizens of this earth, sharing the joys and sorrows, the hopes and anguish of all other humans, then they must also share the rules according to which earthly affairs such as the economy function. *Gaudium et spes* refers to the 'autonomy of earthly affairs'[3] and thus implicitly accepts their emancipation from clerical tutelage, or in other words, modern secularity.[4]

Being centred and anchored in civil society and having renounced political privileges, however, does not mean that the Catholic Church has ever or could ever accept the privatisation of Christian faith. The autonomy of earthly affairs is merely relative; that is, it is relative to God's law and subject to it. Therefore Christians individually and collectively must raise their voices to defend unborn life, social justice, marriage and family and other Christian values. The Christian faith has a public dimension. Pope Benedict XVI has formulated the position of the Catholic Church on several occasions. He has called the duty of the Church's hierarchy and teaching authority in regard to the state and politics 'indirect' (in Latin: *officium intermedium*). This means that her social teaching:

> has no intention of giving the Church power over the State. Even less is it an attempt to impose on those who do not share the faith ways of thinking and modes of conduct proper to faith. Its aim is simply to help purify reason and to contribute, here and now, to the acknowledgment and attainment of what is just.[5]

The Church's hierarchy itself does not intervene in party politics, as the lay faithful may and should do, but through its 'intermediate service' makes humane and just politics possible.

It is true that the Second Vatican Council was born of great optimism and filled with the desire for a new Christian humanism.[6] This stance had support in the virtual post-war social consensus on natural law questions. In law books there was hardly any consensual divorce, abortion was legally prohibited in most countries, there was no trace of embryo experiments or gay marriage and so on. This conformity, after the Second Vatican Council, lasted for only three years. In 1968 the sexual revolution broke out, which directly attacked Christian anthropology, while at the same time using the language of human rights, in which the modern epos of liberation had been written and

---

3 See *Gaudium et spes*, n. 36; www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_const_19651207_gaudium-et-spes_en.html.

4 Modernity has been characterised as a process of 'secularisation' by Ernst-Wolfgang Böckenförde, *Die Entstehung des Staates als Vorgang der Säkularisation*, first published in *Säkularisation und Utopie: Ebracher Studien. Ernst Forsthoff zum 65. Geburtstag* (Stuttgart: Kohlhammer, 1967), p. 75, repr. in E.-W. Böckenförde, *Recht, Staat, Freiheit,* extended edn (Frankfurt am Main: Suhrkamp, 2006), pp. 92–114. See also Ernst-Wolfgang Böckenförde, *Der säkularisierte Staat: Sein Charakter, seine Rechtfertigung und seine Probleme im 21. Jahrhundert* (München: Carl Friedrich von Siemens Stiftung, 2007), p. 75; Josef Isensee, *Die katholische Kritik an den Menschenrechten: Der liberale Freiheitsentwurf in der Sicht der Päpste des 19. Jahrhunderts, in Menschenrechte und Menschenwürde*, ed. Ernst-Wolfgang Böckenförde and Robert Spaemann (Stuttgart: Klett-Cotta, 1987), p. 138

5 Benedict XVI, Encyclical *Deus caritas est*, n. 28a; see also Benedict XVI, *Address in Westminster Hall*, 2010, http://w2.vatican.va/content/benedict-xvi/en/speeches/2010/september/documents/hf_ben-xvi_spe_20100917_societa-civile.html.

6 In his address during the last general meeting of the Council on 7 December 1965, Pope Paul VI summarised the spirit of the Council with these two concepts; see www.vatican.va/holy_father/paul_vi/speeches/1965/documents/hf_p-vi_spe_19651207_epilogo-concilio_en.html#top.

to which the Church had opened at the Council. Suddenly in Western societies 'human rights' to abortion, to contraception, to divorce and so on were postulated. Pope John Paul II referred to this development as a betrayal by Western civilisation of its own constitutional principles and cultural roots.[7]

The Catholic reaction to this new situation was the summoning of Christians to a 'new evangelisation' of all fields of human life and activity, also but not primarily of the economy. In this process, what role do the Catholic faith and morality play? Is the Christian faith only a reinforcement, an eschatological horizon, of secular ethical rules? Is there anything specifically Christian? And if there is, is it only to be sought in the field of individual ethics? Is there nothing specific in Christian social moral theology for the social structuring of society?

7 John Paul II, Encyclical *Evangelium vitae*, 1995; see Russell Hittinger, 'Introduction to Modern Catholicism', in *The Teachings of Modern Roman Catholicism on Law, Politics, and Human Nature*, ed. John Witte Jr and Frank S. Alexander (New York: Columbia University Press, 2007), pp. 1–38; p. 32.

Chapter 4

The principles of Catholic social teaching

The *Compendium of the Social Doctrine of the Church*, which summarises the papal social encyclicals up to 2004, refers to charity as 'the highest and universal criterion of the whole of social ethics'. As from an 'inner wellspring' the values of truth, freedom and justice are born and grow from love.[1] 'Charity is at the heart of the Church's social doctrine', said Benedict XVI in his social encyclical *Caritas in veritate*.[2] The revelation that God is love and the centrality of the commandment of universal love, even of enemies, are the distinctive hallmarks of the Christian religion. It is a challenge and a demanding goal that we more often than not do not achieve in practice. The gospel is the story of Jesus Christ who through his death and resurrection in humility calls us into his kingdom, which consists not in food and drink but in 'righteousness and peace and joy in the Holy Spirit'.[3] Righteousness, the biblical *sedaqa*, is a concept whose meaning goes beyond mere justice in the classical legal sense. *Sedaqa* combines God's justice with his grace and mercy. It is a form of justice that, out of mercy and compassion for the poor, actively takes up their cause. As a consequence of our being images of God, believers are expected to imitate God in this particular blend of justice and mercy. *Sedaqa* unites the religious dimension with the social one: God protects the weak, the poor, the widows and the orphans. We are obliged to help them out of justice, not out of condescending generosity or beneficence.[4] Jesus requires this greater righteousness of his disciples (Matt. 5.20). He did not send his disciples out to found cities or states but to be witnesses to his resurrection, and in the joyous light of this truth to recognise him in the least of his brethren. In this endeavour, Christians must avoid fideism and fundamentalism: although the Bible contains the Christian values, the gospel is not a socio-economic programme that could be applied immediately without the mediation of philosophy and science. Charity as the gospel's heart needs reason and skills, justice, institutions and law in order to become applicable in the social order. Religious enthusiasm without reason can be very dangerous! Since the first social encyclical by Leo XIII, *Rerum novarum*, in 1891, Catholic social thought has developed principles and values that serve as stepping stones on the great road of charity. Leo XIII spoke out to improve the workers' plight (the 'workers' question'), demanding just wages, fair and moral treatment, property and freedom for workers. He also called for their legal protection and their right to organise in workers' associations. In the next encyclical, *Quadragesimo anno*, in 1931, in the middle of the Great Depression, Pope Pius XI broadened the scope of social doctrine and dealt not only with the workers' plight but with the ordering of society (the 'social question'). He called for social justice and social charity, proposing Catholic social teaching as an alternative to both materialistic socialism and libertarian capitalism. He reasserted the Church's endorsement of private capital and introduced the principle

---

1 Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church* (henceforth CSDC) (Vatican City: LEV, 2005); nn. 204ff.

2 Encyclical *Caritas in veritate*, n. 2.

3 See Rom. 14.17.

4 See John Ziesler, 'Righteousness', in *The Oxford Companion to the Bible*, ed. Bruce M. Metzger and Michael D. Coogan (New York, Oxford: Oxford University Press, 1993), pp. 655f.; Pinchas Lapide, *Il discorso della montagna: Utopia o programma?* (Brescia: Paideia 2003), pp. 31–3 (German original: *Die Bergpredigt – Utopie oder Programm?*, 1992).

of subsidiarity. During the Cold War and immediately after the Cuba crisis, Pope John XXIII published *Pacem in terris* on peace and human rights. In it he referred to the values of justice and love, freedom and truth, but also to institutions such as the separation of powers and an independent judiciary as essential elements of social improvement. This positive appraisal of institutions finds its magisterial conclusion in John Paul II's encyclicals *Sollicitudo rei socialis* and *Centesimus annus*, in which the pope defines solidarity as a virtue essential for international development, and explains the structural advantages of liberal constitutional democracies based on the rule of law and of the free economy, while at the same time highlighting the risks these present when they are not based on an adequate anthropology.[5] The recognition of the decisive role of institutions is of great importance for the social teaching of the Church. In the Catholic tradition there has been and still is a certain blindness on the merits of a free economy.[6]

From this development, which has only been sketched very succinctly, emerged the four principles of Catholic social thought (human dignity, common good, solidarity and subsidiarity) and its four values (justice and love, freedom and truth). The principles form the foundation of society and the points of departure of reform, whereas the values are the aims that should be reached.

Of course, these principles and values are very general and consequently vague. However, they were not formulated at a desk or in an ivory tower. Their formulation is the result of a theological reflection on Catholic teaching on specific topics, which over the millennia have challenged Christian faith and are essential for the ordering of the economy: private property, wealth and poverty, markets and money.

---

5 See Arturo Bellocq Montano, 'What is Catholic Social Teaching in the Mission of the Church?', in *Social Handbook: Q & A on the Compendium of the Social Doctrine of the Church*, ed. Martin Schlag (Washington, DC: Catholic University of America Press, in publication), pp. 19–46.

6 See my chapter 'Catholic Social Teaching on the Economy: Pope Benedict XVI's Legacy', in *Free Markets with Solidarity and Sustainability: Facing the Challenge*, ed. Martin Schlag and Juan Andrés Mercado (Washington, DC: Catholic University of America Press, 2016).

Chapter 5

Specific topics

5.1 Private property

> Private property is an essential element of an authentically social and democratic economic policy, and it is the guarantee of a correct social order. The Church's social doctrine requires that ownership of goods be equally accessible to all, so that all may become, at least in some measure, owners, and it excludes recourse to forms of 'common and promiscuous dominion'. Christian tradition has never recognized the right to private property as absolute and untouchable: 'On the contrary, it has always understood this right within the broader context of the right common to all to use the goods of the whole of creation: the right to private property is subordinated to the right to common use, to the fact that goods are meant for everyone'.[1]

The question concerning private property – whether property may belong to individual persons and whether these are allowed to use and dispose of property as they judge fit – is decisive for economics. As in other topics, the Catholic teaching on property is a blend of the Christian tradition, established by the Bible and the church fathers, with the liberal system of Roman law and modern influences.

The church fathers treated the institution of property not from a juridical but from a theological and moral perspective based on the Bible. In the texts of the Old Testament one can distinguish a vertical and a horizontal dimension of property. The vertical dimension refers to the concept of property in the relationship between humanity and God. God, as the proprietor and overlord of the Holy Land, commands that this land be distributed among the tribes of Israel.[2] Only after the distribution is there also a horizontal dimension of property, corresponding to the juridical distribution and defence of private property among men, and referring to the distribution of this land between the tribes and their individual members. Private property was understood as a morally and socially limited right. The limitations were apparent in the manifold legal prescriptions regarding the social care of the poor, widows, orphans and foreigners. There was also a positive legislation meant to protect slaves. Even though they probably were never (fully) put into practice, the social measures of the Jubilee year were meant to institutionalise a fair economy: every 50 years, land that had been sold was to return to the original owner, the family or clan, and the Hebrews who had been sold as slaves were to be released. The Jubilee year 'reset' economic inequality in order to recreate a balanced situation of equal chances. These limitations on property were very difficult to implement, and the Prophets severely criticised Israel for not putting them into practice. The seventh commandment as well, 'Thou shalt not steal', is a clear protection of the institution of private property in the horizontal sense.

---

1 CSDC, nn. 176f. (the internal quote is from the 1981 encyclical *Laborem exercens*).

2 See Josh. 13.1–7, 18, 19.

The New Testament presupposes the existence of private property but urges believers not to put their hope and trust in treasures that rot and pass away. Jesus demands complete freedom of heart and detachment from all possessions in order to follow him.[3] Property in the New Testament has the character of a means, and the attitude required of owners is that they should 'buy as though they had no goods' (1 Cor. 7.30).

The church fathers concentrated on the vertical dimension of property, underscoring the universal destination of goods, whereas the horizontal dimension was developed by the scholastics in the Middle Ages after the reception of Roman law. In addition to the Bible, the church fathers were influenced by Hellenistic ideals of communal use and the possession of goods. Augustine combined all of these currents in a theological perspective. In accordance with Hellenistic moral philosophy, although essentially and intentionally following our Lord's injunction to make friends by means of unrighteous wealth, in order to be received into the eternal dwellings,[4] Augustine distinguished between goods we should enjoy (*frui*: God, virtue, *honesta*) and others we should only use (*uti*: material means, health, strength, power and so on). For Augustine, to own something meant to use it rationally and justly, in a detached manner possible only in interior freedom. Otherwise, the owner would become enslaved to their possessions.[5] In his *Tractates on the Gospel of St John*, Augustine argued that by divine law, all things belonged to God and God had created the world for everyone. It was by human law that the division of property was performed.[6] The later medieval reception of this text reduced the Augustinian position to the idea that property was not derived from divine law but was a result of positive human law alone. Such an interpretation omits the important explanation that human law regarding property is based on divine origin.[7] Augustinianism, as the medieval reception of Augustine is known, held that property was a consequence and necessity of sin, not of nature.

Image: *Christ and the Rich Young Ruler* by Heinrich Hofmann, 1889.

These various traditions resulted in the conviction, still present in Catholic social teaching, that 'in

---

3 See Matt. 16.24–25; 19.16–30; Luke 12.33; Mark 10.17–21; Matt. 6.19, 24; Mark 10.23; Acts 4.32–35; Col. 3.5; 1 Cor. 6.10.

4 See Luke 16.19–31. Matthew S. Kempshall, *The Common Good in Late Medieval Political Thought* (Oxford: Clarendon Press, 1999), pp. 21–3 points to the convergence between Stoic and Augustinian thought. However, one should not forget that Augustine was primarily inspired by the Bible.

5 Cf. Augustine, *Sermon* 50, 4, Nuova Biblioteca Agostiniana XXIX (Rome: Città Nuova, 1979), pp. 948f.

6 Cf. *Tractates on the Gospel of St John* (translated), Tractate 6.25, Nuova Biblioteca Agostiniana XXIV (Rome: Città Nuova, 1968), pp. 148–51.

7 The *Decretum Gratiani* Pars I, Init. D. VIII; ed. Emil Friedberg, Vol. 1, 12f. incorporated the reduced Augustinian teaching, stating that private property did not belong to natural but to civil law.

need all things are common'.[8] This idea must not be confused with collectivism or communism. The church fathers argued ethically and concentrated on the vertical dimension of property. Before God, no one owns anything, but God has created all things for the common use of the entire human race. Utz called this concept 'negative communism',[9] as things by nature belong to nobody in particular but are meant by the creator to serve all. In this sense, for instance, St John Chrysostom wrote: 'Not to share one's wealth with the poor is to steal from them and to take away their livelihood. It is not our own goods which we hold, but theirs.'[10] This was spoken in a certain socio-economic context. At that time a few families owned vast expanses of farm land that were tilled by poor dependent settlers. Like the later serfs, they were obliged to deliver a part of the products to the landowners, who lived in magnificent palaces, as we know from archaeological excavations. In times of famine and dearth, the situation of the individual farmers became unbearable. The rich families always had abundant food, receiving it from the poor. That is why John Chrysostom affirms that the goods of the well off, to whom he reckons himself as well, actually belong to the poor workers. In a contemporary context it must not be interpreted as advocating collective ownership or against private property but as a wake-up call of our social conscience.

Private property is confirmed by the universal teacher of the Catholic Church, Thomas Aquinas, who followed Aristotle in founding private property on natural reason. From Aristotle's arguments for property he developed (1) the argument from efficiency, (2) the argument from order, and (3) the argument from peace. First, people tend to take better care of what is their own. Holding goods in common is inefficient because in what is not their own, people leave the work to the others. Second, without a division of property there would be confusion. If there is order and everybody knows exactly what things are in their care, things are treated better. Third, with private property, everybody has their own and can be content with it. Undivided communal goods among sinful men lead to frequent quarrels and disturbances of peace.[11] Division of property was not originally introduced by natural law, Thomas notes, because by nature nothing, absolutely speaking, is ascribed to anybody in particular; this division was a rational addition for the better cultivation and peaceful use of possessions. Private property is a consequence of the first rational principles of natural law and therefore is humanly natural according to its convenience to natural reason and for the benefit of human life.[12] Note that it is the common good that justifies the institution of private property, not the individual's right. Something similar was taught by the second big Catholic theological school, the Franciscan, whose greatest scholar was John Duns Scotus.

In contrast to the Aristotelian Dominican school, founded by Albert the Great and Thomas Aquinas, the Franciscan school followed the Augustinian tradition more closely, stressing that private property was a consequence of sin and an institution belonging solely to civil law. Duns Scotus

8 This idea is expressed in the concept of 'the universal destination of goods', cf. CSDC nn. 171–84.

9 Cf. Arthur Fridolin Utz, *Kommentar zu Thomas von Aquin, Summa Theologiae II–II, qq 57–79, Recht und Gerechtigkeit, Band 18 der deutsch–lateinischen Ausgabe der Summa Theologica, übersetzt von den Dominikanern und Benediktinern Deutschlands und Österreichs* (Heidelberg, München: Kerle; Graz, Wien, Salzburg: Pustet, 1953), p. 508. Cf. also Thomas Aquinas, *Summa Theologiae* II–II, q. 66, a. 1 c, who distinguishes power over the nature of things, which belongs to God alone, and over the use of things, which belongs to humanity.

10 Pope Francis quoted this phrase in his Apostolic Exhortation *Evangelii gaudium*, n. 57. It is taken from Saint John Chrysostom, *Sermon on Lazarus*, II, 6: PG 48, 992D.

11 Thus Thomas Aquinas rendered two of Aristotle's arguments, adding one of his own (on order): *Summa*, II–II, q. 66, a. 2; Thomas Aquinas, *In Libros Politicorum Aristotelis Expositio*, Book 4, lectio 4, ed. Raimondo Spiazzi (Rome: Marietti, 1966); cf. also Odd Langholm, *Economics in the Medieval Schools: Wealth, Exchange, Value, Money and Usury according to the Paris Theological Tradition, 1200–1350*, Leiden (New York, Cologne: Brill, 1992), pp. 210–16.

12 Cf. Thomas Aquinas, *Summa Theologiae*, II–II, q. 57, a. 3 c and I–II, q. 94, a. 5 ad 3.

taught that before original sin there was no private property but communism.[13] In the present state of fallen nature, however, communism was revoked because the strong and mighty would not leave the poor and weak their share.[14] So private property is necessary to defend the poor. Duns Scotus does not conclude that therefore the institution of private property is natural law; on the contrary, for his school private property is merely instituted by human law and can therefore be modified, confiscated or transferred by law.[15] The ideas of Thomas Aquinas were to prevail. During the period of late scholasticism, in the School of Salamanca, the scholastics spoke of private property as an institution of natural law.[16] It is important to realise, however, that in the Catholic tradition up to the encyclical *Rerum novarum*, the common good was prior to individual rights. The latter existed only in so far as they served the common good of the community the person lived in. As we have seen, the medieval teachers justified private property because it contributed to the general well-being and peace in society. On the medieval view there was consequently no need for reconstructing the societal common good from and over individual interests, because it was not fragmented into individual rights, understood as antagonistic to the common good. The common good was prior to the individual good. Modern political philosophy overturned this approach. For John Locke, for instance, the first right before any other right, and before the common good, is private property: through work, we appropriate the fruits and objects of our labour; with the surplus of production, we begin to exchange and come together in commonwealths, the better to ensure the protection of our property (understood as life, safety and material goods).[17] Thus, in this perspective, the good of the individual turns out to be not only prior to but also at the origin of the common good. The paradigm shift of modernity took us from natural law as order of society as a whole to natural rights as individual entitlements against the whole. As regards private property, this paradigm shift was also undertaken in Catholic social teaching. It was Leo XIII who in his encyclical *Rerum novarum* chose the modern approach and language: he postulated a natural right to property that is prior to the formation of society.[18] In this change he was undoubtedly – albeit indirectly – influenced by classical economists such as Adam Smith. Having established private property as natural right, Catholic social teaching undulates between formulations that rather stress its individual character and others that are inclined towards the common good. Pope Francis clearly follows the Franciscan tradition, goes back to the medieval tradition and gives priority to the common good and the universal destination of goods.[19] He sees private property as an institution of natural law but not as

---

13 Cf. Duns Scotus, *Ordinatio IV*, d. 15, q. 2, a. 1, n. 1, in *Opera Omnia*, Vol. 13, ed. Commissio Scotistica (Vatican City: Typis Vaticanis), 2011, p. 79.

14 Cf. Duns Scotus, *Ordinatio IV*, d. 15, q. 2, a. 1, n. 2; p. 79f. Scotus had already brought forth the same argument in Ord. III, d. 37, q. unica, in *Opera Omnia*, Vol. 10, ed. Commissio Scotistica (Vatican City: Typis Vaticanis, 2007), pp. 283f.

15 Cf. Duns Scotus, *Ordinatio IV*, d. 15, q. 2, a. 1, n. 1; p. 79.

16 See Alejandro A. Chafuen, *Faith and Liberty: The Economic Thought of the Late Scholastics* (Lanham: Lexington Books, 2003), pp. 31–50.

17 Cf. John Locke, *The Second Treatise of Government*, in I. Shapiro (ed.), *Two Treatises of Government and A Letter Concerning Toleration* (New Haven, CT, London: Yale University Press, 2003), especially chapters V and VII, pp. 111–21, 133–41.

18 Leo XIII speaks of private property in several passages of the encyclical; see nn. 4, 8, 15, 22, 38 or 47. This last number is especially clear: 'The right to possess private property is derived from nature, not from man; and the State has the right to control its use in the interests of the public good alone, but by no means to absorb it altogether.' The numbering is taken from http://w2.vatican.va/content/leo-xiii/en/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum.html.

19 See Francis, Apostolic Exhortation *Evangelii gaudium*, n. 189: 'Solidarity is a spontaneous reaction by those who recognize that the social function of property and the universal destination of goods are realities which come before private property. The private ownership of goods is justified by the need to protect and increase them, so that they can better serve the common good;…'

an individual right prior to the common good.

5.2 Wealth and profit

> The Church acknowledges the legitimate role of profit as an indication that a business is functioning well. When a firm makes a profit, this means that productive factors have been properly employed and corresponding human needs have been duly satisfied. But profitability is not the only indicator of a firm's condition. It is possible for the financial accounts to be in order, and yet for the people – who make up the firm's most valuable asset – to be humiliated and their dignity offended. Besides being morally inadmissible, this will eventually have negative repercussions on the firm's economic efficiency. In fact, the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a community of persons who in various ways are endeavouring to satisfy their basic needs, and who form a particular group at the service of the whole of society. Profit is a regulator of the life of a business, but it is not the only one; other human and moral factors must also be considered which, in the long term, are at least equally important for the life of a business.[20]

Image: *Roman Fish Market – Arch of Octavius* by Albert Bierstadt

20 John Paul II, Encyclical *Centesimus annus*, n. 35.

The message of the Bible regarding wealth and profit is linked to the concept of poverty and the poor.[21]

In the Old Testament, wealth and riches are initially presented as God's blessing for a righteous life, whereas poverty, need and misery are seen as a curse and a punishment for sin. It is the experience of the 'scandal' of the rich and the well-off sinner as well as that of the suffering of the innocent that provoked a change of perspective.[22] Additionally, the experience of collective humiliation and poverty during the exile as well as in post-exilic Judaism and the incessant vexations peaking in the wars of the Maccabees developed an awareness that poverty could be a sign of loyalty to God's covenant. The Jews who remained faithful to God's commandments preferred poverty to wealth if the latter was achieved at the price of betraying the covenant. Israel was God's 'poor people'. Although it is a matter of debate whether or not there was a political movement or social group that identified itself with the 'poor of God' (*anawim Jahve*),[23] the great value attached to poverty in spirit in intertestamental Judaism, such as in the Qumran community, is significant.[24] However, it should be noted that poverty due to laziness was decried in the Bible, especially in the Wisdom texts.[25]

True to its characteristic inclination towards individual ethics, the New Testament deals with poverty and wealth mainly in terms of subjective poverty, the voluntary renunciation of material means as a virtue in following Christ. The parables of the camel capable of passing through the 'eye of a needle'[26] and of the hidden treasure and the precious pearl[27] express the need of complete interior detachment and freedom of heart. At the same time, Jesus, in word and deed, cared for the poor and taught his disciples to alleviate the needs of their neighbours. In his discourse on the Last Judgement, the works of mercy towards the poor and needy are presented as the law by which we shall be judged.[28]

However, our Lord's words should not be interpreted in a modern political sense, as if the poor of the Bible were the proletarians of some kind of Marxist doctrine. Even less can one justify violence and class struggle by means of Christian revelation. Jesus himself dealt with the rich people, accepting and praising their services.[29] Encountering Christ allowed the rich to discover their social responsibility and the joy of sharing.[30]

---

21 See Hans Kvalbein, 'Poor/poverty', in *New Dictionary of Biblical Theology*, ed. T. Desmond Alexander and Brian S. Rosner (Downers Grove, IL, Leicester: Inter-Varsity Press, 2003), pp. 687–91; 'Ricchezza–Povertà nella Bibbia', in *Dizionario di Spiritualità Biblico-Patristica, Nr. 59, Ricchezza–Povertà nella Bibbia* (Rome: Borla, 2011); J. David Pleins, 'Poor, Poverty' (OT), in *The Anchor Bible Dictionary*, Vol. 5, ed. David Noel Freedman (New York, London, Toronto: Doubleday, 1992), pp. 402–14; Thomas D. Hanks, 'Poor, Poverty' (NT), in *The Anchor Bible Dictionary*, Vol. 5, pp. 414–24.

22 See the book of Job; Psalms 37; 51; 72 etc.

23 Pleins, 'Poor, Poverty' (OT), pp. 411–13; Kvalbein, 'Poor/poverty', p. 688.

24 Cf. Frédéric Manns, 'Ricchezza e povertà nel giudaismo intertestamentario', in *Dizionario di Spiritualità Biblico-Patristica, Nr. 59, Ricchezza–Povertà nella Bibbia* (Rome: Borla, 2011), pp. 73–97.

25 Cf. Prov. 6.11; 14.23; 21.5; 24.34.

26 Matt. 19.24; Mark 10.25; Luke 18.25.

27 Matt. 13.44–46.

28 Cf. Matt. 25.31–45.

29 Some examples are: the calling of the rich Levi in Matthew (Matt. 9.9–13); dining with the rich Pharisee (Luke 7.36–50); as guest of Lazarus and his anointment with precious balm (John 12.1–8).

30 Zacchaeus is full of joy (Luke 19.1–10); in contrast, the rich man still attached to his possessions goes sadly away (Matt. 19.16–22).

In the Epistles of the New Testament, which reflect the reception of Jesus' teachings in the first generation of Christians, we discover two attitudes towards the rich. One is represented by 1 Timothy,[31] the other by James.[32] The difference between the two is striking. The harsh condemnation expressed in James has no correspondence in 1 Timothy, which understands wealth as an opportunity to do good. The two seem to reflect two general moral attitudes: one of greater severity, austerity and peremptoriness, the other of greater social realism, conciliation and motivation. In any case, it is significant that both lines remain in an unresolved tension, bequeathed to Christian theology.

Turning to the church fathers, it is necessary to take into consideration the cultural context in which they taught. In Greek, the poor were divided into the *ptochoi* and the *penetes*. *Ptochos* was a person who lived in misery and was physically incapable of fending for himself, either because he was sick (a leper, for example) or because he had no material resources whatsoever. A *penes* was somebody who had to work in order to survive. He might possess health, instruments, a house, even some slaves, but he had to work on a regular basis. This person was considered to be 'poor' in antiquity. The 'rich' in antique parlance were the *eleutheroi*, the free men, a very small portion of society, whose material means were of such abundance that they were free not to work (*neg-otium*), and could dedicate themselves to philosophy, politics, warfare and so on (*otium*).[33] The antique concept of poverty, and thus also that of the church fathers, was linked to the concept of work, reserved for the poor and considered unworthy of the rich.[34] The church fathers had to overcome this attitude, especially in the budding monastic communities in which the sons and daughters of rich families desired to abstain from manual work in order to dedicate themselves solely to prayer, study and teaching. Augustine is quite clear: all must work in obedience to Paul's injunction that he who does not want to work shall not eat.[35]

In their writings, Basil, John Chrysostom, Ambrose and others defend the poor (*penetes*) against exploitation.[36] They demand that the rich invest their money in productive activities instead of keeping their wealth locked up in a chest.[37] Stoic philosophy was helpful in this respect. Wealth was one of the preferable *adiaphora*: its moral quality depended upon its virtuous use. It was not the possession of wealth that was evil, but its abuse. Wealth could and should be used for a good cause. If nobody had anything, who could help the poor?[38] The concern of the church fathers was not

---

31 'As for the rich in this present age, charge them not to be haughty, nor to set their hopes on the uncertainty of riches, but on God, who richly provides us with everything to enjoy. They are to do good, to be rich in good works, to be generous and ready to share, thus storing up treasure for themselves as a good foundation for the future, so that they may take hold of that which is truly life' (1 Tim. 6.17–19 ESV)

32 'Come now, you rich, weep and howl for the miseries that are coming upon you. Your riches have rotted and your garments are moth-eaten. Your gold and silver have corroded, and their corrosion will be evidence against you and will eat your flesh like fire. You have laid up treasure in the last days. Behold, the wages of the labourers who mowed your fields, which you kept back by fraud, are crying out against you, and the cries of the harvesters have reached the ears of the Lord of hosts. You have lived on the earth in luxury and in self-indulgence. You have fattened your hearts in a day of slaughter. You have condemned and murdered the righteous person. He does not resist you' (James 5.1–6 ESV)

33 Cf. Kvalbein, 'Poor/poverty', p. 687; Fernando Rivas Rebaque, *Defensor pauperum: Los pobres en Basilio de Cesarea: homilías VI, VII, VIII y XIVB* (Madrid: BAC, 2005).

34 Cf. Paul Veyne, *La vita privata nell'Impero romano* (Rome, Bari: Laterza, 2010).

35 See Augustine, *Il lavoro dei monaci*, www.augustinus.it/italiano/lavoro_monaci/index2.htm.

36 See the analysis and a selection of texts in Maria Grazia Mara (ed.), *Ricchezza e povertà nel cristianesimo primitivo* (Rome: Città Nuova, 1991).

37 See for instance Basil, *Homily VI* (on avarice), 5, in Mara, *Ricchezza*, pp. 169f.

38 The first father of the Church to deal with this question in a positive sense was Clement of Alexandria, cf. Clemente di Alessandria, *Quale ricco si salverà?*, trans. A. Quacquarelli (Rome: Città Nuova, 1999). For the Greek text, see Clement of Alexandria, *Quel riche sera sauvé?*, Sources chrétiennes 537 (Paris: Les Éditions du Cerf, 2011).

the formulation of an economic theory but the aid provided to the poor (*ptochos*) and the organisation of charity in their churches.

Image: Pope Francis, 2013

This is the ethical heritage received by Catholic social teaching, with which it sought to understand profit in commercial society.[39] The search for profit as an aim in itself, throughout the centuries, was seen as avarice, one of the capital vices. However, in economic life the quest for material wealth is the prime mover, a fact Catholic theology could not ignore. The general trend of medieval scholasticism was therefore to justify a moderate profit, not as an end in itself but insofar as it was needed for the merchant's sustenance and that of his family for maintaining – but not improving – one's social position, for the common good, for almsgiving.[40] Modern Catholic social thought still more or less moves along the same lines. Of course, with the emergence of social mobility and particularly of the commercial society replacing the feudal system, the social consequences of faith had to unfold in a modern context, and the wish to improve one's social position is certainly no longer seen as avarice. The concept that best expresses the contemporary position of Catholic social teaching is 'integral development'.[41] It is a combination of economic growth with moral, spiritual and cultural aspects of human life. Economic growth, material prosperity and wealth are without doubt necessary conditions for a life in dignity and freedom but they are not sufficient. Health care, education, faith and happy and numerous families are values, without which happiness cannot be attained. In this sense, Pope Francis has demanded:

> nourishment or a 'dignified sustenance' for all people, but also their 'general temporal welfare and prosperity'. This means education, access to health care, and above all employment, for it is through free, creative, participatory and mutually supportive labour that human beings express and enhance the dignity of their lives. A just wage enables them to have adequate access to all the other goods which are destined for our common use.[42]

Together with all other Christians, Catholic social thought has therefore throughout the centuries made present Christ's healing love among the sick, the hungry, the miserable and so on, not only

39 For a good overview of what this concept means in the Anglo-Saxon context, see Christopher J. Berry, *The Idea of Commercial Society in the Scottish Enlightenment* (Edinburgh: Edinburgh University Press, 2013).

40 E.g. Thomas Aquinas, *Summa Theologiae* II–II, q. 77, a. 4 c. For more detail see Langholm, *Economics*, pp. 331ff.; Joel Kaye, *Economy and Nature in the Fourteenth Century: Money, Market Exchange, and the Emergence of Scientific Thought* (Cambridge: Cambridge University Press, 1998).

41 Pope Benedict XVI's only social encyclical, *Caritas in veritate*, has the subtitle: 'On Integral Human Development in Charity and Truth'. Even though it was published in 2009 it was meant to commemorate Pope Paul VI's encyclical *Populorum progressio* on development from 1967.

42 Francis, Apostolic Exhortation *Evangelii gaudium*, n. 192.

alleviating immediate needs but also struggling to overcome their causes. This is also the best way to secure inner and outer peace. Paul VI put it this way in the iconic phrase: 'Development, the new name for peace.'[43] At the same time, Catholic social thought stresses interior detachment of all material wealth, also in the Church. One of the hallmarks of Pope Francis's intents of reform is his attack on 'spiritual worldliness' in the Church.[44] John Wesley's famous injunction – 'Having first gained all you can, and secondly saved all you can, then give all you can!'[45] – resonates well with Catholic social teaching.

5.3 Markets, exchange, value and just price

> It would appear that, on the level of individual nations and of international relations, the free market is the most efficient instrument for utilizing resources and effectively responding to needs. But this is true only for those needs are 'solvent', insofar as they are endowed with purchasing power, and for those resources are 'marketable', insofar as they are capable of obtaining a satisfactory price. But there are many human needs find no place on the market. It is a strict duty of justice and truth not to allow fundamental human needs to remain unsatisfied, and not to allow those burdened by such needs to perish.[46]

That the exchange of goods is a necessity of everyday life as well as the core and essence of economic activity is obvious to the Catholic tradition of social thought. Catholic social teaching does not attempt to explain the economy analytically in the scientific sense but strives to imbue it with ethical and spiritual values. However, in order to do so it must understand and accept the laws and logic of markets. The Catholic tradition of reflection on economic exchange emphasises the *justice* of prices and wages. What makes a price or a wage just is not easy to establish. Usually it simply means the competitive market price. However, as already stated, Catholic social teaching is not an economic but a moral theory. The idea that the concept of a *just* price and a *just* wage wants to convey is that there exists a measure besides and beyond money. In medieval economic ethics, for instance, the reference to the estimation of the market was understood as a standard of justice, meant to protect the buyer from economic coercion: a special need or urgency of the buyer or the seller should not cause the price to rise over the usual market average.[47] The Catholic tradition over the centuries has also consistently and unanimously condemned market manipulations in the form of monopolies or oligopolies.[48]

Exchange regularly takes place in markets, created by commercial dealings among merchants. The church fathers, although they wrote quite infrequently about the theme, had a positive or neutral attitude towards commerce and trade, presupposing its admissibility. Their social concerns centred on the protection of the poor from exploitation, including social aid to the sick, widows and

43 It is a heading of one of the sections in Paul VI's encyclical *Populorum progressio*.

44 See Francis, Apostolic Exhortation *Evangelii gaudium*, nn. 93–7.

45 John Wesley, Sermon on *The Use of Money*, III.1, in *John Wesley's Sermons: An Anthology*, ed. Albert C. Outler and Richard P. Heitzenrater (Nashville, TN: Abingdon, 1991).

46 John Paul II, Encyclical *Centesimus annus*, n. 34.

47 Odd Langholm, *The Merchant in the Confessional: Trade and Price in the Pre-Reformation Penitential Handbooks* (Leiden, Boston: Brill, 2003), pp. 244ff.

48 Cf. Diana Wood, *Medieval Economic Thought* (Cambridge: Cambridge University Press), 2002, pp. 139f.; Langholm, *Economics*, p. 408; Giacomo Todeschini, *Ricchezza francescana: Dalla povertà volontaria alla società di mercato* (Bologna: Il Mulino, 2004), pp. 166ff.

orphans as well as foreigners. Consequently, they preached against irresponsible luxury and wealth and against usury, understood as oppressive interest rates on loans to the poor. This attitude simply echoes the Bible itself.[49] However, the general attitude in the Catholic tradition of social thought is that commerce and markets are necessary and useful social functions. Thus markets are seen in a positive light. The same is not true, by contrast, of capitalism. On the contrary, the European Catholic tradition tends to distinguish markets from capitalism. In the European tradition, different from its usage in the Anglo-American context, capitalism is generally understood very negatively as a system of exploitation.

For many Catholics in the USA, by contrast, capitalism means the democratically and socially inspired economic and political system that has generated the greatest amount of wealth and prosperity that has ever existed in human history; in other words, the USA. It is not only about making money but an idea of ordered liberty, personal happiness, equal opportunity and merit. American capitalism is and should be an economy of the people, by the people and for the people.[50] That is why attacks on capitalism are seen as attacks on the USA itself.

Others, on the contrary, use the word 'capitalism' as if it were a curse word. Cardinal Ludwig Müller, for instance, defines capitalism – he significantly adds 'in Latin America' – as a lifestyle aimed at unlimited and unfettered growth of personal wealth, taken as the ultimate criterion of human action. Such capitalism produces oppression and exploitation. Capitalism, says Müller, is a combination of money and other material means, and of power in the hands of oligarchs or of international centres of political and economic power.[51] Socialism then, to some Christians, is the 'ultimate idea' of social fraternity, of Christianity and sharing put into practice.[52]

To others, it is socialism that is the curse word. Luigi Zingales, for instance, defines socialism as a system without competition in which only a few exercise total political and economic power – just what Müller defines as capitalism.

In fact when Pope John Paul II published his encyclical *Centesimus annus* after the collapse of the Communist bloc, he was well aware of these different interpretations and traditions. His encyclical is a critical endorsement of the free market economy and of Western liberal and social constitutional democracies based on the rule of law. His distinctions and definitions are still worth repeating:

> If by 'capitalism' is meant an economic system which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector, then the answer is certainly in the affirmative, even though it would perhaps be more appropriate to speak of a 'business economy', 'market economy' or simply 'free economy'. But if by 'capitalism' is meant a system in which freedom in the economic sector is not circumscribed within a strong juridical framework which places it at the service of human freedom in its

49 See e.g. Sirach 26.20—27.2, 'A merchant can hardly remain upright, nor a shopkeeper free from sin; For the sake of profit many sin, and the struggle for wealth blinds the eyes. Like a peg driven between fitted stones, between buying and selling sin is wedged in' (NAB).

50 Cf. Luigi Zingales, *A Capitalism for the People: Recapturing the Lost Genius of American Prosperity* (New York: Basic Books, 2012), p. 2; Michael Novak, *The Spirit of Democratic Capitalism* (New York: Simon & Schuster, 1982).

51 Cf. Gustavo Gutiérrez and Gerhard Ludwig Müller, *Dalla parte dei poveri: Teologia della liberazione, teologia della chiesa* (Padua, Bologna: Messaggero di Sant'Antonio, 2013), p. 35.

52 See e.g. John Milbank, *The Future of Love: Essays in Political Theology* (Eugene, OR: Cascade Books, 2009), p. xvi.

> totality, and which sees it as a particular aspect of that freedom, the core of which is ethical and religious, then the reply is certainly negative.[53]

Eighteen years later Benedict XVI approached the topic of markets quite differently. The circumstances had changed. Not only had the Western world just been through its worst financial and economic crisis since 1929 but the intellectual context had become dominated by postmodernism. Postmodernism rejects all universal metanarratives of meaning and also implicitly the notion of substantial difference in the metaphysical sense. Instead it postulates diversity as a result of individual choice. Without difference in the strong sense of the word, however, true stable duality and thus relation are not possible. In such a cultural context, Benedict XVI proposed rethinking the Holy Trinity in its social dimension and rediscovering the human person as relation. Personhood does not consist in mere individuality, as personality might, but in a communion of relationships that make possible what is typically human in us: love, comprehension, dignity, freedom and so on. Benedict XVI thus rethinks the markets as relation.

> In a climate of mutual trust, the market is the economic institution that permits encounter between persons, inasmuch as they are economic subjects who make use of contracts to regulate their relations as they exchange goods and services of equivalent value between them, in order to satisfy their needs and desires. The market is subject to the principles of so-called commutative justice, which regulates the relations of giving and receiving between parties to a transaction. But the social doctrine of the Church has unceasingly highlighted the importance of distributive justice and social justice for the market economy, not only because it belongs within a broader social and political context, but also because of the wider network of relations within which it operates. In fact, if the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires in order to function well. Without internal forms of solidarity and mutual trust, the market cannot completely fulfil its proper economic function.[54]

These considerations fit into the overall project of Benedict XVI of serving the political and economic society indirectly by helping to broaden the concept of reason: faith and reason, religion and society need each other and 'should not be afraid to enter into a profound and ongoing dialogue, for the good of our civilization'.[55] For this reason too, Benedict XVI wrote that the social problem has radically become an anthropological one.[56] The human person has become an object of technical manipulation, of economic exploitation, of political and military subjection, as becomes apparent in the appalling mass migration taking place on our doorstep. In science too we know *what* we are but we do not know *who* we are and *what* on earth we are here *for*. For Benedict XVI, love is central in order to answer the anthropological question. Only love is credible; the central element of the new evangelisation of society is Christian love. The challenge of charity is the principal legacy that Benedict XVI left to Catholic social teaching on markets. It is formulated as a challenge, leaving the answers to the question of how to insert charity into normal business dealings to the operators in the field:

> The great challenge before us, accentuated by the problems of development in this global era and made even more urgent by the economic and financial crisis, is to demonstrate, in thinking

53 John Paul II, Encyclical *Centesimus annus*, n. 42.

54 Benedict XVI, Encyclical *Caritas in veritate*, n. 35.

55 Benedict XVI, *Address in Westminster Hall*.

56 Cf. Benedict XVI, Encyclical *Caritas in veritate*, n. 75.

> and behaviour, not only that traditional principles of social ethics like transparency, honesty and responsibility cannot be ignored or attenuated, but also that in commercial relationships the principle of gratuitousness and the logic of gift as an expression of fraternity can and must find their place within normal economic activity. This is a human demand at the present time, but it is also demanded by economic logic. It is a demand both of charity and of truth.[57]

Gift, gratuitousness and fraternity are concepts that at first glance have little to do with business but they contain a number of important insights[58] that also highlight the continuity between Benedict XVI and his charismatic successor Francis.

Pope Francis is pursuing a programme of 'radical evangelism'. The post-conciliar pontificates of St John Paul II and Benedict XVI concentrated on the task of orientating the Church according to the changes brought about by the Second Vatican Council. In order to achieve this task, they developed a hermeneutic of reform (continuity in principles, discontinuity in their application). Pope Francis has other concerns. In a certain sense he takes up the pastoral programme or approach that guided John XXIII. His hermeneutic is a hermeneutic of evangelisation.[59]

For professors of hardcore economics, the pope's economic statements are probably too apodictic from a technical and epistemological perspective to be taken seriously as a scientific contribution to the markets. I think the pope would agree with this: he does not pretend to be, nor does he want to be an economist. However, there are economists who are open to social concern and go beyond a merely technical comprehension of their subject, and agree with the aims proposed by the pope and join forces with him in conducting research that focuses on such topics as the inclusion of the poor in the market economy, the importance of ethics in economics, the struggle against any form of corruption and cronyism, among others.

Take for instance the well-known paragraph from one of the pope's first writings:

> Just as the commandment 'Thou shalt not kill' sets a clear limit in order to safeguard the value of human life, today we also have to say 'thou shalt not' to an economy of exclusion and inequality. Such an economy kills. How can it be that it is not a news item when an elderly homeless person dies of exposure, but it is news when the stock market loses two points? This is a case of exclusion. Can we continue to stand by when food is thrown away while people are starving?[60]

With these words and other passages in his pronouncements, Pope Francis expresses that he is not against the economy as such but against 'such an economy that kills'. He intends to provoke the comfortable. His words on the economy are a prophetic cry against the anaesthesia of well-being that paralyses us. We shake our heads and deplore the plight of our brethren but do nothing about it, sometimes because we are genuinely overwhelmed, more often than not because we refuse to leave

---

57 Benedict XVI, Encyclical *Caritas in veritate*, n. 36.

58 For further reading, see my chapter 'Catholic Social Teaching on the Economy: Pope Benedict XVI's legacy', in *Free Markets with Solidarity and Sustainability*, ed. Martin Schlag and Juan Andrés Mercado (Washington, DC: Catholic University of America Press, 2016).

59 See the interesting considerations in Mariano Delgado and Michael Sievernich, 'Zur Rezeption und Interpretation des Konzils der Metaphern', in *Die großen Metaphern des Zweiten Vatikanischen Konzils: Ihre Bedeutung für heute*, ed. Mariano Delgado and Michael Sievernich (Freiburg, Basel, Wien: Herder, 2013), pp. 15–32, especially 29–31.

60 Francis, Apostolic Exhortation *Evangelii gaudium*, n. 53.

the comfort zone. His words on the economy are not meant as an economic theory and therefore are not presenting any alternative economic system, but they are a part of evangelisation. We cannot spread Christian faith without spreading love for those who suffer and without struggling to improve their situation. He wants to provoke a conversion that responds to the question of what each Christian is going to do about the misery in the world.

Pope Francis does not criticise the markets:

> in the sense of the free exchange of goods and services and ordinary human economic activity, which [has] indeed generated wealth since the beginning of time; and even less [is] he proposing a collectivist or any other alternative 'system'. He [is] unmasking an idolatrous mind-set that [has] surrendered human sovereignty to a hidden deity, a deus ex machina, which [demands] to be left alone to function unimpeded.[61]

Francis speaks from the point of view of the poor and their needs that cannot wait. Food, clothing, shelter and emergency health care cannot wait for the steady growth of prosperity. This would be a paralysing ideology:

> By imagining that one day poverty would be magically solved by the market, it was an attitude that justified inaction in the here and now. Anyone who knew poor people, rather than read about them in econometric theory, understood immediately what Francis meant: waiting for the market to generalize prosperity was a different experience for the poor than for the wealthy.[62]

Pope Francis writes from his own Latin-American experience, especially from the immense suffering of the poor and the middle class in Argentina during the last few decades. Because of corruption, extractive institutions, incompetence, crony capitalism and so on, the poor are still waiting for relief. Other countries, especially the Anglo-Saxon countries, have been able to create inclusive political and economic institutions that have blessed the greatest part of the population with prosperity and stability. The solution probably lies in the combination of humanitarian aid in times of need and the creation or the defence of inclusive institutions. Inclusive institutions guarantee a level playing field for all, they impede those who frame the rules to favour sectional interests, they spurn corruption and the destruction of the checks and balances that preserve the purity of political decisions for the common good and not for the individual interests of powerful lobbies. Such institutions create an inclusive economy open for all working people, also the poor, thus creating widespread and sustainable prosperity.

The Latin-American pope has brought new vigour, life and joy into Catholic social teaching. A valuable contribution of the Anglo-American tradition to Catholic social thought might be the positive experience of inclusive political and economic institutions that are just as necessary, if not more so, as individual virtues such as charity and mercy.

---

61 Austen Ivereigh, *Great Reformer: Francis and the Making of a Radical Pope* (New York: Holt, 2014 p. 213. I have put the quotation into the present tense. Ivereigh writes on the reactions to *Evangelii gaudium*.

62 Ivereigh, *Great Reformer*, p. 214.