

Chapter 2

The Uses of Economics in Papal Encyclicals

Andrew M. Yuengert

Pepperdine University

Imagine that you hire an architect to design a house for you. Imagine also that you know the broad outlines of what you want in a house – how many bedrooms, the style, or the type of kitchen. In other words, you know what the house is *for* – namely, the shelter and comfort of your family. When the architect suggests designs that will beautifully and efficiently serve the ends you have outlined, you listen, respecting the architect's expertise. The architect may think that a house should serve purposes different from the ones you have outlined – the architect may think that a house should be structurally honest, starkly displaying the materials that go into its construction, or that a house should win the admiration of modernist architects. To the extent that the architect can convince you that the architect's goals should be yours, you will allow the architect to design your house with them in mind. If you do not share the architect's goals, however, you will reasonably expect him or her to design the house to serve ends that you think are good.

Add to this example that you are a civil engineer, with some expertise in home building. As such, your expertise and the architect's overlap. You will still insist that the house serve your purposes for it, but you may also find yourself disagreeing with the feasibility of the design. If in a field of overlap between your skills you disagree – say, you doubt whether the materials can bear the stresses proposed in the design – you may be forgiven for trusting your own expertise over the architect's. In short, you may find yourself in

conflict with the architect over both the goals of the design (the purpose of the house) and its practical details.

Papal Social Teaching (PST) treats mainstream economics like an architect who wants to build a house to serve ends that are opposed by the client, and whose design is based on theories that may render the structure unstable. Respectful of the expertise of economists, the popes nevertheless insist that economic analysis and advice take into account the objectives and expertise of Roman Catholic moral theology. This situation should be agreeable to economists, whose avowed goal in life is to provide value-free positive analysis in the service of social objectives outlined by others. They are accordingly puzzled and irritated when PST dismisses their purportedly positive economic analysis as irrelevant and even harmful.

The popes are suspicious of most neoclassical economic analysis not because it is devoid of normative content, but because it denies its normative content, a content that is incomplete. My aim in this essay is to examine how PST makes use of the insights offered by economists and why it sometimes does not. My first task is to make clear what PST expects from economics, by comparing the normative-positive distinction in economics and PST. I will then explore PST's use of economics in three examples: labour relations, the organization of social economy, and consumerism.

These examples show that PST does not accept the insights of economic analysis without first carefully evaluating its normative content. PST sometimes rejects the analysis, sometimes accepts it without its normative implications or in pursuit of other normative ends, and sometimes must proceed without any help from economists, whose methods do not allow them to address certain pressing problems.

In this essay I will not critique the economic reasoning in PST; neither will I attempt to discover the hidden economist inside each pope, trying to fit papal pronouncements into an economic framework when they do not fit. As important as both of these tasks are, their pursuit here would distract from the attempt to understand why PST approaches economics the way it does, so that economics might understand and communicate more effectively with theology, and not just cluck its disapproval.

The term "Papal Social Teaching" refers to the social thought embodied in a series of encyclicals dating back to 1891. Obviously, Roman Catholics have evaluated the economic order in light of the Gospel, and amid contemporary intellectual currents, for much more than 100 years (e.g., see: Waterman 1991a; and Misner 1991). The social encyclicals deserve special attention, however, not only because they are recent, but also because they coincide with the development of modern economics. Following common practice, the encyclicals will be referenced by the abbreviation of their Latin title and by paragraph (see the appendix for a listing of the encyclicals).

It should be noted that what is here labelled “Papal Social Teaching” is more conventionally termed “Catholic Social Teaching” (as is evident from the references). This re-naming is perhaps fitting in a volume devoted to many different religious perspectives; it is not meant to obscure or denigrate the pastoral authority claimed by and exercised in the social encyclicals. The pronouncements of the popes in the encyclicals are not those of a faction of Roman Catholics who happen to live in Rome; they are the teachings of shepherds, who preside over and participate in a vigorous and sometimes tumultuous conversation through time.

1. The Normative-Positive Distinction

1.1 Neoclassical Economics

To make it clear what exactly PST expects from economics, we must first point out some differences in the ways economics and PST approach the normative-positive distinction. Economists posit a sharp distinction between “ought” and “is.” Blaug (1992) makes the distinction clear. Relying on Sen (1970) and Nagel (1961), he distinguishes three types of normative statements:

1. *Pure normative statements* are opinions or tastes, not amenable to rational analysis and discussion, for example, the death penalty is always and everywhere wrong.

2. *Impure normative statements* are contingent upon certain facts accepted as true, for example, the death penalty is acceptable because it deters crime.

3. *Methodological statements* are implicit assertions that the method of analysis in use is the proper one, for example, marriage should be modelled as a Nash-bargaining game.

According to Blaug, there can be no rational debate about pure normative statements; if economist A feels that sex should never be sold for money, and B disagrees as strongly, then there is nothing left to do but move on to another topic. In contrast, positive statements can be true or false; fast food employment in New Jersey either rose or fell in a certain year – a theoretical model either implies certain relationships between prices and sales or it does not.

Blaug admits that the normative-positive distinction is not airtight. Methodological statements are admittedly normative; they may reflect the biases and misconceptions of the research community, leading to a set of method-dependent “facts” whose objectivity is suspect. Likewise, impure

normative statements are contingent on the “facts” thrown up by positive analysis. Despite its imperfections, Blaug (like most economists) finds the distinction useful. A commitment to the distinction, to “maximizing the role of facts and minimizing the role of value” (Blaug 1992, 134), advances the science.

1.2 Papal Social Teaching

Like economics, PST finds the normative-positive distinction useful. However, PST assigns a greater role to the “normative” part. Pius XI outlines the roles of theology and economics in QA (42):

Even though economics and moral science employs each its own principles in its own sphere, it is, nevertheless, an error to say that the economic and moral orders are so distinct from and alien to each other that the former depends in no way on the latter. Certainly the laws of economics, as they are termed, . . . determine the limits of what productive human effort . . . can attain in the economic field and by what means. Yet it is reason itself that clearly shows, on the basis of the individual and social nature of things and men, the purpose which God ordained for all economic life.

Clearly, Pius XI does not reject the positive-normative distinction. Rather, he accepts it in a way that involves three important distinctions.

First, in moral theology, the normative is prior to the positive; the two orders are related hierarchically. As H. Geoffrey Brennan (1994) notes, economics with all normative substance stripped out would be very uninteresting; among the lost analyses would be economic efficiency, Pareto optimality, and distributive justice. You cannot have a meaningful discussion about means without paying at least some attention to ends, even if the ends are only tentatively assumed, for the purpose of analysis (von Nell-Breunig 1936, 325). Since you must have a normative end in mind to conduct worthwhile economic analysis, you might as well have the right one.

The second important difference is that normative analysis is the object of a science – moral theology – that has its own method and that does not admit of any “pure” normative judgements (“mere” opinions). Roman Catholic moral theology draws inferences primarily from Scripture and tradition and secondarily from natural law and human experience (Welty 1960). All “pure” normative statements are in fact impure and may be changed by an appeal to the “facts” of moral theology. Thus the *normative* is in no way *subjective* in PST. Normative statements have their own logic and are amenable to rational discussion about the content of revealed truth and its corollaries.

Once the objective nature of the normative in PST is understood, the objective nature of needs and rights follows. A person's needs are related to his or her objective moral purpose; one needs certain material things and conditions to be able to fulfill that purpose. Objective rights derive from objective needs; a person has a right to those things needed to fulfill his or her purpose. This is often confusing to the economists, who define "need" as subjective desire, and for whom rights have no meaning apart from the state, which institutes "positive" rights in pursuit of its goals.

The third important difference between PST's understanding of normative and positive analysis and that of economics is PST's claim that its expertise overlaps with economics. For its part, the Roman Catholic Church is "an expert on humanity" (SRS, 41), offers "a global vision of man and human realities" (PP, 13). PST is suspicious of economic analysis based on *assumptions* about the nature of people and community that contradict its *conclusions* about the same.

Thus PST is concerned both with the methodological norms of economics – that economic models be based on the truth about human nature, and not on the incomplete liberal vision of the autonomous individual – and that normative economic analysis be consonant with moral theology (OA, 27-28). Moreover, PST's objections to "value-free" economics are not simply based on the incompleteness or inaccuracy of economic reasoning. Economic theories have an effect on culture and may promulgate distorted views about the person and society (Calvez and Perrin 1961, 440). QA (133) claims that, over the previous century and a half, the adoption of an "economic science far removed from the true moral law" excused and gave impetus to widespread avarice in society. According to LE (62), only changes in both theory and practice will overcome the negative effects of materialism.

PST's criticisms of economics do not imply that PST can supplant or substitute for economics. Eberhard Welty (1960, 14-15) notes that, although economics is only relatively autonomous, given proper ends it, like every sphere of life, "has its own laws, its own ways and means, its own techniques and organization." For example, RN (56) endorses associations of workers and employers, but it is deliberately silent about how those associations should be constituted. Rodger Charles discerns a prudent consideration in PST's disinclination to espouse detailed economic solutions to social problems: "The widest possible latitude must be given to those who wish to put the principles into practice. Any more precise language would give those who had a particular scheme in mind . . . opportunity to narrow down the options open to the Christian (1982, 324).

Another way to understand the relation of economics to theology is to treat PST as an "interdisciplinary nexus" (CA, 59). In its efforts to make

moral sense of the social order, PST draws upon the insights of economics, political science, history, anthropology, psychology, and sociology. OA (38) recognizes that the different social science disciplines each face a “methodological necessity . . . to isolate, in the various situations, certain aspects of man, and yet to give these an explanation which claims to be complete or an interpretation which is meant to be embracing.” In other words, the various sciences reduce people to a particular characteristic; it is up to the moral theologian to attempt to distill practical wisdom from the insights of each discipline. Economics is only one tool in the moral theologian’s toolbox.

2. The Shortcomings of Neoclassical Economics, and the Attractions of the Institutionalists

PST looks to the social sciences for help in understanding human life in community. Nonetheless, the social sciences are “at once indispensable and inadequate for a better discovery of what is human” (OA, 40). The inadequacy of social science stems in part from the essential indeterminacy of human behaviour due to free will (Mueller 1984, 17) and in part from correctable shortcomings of the sciences themselves. PST repeatedly criticizes neoclassical economics for its individualism and its materialistic foundations, insisting on humankind’s social and spiritual nature (RN, 50; MM, 176; and SRS, 15). In this we find echoes of the popes’ deep suspicion of nineteenth-century liberalism (Waterman 1991a; Misner 1991).

The Roman Catholic Church’s nineteenth-century conflict with continental liberalism has consequences today in PST’s suspicion of individualistic and materialistic theories. In light of this conflict, it is not surprising that PST has found the German historical-institutionalist tradition attractive, since that school is more suspicious of atomistic theories of society and focusses more closely on the role of institutions, history, and culture in economic life. Evidence of this connection can be found in the influence of Heinrich Pesch and his students in papal encyclicals; Oswald von Nell-Bruenig, a sociologist sympathetic to Pesch’s work, played an important role in the drafting of *Quadragesimo Anno* (Ederer 1991). CA sums up this affinity to institutionalism: “Models that are real and truly effective can only arise within the framework of different historical situations through the efforts of all those who responsibly confront concrete problems in all their social, economic, political, and cultural aspects as these interact with one another” (43). PST clearly doubts the universal application of abstract models to economic life without regard for details of the political and social culture.

In light of the suspicions about the ideological foundations of economics, let us now examine how PST uses, or does not use, economics in its analysis of three specific issues: labour relations (the social question), the organization of social economy, and consumerism.

3. Labour Relations

3.1 The Context of the Problem

From the middle of the nineteenth century on, Roman Catholic bishops and laity struggled to make sense of the technological and organizational changes brought about by the industrial revolution. Social relations were dominated by events in the labour market, which divided society into two classes: capital (labour demand) and labour (labour supply). According to MM, this reorganization of production was accompanied by liberal economic theories in which “the outlook . . . was for the most part a purely naturalistic one, which denied any correlation between economic and moral reality. Personal gain was considered the only valid motive for economic activity. In business the main operative principle was that of free and unrestricted competition” (11).

Regulation of labour relations by the logic of the market, in an environment where obligations to others did not extend beyond contracted duties, displaced a set of institutions that contained implicit social obligations and limits on competition. According to PST, destruction of the old social order led to “irresponsible behaviour” by owners of capital (Charles 1982, 299) and was partly responsible for a perceived “moral degeneracy” (RN, 1). The surrender of the workers to the market resulted in social conflict, driven by “hours of labour . . . too long and the work too hard, or because they [workers] consider their wages insufficient” RN 39). The conflict was “all the more harsh and inhumane because it knew no rule or regulation” (CA, 5). Since Leo XIII, PST notes many improvements in the lot of propertyless workers; still, neither the problems nor the justifying ideology have disappeared (QA, 59; CA, 11).

3.2 Purposes of Work

In evaluating calls for action ranging from expropriation of capital to union organizing to worker safety legislation, PST has kept in mind the two principal functions of work: it should both express and realize the dignity of the workers, and it should help to build and maintain community.

Workers and employers are equal in dignity; they share the common experience of useful work. All work has value, according to LE (1), because

it provides people with a living, advances science and technology, and elevates the culture. Human beings are called to work from their creation (Genesis 1). From the dignity of human work spring two rights: the right to a just wage, and the right to participate.

John A. Ryan (1942, chap. 22) lays out the argument for a just wage as follows:

1. God created the goods of the earth (the material world) for the sustenance of all.

2. All persons are supposed to gain access to these goods through “useful work.”

3. Those who control the “opportunities of the earth” must permit reasonable access.

In other words, owners of capital are under an obligation to provide useful work, whereby those who have no capital may earn a decent living.

This logic is echoed throughout PST. RN (37) recognized that the rights of propertyless workers (the bulk of the poor) should receive the most government protection, since they must rely entirely on wages for their livelihood. MM (77) notes that part of the payment of a just wage may be shares of ownership in the firm.

LE (22-23) emphasizes this subjective nature of work: a human being is created as a rational planner, capable of self-direction. Consequently, work is not only a way to meet material needs; but work itself is also good, when it allows the worker some subjective participation. To the extent possible, people must be the ones who *meet* their own needs (Calvez and Perrin 1961). To this end, QA (65) urged worker participation in ownership and management. MM (92) recommended that workers be given greater autonomy in the workplace and not just passively follow orders. Finally, in light of this need to participate in productive work, PST has always declared unemployment to be a great evil (RN, 58; LE, 82).

Beyond work’s purpose in expressing an individual’s dignity is its purpose in promoting social unity. Work in a modern economy is inescapably social – it brings the worker into contact with many others; through it the worker joins a society, that is, a company; and the wages of work make possible the society of the family (LE, 42). Conflict within a productive enterprise is therefore unnecessary and harmful; a stated goal of the early encyclicals is not just the removal of bitterness, but also the promotion of unity between the classes (RN, 21). Consistent with this idea, it was hoped that unions would grow into more than a countervailing power to capital – that they would (with employers) promote the common good of the enterprise (RN, 49).

3.3 The Use of Economics: Free Contract and Power in Markets

The economics of labour markets in the past offered a normative evaluation of labour relations, which implied that the situation, if not ideal, was the best that could be hoped for. Since the wage is freely contracted, both workers and employers are better off than they would be in their next-best alternatives. PST approached this analysis armed with what it considered to be a moral fact: workers were not paid enough, and they worked in conditions that were too harsh. The situation was unacceptable; PST was suspicious of any analysis that appeared to suggest that it was inevitable and that the state should be impassive.

Because PST does not express itself in explicitly economic terms, it is not clear by what mechanism workers came up short in some labour markets. The encyclicals hint at several possibilities: employers or groups of employers are monopsonists (RN, 47), they use their wealth and influence to increase their own political influence to the detriment of workers (LE, 34), and the reservation wages of workers are at or below subsistence – the alternative to work at a low wage is starvation (RN, 45).

Even if the wage is low due to supply factors and not monopsony, a market wage too low is unacceptable. The worker has a right to a living wage, and the employer has a duty to pay it. According to LE (77, 80), the pressures of profit maximization cannot excuse unjustly low wages. Even if the existing wage is Pareto optimal, the employer is under a certain obligation to make himself or herself worse off, if necessary, to solve the problem.

3.4 Recommendations

PST recommends action on three fronts to achieve justice in labour markets: a floor on wages, actions to change market conditions to render a minimum wage unnecessary (social justice), and policies to promote worker participation.

PST is unwilling to accept market wages that are too low; it leaves to others to determine exactly how low is too low, but it proposes that a worker should be able to earn enough to support a family decently (relative to community norms) and to save enough to become a modest capitalist himself or herself (QA, 61). Higher wages for workers were expected to improve class relations, decrease income inequality, and increase productivity in the economy as more people, given the incentive of property ownership, would “work harder and more readily” (RN, 47). In pursuing the goal of improved compensation for the poorest workers, PST insists that the state must sometimes limit competition in labour markets (QA, 53).

PST is not blind to the practical obstacles to achieving wage justice in markets, however; it acknowledges the difficulties and tradeoffs involved in minimum wages. QA admits that “an excessive lowering of wages, or their increase beyond due measure, causes unemployment” and that economists should seek a wage structure that offers “to the greatest number the opportunity of getting work and obtaining suitable means of livelihood” (74). QA also admits that, in some industries, market conditions make the simultaneous achievement of a living wage and full employment infeasible; in this case, “social justice demands that reforms be introduced, . . . whereby such a wage will be assured to every adult workingman” (71). QA (72) hinted that some form of output price supports might be necessary to insure a just wage in every industry; more recent encyclicals have focussed on reducing the supply of unskilled workers through investments in human capital (MM, 106-07; CA, 15).

Support for greater worker participation takes three forms: support for unions, support for worker ownership and management, and support for the marginalized. PST somewhat optimistically hoped that unions would be more than a counterweight to the market power of employers but would become “a mouthpiece for the struggle for social justice, . . . a constructive factor of social order and solidarity” (LE, 96). PST’s support for worker shares in management and ownership is uncompromising. MM (82-83) declares even limited worker participation in management decisions to be so important that it is justified even at the cost of lower production. Finally, those whom changing economic conditions and illness push to the fringes of the labour market must be supported “in a society hardened by discrimination and the attraction of success” (OA, 15).

PST is very careful to specify the goals it has in mind in labour markets and to evaluate economic analysis in terms of them. PST is not impressed by the Pareto criterion, if it is used as an excuse for a morally unacceptable outcome: employers have an obligation to accept a decrease in their material welfare if the current situation leaves workers with too little. PST seeks the help of economists in suggesting and making changes in markets that can bring about living wages in ways that do not obstruct the flow of the market itself but insists on living wages, market or no. Finally, PST’s goals for unions go beyond the narrow one of economic analysis: unions are not simply agents of countervailing economic power, but they should also play an important social role in a healthy economy.

4. The Organization of Social Economy

4.1 *The Context of the Problem*

The social question (really the labour question) was only the most prominent part of a much broader debate about the organization of social economy. The global counterpart to the question To what extent should governments allow competitive markets for labour to operate? is: To what extent, and within what limits, should the economy be organized around the free market?"

The two extreme answers to this question are: Not at all; and Always and everywhere. The Marxist alternative offered state ownership of the means of production, consolidating the supply side of the product market and the demand side of the factor market. The liberal capitalist alternative consisted of private property, "ownership as the right to do what one pleases with one's possessions" (Ryan 1942, 17), coupled with lightly regulated markets for goods and factors (*laissez faire*). Because the liberal social theories popular in the industrial revolution appeared to give licence to unlimited accumulation without social obligation (Mueller 1984), the great inequalities of wealth and income of the period suggested to Roman Catholic observers that the system was either unjustly constituted or unjustly regulated (QA, 58, 60). The Great Depression raised further questions about liberal capitalism. The end of the colonial period raised the issue again, as developing countries weighed the merits of different economic systems and often blamed their own underdevelopment on world markets (PP, 3).

4.2 *The Goals of the Economy*

According to Calvez and Perrin (1961), PST enumerates two principal goals for the economy: providing for human beings' material needs, and providing people the opportunity to provide for their needs (to freely express their personalities in production). To these should be added that the economy itself constitutes a society that has its own common good. The economic order should not only provide goods and services, but it should also allow for creative participation within a healthy community.

The most frequently quoted Scripture passage in the social encyclicals is: "What does it profit a man, if he gain the whole world, but suffer the loss of his own soul" (Matthew 16: 26). Economic prosperity is a means, not an end, and is ambivalent for "fallen man": "It is necessary if man is to grow as a human being, yet it can also enslave him, if he comes to regard it as the supreme good and cannot look beyond it" (PP, 19). In spite of the dangers of riches, PST agrees that economic prosperity can be a great good. RN (34) goes so far as to declare that "it is the business of a well-constituted body

politic to see to the provision of those material and external helps ‘the use of which is necessary to virtuous action.’” The economy must produce a certain material prosperity.

In addition to material prosperity, a well-constituted economy should allow each person to participate. Since human beings develop in an important way through their self-directed acts, PST emphasizes active participation in economic affairs. PP (65) emphasizes that developing nations must in some sense become “artisans of their destiny.” Widespread and active participation is a key to prosperity, according to CA (32), which employs a more dynamic term: “initiative.”

Finally, a healthy economy should promote a sense of community, of common effort. The destruction of the status that society and its replacement by the contract economy left human beings without a sense of social cohesion (Mueller 1984, 31). PST has not given up on the potential of production, which is inherently social, to restore community (PP, 27, 28).

4.3 Pros and Cons of the Market in PST

The competitive market – its success as an engine of growth and a cure for poverty, and the practical difficulties of establishing it – dominate the advice of economists. PST treats economists’ claims about markets with suspicion, and until recently it has been reluctant to embrace any of the market’s benefits. CA (32) is a departure from previous scepticism, noting with approval the important role of human initiative (broadly speaking, entrepreneurship) in social life. With appropriate safeguards, markets give room to “human creativity in the economic sector” (CA, 42). This harnessing of free initiative (and the starkly different experiences of open and closed developing economies) undergirds the conclusion that “the free market is the most efficient instrument for utilizing resources and effectively responding to human needs” (CA, 34). Note that, in its acceptance of free markets, PST does not justify it with concepts from economics alone – incentives cost efficiency – but rather emphasizes concepts from moral theology – freedom, personality. PST embraces free markets on its own terms, and for its own reasons.

In recognizing the benefits of the free market, PST has not abandoned its doubts about *laissez faire*. First, PST suspects that an unfettered free market economy has a tendency to generate income inequality: competition in markets in the late 1800s resulted in monopoly and great disparities in income (MM, 10-14). This inequality is a threat to participation: social justice demands that each person have the means to contribute to the public good (DR, 51). The tendency toward inequality is compounded when

economic power results in political influence and power to shape the rules of the market (QA, 109; LE, 34).

A second concern is that an unfettered free market corrodes and obscures social obligations. Those who “fight the most violently, who give the least heed to their conscience” (QA, 107) are at an advantage; PST is concerned that markets reward asocial behaviour. There is also concern that the impersonal structures of ownership in the modern corporation obscure the duties of owners to their workers (QA, 132).

Centisimus Annus raises a third concern: not all human needs (say, the need of the poor for dental care) are expressed fully by equilibrium prices. The market meets effectively only “those needs which are ‘solvent’ insofar as they are endowed with purchasing power. . . . But there are many human needs which find no place on the market” (CA, 34).

While PST is mindful of the economic aspects of the debate over markets, both its praise for and its concern about markets go beyond the considerations that are most dear to economists. On the positive side, while PST agrees that markets are an engine of prosperity and efficiency, it emphasizes that markets create openings for human initiative and creativity, allowing full development of the person’s potential to be “the one who acts.” On the negative side, while PST shares the concerns of some economists that markets may contribute to income inequality and may leave certain fundamental human needs unmet, it is equally concerned that markets may undermine social obligations. This broader perspective on the merits and demerits of markets is the context for PST’s prescriptions for market organization.

4.4 Recommendations

For all the benefits of the free market, the popes are unanimous in declaring that “the right ordering of economic life cannot be left to a free competition of forces” (QA, 88). The market must “be circumscribed within a strong juridical framework which places it at the service of human freedom in its totality and which sees it as a particular aspect of that freedom, the core of which is ethical and religious” (CA, 42). The broad outlines of the framework for the economy is provided by PST’s statements on private property, the role of government, and the value of the market itself.

It is a fundamental principle of PST that the goods of the earth are destined for everyone (GS, 69-71). PST has repeatedly confirmed the Roman Catholic tradition that the best way to secure this principle in a fallen world is through a right to private property; property is natural in the same way that clothes are natural (Charles 1982, 304). Private property gives people an arena in which to express their personalities, to have dominion over the

earth. It is a stimulus for responsibility and initiative, it gives its owner the opportunity and means for service to others, and it provides some measure of security, even in the modern welfare state (GS, 71). Nevertheless, the right to private property is not absolute; like everything else, private property must serve the common good (CA, 40, 43) and may be abridged in certain extreme circumstances (QA, 114; PP, 24). Given the benefits of private property, implicit in this right is that property be widely distributed (MM, 113).

The government's role in the economy is defined by the principle of subsidiarity, defined implicitly by Pius XI: "It is . . . a disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do. . . . [The] State ought, therefore, to let subordinate groups handle matters and concerns of lesser importance, which would otherwise dissipate its efforts greatly. Thereby the State will more freely, powerfully, and effectively do all those things that belong to it alone because it alone can do them" (QA, 79). Thus subsidiarity implies that there are tasks the government should perform, and there are tasks best left to individuals and intermediary associations.

The principal task of the state is to serve the common good, that is, to perform those functions that cannot be performed effectively at any other level. Civil society exists because it can provide these benefits to the individuals and associations that comprise it. In the economic sphere, the state's principal duty is to provide a juridical framework in which the market may operate (freedom, property, legal stability [CA, 48]), all the while guarding against previously mentioned dangers of the market. The state may take steps when necessary to limit private property or to prevent barriers to true competition.

At the same time, the government must recognize the rights of individuals and intermediary groups to carry out their proper tasks. In this, the state respects and safeguards the right of initiative (MM, 51). When an omniscient state arrogates to itself tasks that could be carried out by individuals and groups of individuals, it weakens or destroys those groups and is in consequence "overwhelmed and crushed by almost infinite tasks and duties" (QA, 78).

For lack of a better term, PST supports a mixed economy: free markets circumscribed within a tight legal framework, and operating within a humane culture. The role of a moral, communitarian culture in PST cannot be overstated, although it is often overlooked. The social encyclicals repeatedly call for deep and lasting changes in culture, a reform of consciences (MM, 215), and the embedding of the ideals of social justice and charity in the institutions of the economy (QA, 88). John Paul II is not alone when he states "that solving serious national and international

problems is not just a matter of economic production or of juridical or social organization, but calls for specific ethical and religious values as well as changes of mentality, behavior, and structures” (CA, 60). These changes cannot be the result of government initiative; the Roman Catholic Church must administer the remedy itself (RN, 26), through its social institutions and teaching.

PST has recently come to recognize, in a limited way, the attractions of market organization. Its acceptance of markets, however, is based on an argument that is broader than those based on economic efficiency, just as its continuing reservations about markets are founded upon broader considerations than those of income distribution and monopoly. In PST the most important strength of markets is the freedom they give to human creativity. This creativity leads to prosperity, but it has value beyond its material consequences. By not settling for the strictly material benefits emphasized in economic analyses, PST actually strengthens the case for the free market by noting its spiritual benefits. In the same way, PST’s criticism of markets raises important issues neglected by economists of these issues, consumerism.

5. Consumerism

5.1 The Context of the Problem

The example of consumerism is useful because it shows how PST analyzes an economic problem about which mainstream economics is silent. The problem of excessive attachment to goods (attachment to goods as an end rather than as a means) is not new; PP warns that prosperity has always been accompanied by the temptation to greed and “the unrelenting desire for more” (18). John Paul II gives the problem a prominent treatment in SRS (28):

Side-by-side with the miseries of underdevelopment, themselves unacceptable, we find ourselves up against a form of superdevelopment, equally inadmissible, because like the former it is contrary to what is good and to true happiness. This superdevelopment, which consists in an excessive availability of every kind of material goods, . . . easily makes people slaves of “possession” and immediate gratification, with no other horizon than the multiplication or continual replacement of the things already owned with others still better.

Although the temptation to consumerism is as old as humanity, PST suspects that the rise of the media culture, with its power to shape attitudes, its increasingly sophisticated advertising and production techniques, and its

success in associating consumption with well-being and fulfillment (OA, 20; Kavanaugh 1994), has increased the danger.

5.2 The Moral Purpose of Consumption, and the Silence of Economics

Consumption has a limited purpose in PST. Humans certainly need food, clothing, and shelter at a minimum, and there is no sin in the pleasures of consumption, per se. Consumption, however, must not become a person's only goal, the measure of happiness, since it ultimately fails to satisfy; a focussed pursuit of consumption blinds humans to their true needs.

In contrast, the people who inhabit economic models exist to consume. This vision of economic motivation is individualistic. Most economists take individual utility as normative – the measure of prosperity is what people desire, and consumers are assumed to buy what makes them happiest from their limited budget sets. The assumption of fixed preferences over material goods renders economists unable to incorporate the insights of F.H. Knight (1982) and John A. Ryan (1942) that people make decisions over what sort of desires to pursue and often define success as the acquisition of (usually more expensive) tastes. It likewise renders them mute when someone questions whether everything consumers desire is good for them (even when consumers themselves dislike and attempt to control their own desires). To PST, this unwillingness to accept the mutability of individual preferences and to judge those preferences by an objective standard is a tremendous shortcoming of economics.

When PST questions the autonomy of individual desire in modern economies, most economists are speechless, unwilling to question the revealed preferences of consumers. PST insists that preferences can be distorted, that people may desire things that do not contribute to their welfare (Calvez and Perrin 1961, 182). In fact, crucial to the development of personality is the search for and adoption of preferences that will truly satisfy.

5.3 Recommendations, and how Economics Might Help

PST has only recently (in the last thirty years) turned its full attention to this problem and so has not recommended much that a policymaker might implement. John Paul II summarizes the recommendations: “A great deal of educational and cultural work is urgently needed, including the education of consumers in the responsible use of their power of choice, the formation of a strong sense of responsibility among producers and among people in the mass media in particular as well as the necessary intervention by public authorities” (CA, 36). Clearly, much of the above does not suggest a

government program. Given the strong commitment to subsidiarity in PST, it would probably assign most of the educational work to groups between the state and the individual – family and religion. Given PST’s recurring hostility to the market success of goods that “stimulate the baser human desires” (QA, 132), however, one might infer that PST favours some state action against vice goods (pornography, drugs) and perhaps some restrictions on advertising.

In its suggested approach to consumerism, PST shows that it takes seriously its version of the positive-normative distinction. Without the benefit of even distorted economic analysis, PST sticks to its expertise: education, formation of consciences, renewal of the culture. The silence of PST on the economics of this issue should be a challenge to economists. PST is in a sense waiting for their advice.

Economists can make themselves useful to PST in this field if they are willing to consider the possibility of consumerism. Although there is a small but significant social science literature on consumer culture (see Goodwin, Ackerman, and Kiron 1997, for summaries), there is much that neoclassical economists might offer on the topic. For example, when might a person desire higher transaction costs to reign in consumption of a desired but unhealthy good? Is there anything special about markets for the management of desire (weight loss, alcohol treatment, self-improvement)? Finally, under what conditions do markets “pander” to the desire for unhealthy consumption, and under what conditions do they “pander” to the desire to reign in unhealthy consumption (candy-free aisles in supermarkets)?

6. Conclusions

If economists are going to make themselves useful to moral theology, they must first of all accept the notion that theologians are intelligent people who hold well-reasoned beliefs. Then they must take time to understand how theologians perceive and use economics. In this case study I have attempted to get inside PST and to see economics from its perspective. When PST is faced with a bit of economic analysis, it asks two questions: (1) Does the analysis aim at an incomplete or false good? (2) Is the analysis based on incomplete or false assumptions about the person and community?

In the examples examined here, when the answers to either of these questions are true, PST attempts to use what it can from the analysis but refuses to accept any normative conclusions implicit or explicit in it. In the first example, PST refused to accept the prevailing economic justification of low wages for industrial workers and demanded changes in market conditions or the regulation of the market to bring about higher wages. In its statements, it shows itself willing to enlist the services of economists toward

this end, even when it is impatient with the economic justifications for doing nothing. In the second example, PST cautiously accepts the material benefits of market organization subject to government regulation but is at least as attracted to another benefit – creative initiative – not usually noticed by economists. Likewise, many of PST’s suspicions of the market are based on aspects of markets that are not often addressed by economists – namely, the effects of markets on community. Finally, when economists are silent (as they are on consumerism), PST will carry on without them, although it will not attempt to usurp their proper role.

The Papal Documents

All papal documents are referred to by the abbreviation of the opening Latin phrase, and paragraph number. The following is a list of the abbreviations used, and citations for the documents.

RN: Leo XIII. 1891. *Rerum Novarum*. See Carlen 1981.

QA: Pius XI. 1931. *Quadragesimo Anno*. See Carlen 1981.

DR: Pius XI. 1937. *Divini Redemptoris*. See Carlen 1981.

MM: John XXIII. 1961. *Mater et Magistra*. See Carlen 1981.

GS: Vatican II. Document. *Gaudium et Spes*. See Flannery 1981.

PP: Paul VI. 1967. *Populorum Progressio*. See Carlen 1981.

OA: Paul VI. 1971. *Octogesima Adveniens*. See Paul VI 1971.

LE: John Paul II. 1981. *Laborem Exercens*. See Carlen 1981.

SRS: John Paul II. 1987. *Sollicitudo Rei Socialis*. See John Paul II 1987.

CA: John Paul II. 1991. *Centesimus Annus*. See John Paul II 1991.