

# CARITAS IN VERITATE AND ECONOMIC THEORY<sup>1</sup>

• Nicholas J. Healy, Jr. •

“*Caritas in veritate* conceives the logic of gift not simply as an addition or moral corrective to current economic practice and theory, but as a basis for rethinking the nature of the economy itself.”

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One of the most striking aspects of our common life today is the intense and near universal interest in the economy. This point can be illustrated in any number of ways. Upon turning on the radio one is immediately inundated with reports and analysis of the latest numbers on unemployment, the trade deficit, a revision of the third quarter’s GDP, minute by minute updates on the Dow Jones Industrial Average, etc. We are all familiar with the refrain that goes something like: “sixty-four percent of registered voters say that the economy is their number one concern,” or “exit polls showed that the economy was the main factor in the selection of candidate X.” Increasingly, discourse about the state of the economy seems to be one of the few areas that provides solid ground for our civil community. Everyone agrees about the economy’s importance, and (nearly) everyone wants the economy to improve or “grow.” There may be passionate disagreements about monetary policy and especially about the role of government in relation to the private

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sector, but no one questions the pervasive importance of this object named “the economy.”

Given the privileged place accorded economic issues within the public imagination, it is appropriate to ask, what exactly is the economy? Or when someone talks about economic issues as the most important ones, what does that person have in mind? A closely related question is: What is the method and subject matter of the science of economics? What qualifies as good economic analysis?

In a key passage in *Caritas in veritate*, Pope Benedict XVI calls for “*further and deeper reflection on the meaning of the economy and its goals*” (CV, 32). Appended to this sentence is a footnote that references John Paul II’s “Message for the 2000 World Day of Peace.” Pope Benedict is referring to a section of his predecessor’s address titled “The Urgent Need to Rethink the Economy.” John Paul II’s words are worth citing at length:

we also need to examine the growing concern felt by many economists and financial professionals when, in considering new issues involving poverty, peace, ecology and the future of the younger generation, they reflect on the role of the market, on the pervasive influence of monetary and financial interests, on the widening gap between the economy and society, and on other similar issues related to economic activity. *Perhaps the time has come for a new and deeper reflection on the nature of the economy and its purposes.* What seems to be urgently needed is a reconsideration of the concept of “prosperity” [*benessere*] itself, to prevent it from being enclosed in a narrow utilitarian perspective which leaves very little space for values such as solidarity and altruism. Here I would like to invite economists to recognize the urgency of the need to ensure that economic practices and related political policies have as their aim the good of every person and of the whole person. This is not only a demand of ethics but also of a sound economy. . . . [E]conomic success is increasingly dependent on a more genuine appreciation of individuals and their abilities, on their fuller participation, . . . [and] on a stronger solidarity. These are values which, far from being foreign to economics and business, help to make them a fully “human” science and activity. An economy which takes no account of the ethical dimension and does not seek to serve the good of the person—of every person and the whole person—cannot really call itself an “economy.”<sup>2</sup>

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<sup>2</sup>“Message of His Holiness Pope John Paul II for the Celebration of the World

Several claims in this passage call for further reflection and clarification in light of the tradition of Catholic social doctrine and sound economic theory. I want to focus on the idea that the economy should have as its aim “the good of every person and the whole person.” In *Caritas in veritate*, Pope Benedict confirms and develops this teaching regarding the nature or meaning of the economy, with a new emphasis on the logic of gift. “[T]he principle of gratuitousness and the logic of gift. . . ,” he writes, “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” (*CV*, 36). According to Pope Benedict, the great challenge of our time is “to demonstrate in thinking and behavior” that authentically human social relationships marked by solidarity and reciprocity “can also be conducted within economic activity, and not only outside it or ‘after’ it” (*CV*, 36). In other words, *Caritas in veritate* conceives the logic of gift not simply as an addition or moral corrective to current economic practice and theory, but as a basis for rethinking the nature of the economy itself.

Without naming their work, *Caritas in veritate* has given support and encouragement to the Italian economists Luigino Bruni and Stefano Zamagni, who have developed the economic theory undergirding the “Economy of Communion.”<sup>3</sup> In their seminal book *Civil Economy: Efficiency, Equity, Public Happiness* (2007), Bruni and Zamagni uncover the medieval and humanist roots of classical economic theory and trace the unfortunate consequences of the reductionist turn taken by economics in the second half of the nineteenth century.<sup>4</sup> They show how ontological individualism, the exclusion of the principle of reciprocity, and the replacement of the classical concept of happiness with utility have contributed to the impoverishment of economic theory. Anticipating the vision of

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Day of Peace,” 1 January 2000.

<sup>3</sup>Cf. Luigino Bruni, “The Experience of the ‘Economy of Communion’ and Its Relation to the ‘Civil Economy,’” *Communio: International Catholic Review* 27 (2000): 464–73; Luigino Bruni, ed., *The Economy of Communion* (New York: New City Press, 2002); Luigino Bruni and Stefano Zamagni, “The ‘Economy of Communion’: Inspirations and Achievements,” *Finance and the Common Good* 20 (2004): 91–97.

<sup>4</sup>Luigino Bruni and Stefano Zamagni, *Civil Economy: Efficiency, Equity, Public Happiness* (Oxford: Peter Lang, 2007).

*Caritas in veritate*, Bruni and Zamagni seek to reintroduce “the concept of free-gift and communion *inside the market* and thus stake a claim for a ‘multi-dimensional’ market: not only a place of efficiency, but also a place in which to practice the culture of reciprocity, the culture of love, and fraternity.”<sup>5</sup>

The idea that gratuitousness and reciprocity are essential to economic practice and theory is open to a number of objections, some of which have already come to light in early commentaries on the encyclical.<sup>6</sup> My aim in what follows is to explore this idea by considering three basic objections stemming from a certain reading of Catholic social doctrine and contemporary economic theory.

### 1<sup>st</sup> Objection

The first objection is perhaps the most common in Catholic circles, especially among Catholic neo-conservatives. It can be formulated as follows: Sound economic thinking, as well as a Catholic understanding of the rightful autonomy of earthly affairs (cf. *Gaudium et spes*, 36), requires that we distinguish between the economic order and economic institutions, on the one hand, and the moral-cultural order of society, on the other hand. There is a crucial difference, these authors argue, between “liberal ideology” and “liberal institutions.”<sup>7</sup> While the Church has rejected the ideology of liberalism, she has embraced, in a qualified way, the institutions of Anglo-American liberalism such as free market capitalism.<sup>8</sup> The

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<sup>5</sup>Bruni and Zamagni, “The ‘Economy of Communion’: Inspirations and Achievements,” 96.

<sup>6</sup>David L. Schindler provides a helpful overview of various criticisms of the encyclical in “The Anthropological Vision of *Caritas in veritate* in Light of Economic and Cultural Life in the United States,” *Communio: International Catholic Review* 37 (Winter 2010).

<sup>7</sup>Cf. Michael Novak, *Catholic Social Thought and Liberal Institutions: Freedom With Justice*, 2<sup>nd</sup> ed. (New Brunswick, N.J.: Transaction Publishers, 2000), 24: “One must distinguish between liberalism as a set of doctrines and liberalism as a set of institutions.”

<sup>8</sup>*Ibid.*, xxiii: “Although the Catholic Church during the nineteenth and early twentieth centuries set itself against liberalism as an ideology, it has slowly come to support the moral efficacy of liberal institutions.” In his essay “Christian Secularity and the Culture of Human Rights” (*Josephinum Journal of Theology* 16 [2009]:

Church has an essential contribution to make, but is it properly concerned with the moral and cultural order. To be fair, these same authors emphasize the fundamental importance of the moral and cultural realm for a healthy economy,<sup>9</sup> but the economy itself (in its institutions and logic) is neutral or indifferent to the objective good of persons. Michael Novak provides an example of this line of reasoning when he explains that “[w]hen an economist uses the term [self-interest], he means autonomous choice. He says nothing at all about the moral content of the choice; in the eyes of the economist, that frame is deliberately kept empty.”<sup>10</sup>

*Ad 1m:* The idea that economic choices and economic institutions are neutral or independent of ethics and anthropology is explicitly considered and rejected by Pope Benedict XVI:

The Church’s social doctrine holds that authentically human social relationships of friendship, solidarity and reciprocity can also be conducted within economic activity, and not only outside it or “after” it. The economic sphere is neither ethically neutral, nor inherently inhuman and opposed to society. It is part and parcel of human activity and precisely because it is human, it must be structured and governed in an ethical manner. (*CV*, 36)

Perhaps at one time it was conceivable that first the creation of wealth could be entrusted to the economy, and then the task of distributing it could be assigned to politics. Today that would be more difficult, given that economic activity is no longer circumscribed within territorial limits, while the authority of governments continues to be principally local. Hence the canons of justice must be respected from the outset, as the economic process unfolds, and not just afterwards or incidentally. . . . *Economic life* . . . needs works redolent of the *spirit of gift*. (*CV*, 36)

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320–38, at 321), Fr. Martin Rhonheimer advances a similar argument regarding liberal political institutions: “with the Second Vatican Council, the Catholic Church has come to fully acknowledge the secular, religiously neutral state as a positive value and as cultural achievement, and with this also the modern idea of human rights.”

<sup>9</sup>Cf. Michael Novak, *The Spirit of Democratic Capitalism* (New York: Simon and Schuster, 1982), 56: “Democratic capitalism is not a ‘free enterprise system’ alone. It cannot thrive apart from the moral culture that nourishes the virtues and values on which its existence depends.”

<sup>10</sup>Novak, *Catholic Social Thought*, 8.

My predecessor John Paul II drew attention to this question in *Centesimus annus*, when he spoke of the need for a system with three subjects: the *market*, the *State* and *civil society*. He saw civil society as the most natural setting for an *economy of gratuitousness* and fraternity, but did not mean to deny it a place in the other two settings. Today we can say that economic life must be understood as a multi-layered phenomenon: in every one of these layers, to varying degrees and in ways specifically suited to each, the aspect of fraternal reciprocity must be present. In the global era, economic activity cannot prescind from gratuitousness, which fosters and disseminates solidarity and responsibility for justice and the common good among the different economic players. (*CV*, 38)

The guiding thread running through these passages is the idea that gratuitousness and reciprocity are integral to economic activity itself. An economic analysis of human behavior or markets that prescinds from the question of the objective good of the person and human solidarity assumes a deficient model of economic activity. I will return to this point below.

### *2<sup>nd</sup> Objection*

The second objection is the flip side of the first. Here the desire is to protect, not the autonomous sphere of economic institutions, but the integrity of the Gospel. A key text that lends support to this objection is found in the *Compendium of the Social Doctrine of the Church*:

The Church does not assume responsibility for every aspect of life in society, but speaks with the competence that is hers, which is that of proclaiming Christ the Redeemer: “Christ did not bequeath to the Church a mission in the political, economic or social order; the purpose he assigned to her was a religious one. . . . This means that the Church does not intervene in technical questions with her social doctrine, nor does she propose or establish systems or models of social organization. This is not part of the mission entrusted to her by Christ” [*Gaudium et spes*, 42].<sup>11</sup>

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<sup>11</sup>*Compendium of the Social Doctrine of the Church*, § 68.

In short, the Church's proper concern is a religious one; she should not compromise this mission by getting entangled in matters that do concern her, such as the order or logic of economic institutions.

*Ad 2m*: While it is true that the Church is rooted in and concerned with a transcendent order of grace, the *Compendium of Social Doctrine* also affirms that "the salvation offered in its fullness to men in Jesus Christ is salvation for all people and of the whole person: it is universal and integral salvation. It concerns the human person in all his dimensions: personal and social, spiritual and corporeal, historical and transcendent."<sup>12</sup> "God, in Christ, redeems not only the individual person but also the social relations existing between men."<sup>13</sup> Drawing on Paul VI's *Populorum progressio*, Benedict XVI places this idea of integral and universal salvation at the center of the Church's social message: "It is the primordial truth of God's love, grace bestowed upon us, that opens our lives to gift and makes it possible to hope for a 'development of the whole man and of all men'" (*CV*, 8).

The objector's concern for the transcendent order of redemption is helpful insofar as it reminds us that the heart of the Church's social doctrine is a vision of the human person as created and redeemed in Christ. The Church does not have technical competence in the economic or political order, but she knows something about the nature and destiny of the human being. To the extent that economic theory necessarily presupposes a certain understanding of the human being, the Church has something to say about economics.<sup>14</sup> Anthropology and metaphysics mediate the social doctrine of the Church. The task of engaging what *Gaudium et spes* calls the "technical questions" within the economic or political order falls to the Christian laity, who are called to synthesize professional competence and the newness of Christian faith, which sees the whole of reality as destined for communion with God in the Church.<sup>15</sup>

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<sup>12</sup>Ibid., § 38.

<sup>13</sup>Ibid., § 52.

<sup>14</sup>For an extended argument regarding the anthropological assumptions underlying contemporary economic theory, see Adrian Walker, "The Poverty of Liberal Economy," in *Wealth, Poverty, and Human Destiny*, ed. Doug Bandow and David L. Schindler (Wilmington: ISI Books, 2003).

<sup>15</sup>Cf. John Paul II, *Christifideles laici*, 15: "To understand properly the lay faithful's

This brings me to the third objection, which, in my view, is the most challenging.

### 3<sup>rd</sup> Objection

Recall the words of John Paul II cited above: “An economy which . . . does not seek to serve the good of the person—of every person and the whole person—cannot really call itself an ‘economy.’” The objector states simply: *this is false*. These words represent the theory or dream of an idealist—a theory that does not correspond to reality. And, as an economist, I am interested in reality. My task, as an economist, is to analyze the real motives and incentives underlying the countless transactions that make up the economy. It might be nice if these market exchanges, both in the particular and when considered as generating an objective order, were aimed at the good of the whole person and every person, but they are not. Good economic analysis requires that I describe things as they are.

Let me flesh out this objection by introducing some standard definitions of the science of economics. Lionel Robbins, for many years the head of the economics department at the London School of Economics, famously defined economics as “the science which studies human behavior as a relationship between ends and scarce means which have alternative uses.”<sup>16</sup> Most contemporary economics textbooks define the discipline in similar terms. For example, McConnell and Brue write that “[economics is] the social science concerned with the efficient use of scarce resources to achieve the maximum satisfaction of economic wants.”<sup>17</sup> The widely used textbook of N. Gregory Mankiw defines economics as “the study of

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position in the Church in a complete, adequate and specific manner it is necessary to come to a deeper theological understanding of their secular character in light of God’s plan of salvation and in the context of the mystery of the Church . . . . [T]heir condition [is] not simply an external and environmental framework, but a reality destined to find in Jesus Christ the fullness of its meaning . . . because the world itself is destined to glorify God the Father in Christ.”

<sup>16</sup>Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (London: Macmillan, 1935), 16.

<sup>17</sup>Campbell R. McConnell and Stanley L. Brue, *Economics: Principles, Problems, and Policies*, 15<sup>th</sup> ed. (Boston: McGraw-Hill, 2002), 3.



how society manages its scarce resources. . . . Economists therefore study how people make decisions: how much they work, what they buy, how much they save, etc.”<sup>18</sup> Finally, “[e]conomics is the social study that deals with the organization of productive resources for the satisfaction of human wants . . . . At bottom economics is concerned with the satisfaction of human wants.”<sup>19</sup>

Conspicuously absent from the standard definitions of the science is the idea that economics is concerned with the “the good,” or “the good of every person and of the whole person.” Now, an economist might respond: you are wrong to claim that economists are not interested in the good; what they are interested in is the *economic* good of persons and the *economic* good of society as a whole. This is a legitimate and necessary limitation of the science. What falls under the purview of economics is not the whole of human life and social relations, but the limited sphere of economic relations.

This is a fair rejoinder. And it is important to notice that the good is not simply absent from the definitions listed above. It often makes its appearance as “efficiency”; economics is the study of the efficient use of scarce resources or the efficient satisfaction of human wants. An economist might further argue that the self-limitation to the study of the “efficient use of scarce resources” allows economists to be both realistic in their analysis, and to be appropriately modest, leaving space for other sciences and other more important dimensions of human life.<sup>20</sup>

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<sup>18</sup>N. Gregory Mankiw, *Principles of Economics*, 2<sup>nd</sup> ed. (Fort Worth: Harcourt College Publishers, 2001), 4.

<sup>19</sup>Ralph Murray Havens, Dale L. Cramer, John Steele Henderson, *Economics: Principles of Income, Prices, and Growth* (New York: The Macmillan Company, 1966), 3.

<sup>20</sup>In this regard, Gary Becker’s definition of economics or what he calls an “economic approach to human behavior” is considerably less modest than the conventional definitions mentioned above: “everyone recognizes that the economic approach assumes maximizing behavior more explicitly and extensively than other approaches do, be it the utility or wealth function of the household, firm, union, or government bureau that is maximized. Moreover, the economic approach assumes the existence of markets that with varying degrees of efficiency coordinate the actions of different participants—individuals, firms, even nations . . . . Prices and other market instruments allocate the scarce resources within a society and thereby constrain the desires of participants and coordinate their actions. . . . The combined assumptions of maximizing behavior, market equilibrium, and stable preferences, used relentlessly and unflinchingly, form the

*Ad 3m:* This apparent self-limitation of the science of economics actually sets the conditions under which human exchanges or commercial transactions are intelligible. In other words, it is not merely a realistic description of what is going on in the marketplace, but rather it presupposes an anthropology and superimposes a meaning or *logos* on human exchanges. Let me explain this point by recalling Adam Smith's well known account of the motive force of economic activity:

man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favor, and shew them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their advantages.<sup>21</sup>

I do not cite this passage in order to fault Smith for emphasizing "self-interest" or "self-love." I think both are essential, although I would perhaps challenge Smith's understanding of the "self." The more interesting point is to note that Smith's description is deficient at the level of economic analysis. At least in this text, which anticipates the methodology of neo-classical economics, Smith offers

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heart of the economic approach" (*The Economic Approach to Human Behavior* [Chicago: University of Chicago Press, 1976], 5). According to Becker, this method or approach "provides a valuable unified framework for understanding all human behavior" (*ibid.*, 14).

<sup>21</sup>Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Indianapolis: Hackett Publishing, 1993), 11. In *Civil Economy*, 101–07, Bruni and Zamagni resist a reductionist reading of Smith in terms of "self-interest." They highlight the importance of "sympathy" within Smith's overall vision of economic order, as well as his understanding of the market as "a place for civil and human development." In commenting on this passage from *The Wealth of Nations*, I do not mean to suggest that it captures the whole of Smith's thought or that it vitiates his considerable contributions to economic theory.

a reductive account of the nature, meaning, and motive of commercial exchanges. There is more to the reality of what the baker is doing in baking and selling bread. Of course he should be interested in making a profit. But insofar as the baker is a human being, he is also interested (at some level) in the good—his own good and the good of his fellow human beings. Smith offers a partial or abstract account of the logic of commercial transactions. To the extent that Smith explicitly excludes the baker’s consideration of the good (the good of his own humanity and the humanity of his customers) he is not being an economic realist. He is underwriting a fragmented account of economic logic.

Philip Wicksteed’s *The Common Sense of Political Economy* (1910) offers a second example of fragmented economic logic. As a Unitarian minister and theologian, an accomplished medieval scholar, and a translator of Dante and Thomas Aquinas, Wicksteed would seem uniquely suited to recover the humanist and ethical dimensions of economic theory. Unfortunately, he attempts to overcome the accusation that economics is predicated upon selfish or egoistical behavior by a methodical clarification that he names “non-tuism.” According to Wicksteed, the distinguishing feature of economic relations is not egoism or selfishness, but the absence of an intrinsic interest in another person (*tu*).

In his attitude toward himself and “others” at large, a man may be either selfish or unselfish without affecting the economic nature of any given relation . . . but as soon as he is moved by a direct and disinterested desire to further the purposes or consult the interests of those particular “others” for whom he is working at the moment . . . the transaction on his side ceases to be purely economic.<sup>22</sup>

[I]f *ego* and *tu* are engaged in any transaction, whether egoism or altruism furnishes my inspiring motive, or whether my thoughts at the moment are wholly impersonal, the economic nature of the action on my side remains undisturbed. It is only when tuism to some degree actuates my conduct that it ceases to be wholly economic. It is idle therefore to consider “egoism” as the characteristic mark of the economic life.<sup>23</sup>

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<sup>22</sup>Philip Wicksteed, *The Common Sense of Political Economy*, ed. Lionel Robbins (London: George Routledge & Sons, 1933), 173–74.

<sup>23</sup>*Ibid.*, 181.

As Bruni and Zamagni argue, the price paid for rescuing economics from the criticism of being founded on egoism is a pervasive instrumentalism and the exclusion of “*personalized face-to-face* economic relations.”<sup>24</sup> Wicksteed’s methodology, which claims that an intrinsic interest in other persons is economically unintelligible, is a precursor to the idea that the science of economics is concerned exclusively with the efficient use of scarce resources. Both “non-tuism” and the modern preoccupation with efficiency represent an inability to acknowledge the true complexity of market exchanges—exchanges which always include self-interest *and* an interest in the good of other persons, the desire for efficiency *and* the desire to be generous.

In conclusion, I return to Pope Benedict’s thesis that “the principle of gratuitousness and the logic of gift 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.” I think that we should read this text not simply as a moral exhortation; his point is not simply that we need to add something to the current economy—perhaps some new businesses that are generous or at least concerned with what is truly good for human beings. Pope Benedict does, of course, think that this is essential, and the project of the “Economy of Communion” has confirmed the feasibility of commercial undertakings inspired by the principle of reciprocity. But Benedict is also asking us to re-conceive the meaning of economic activity and economic logic; the study of “efficient use of scarce resources” is not realistic. There is “more” to economic relations than efficiency or utility. The “economy” allows for an exchange of goods between members of the human family; market exchanges are an integral part of human life and the common good of humanity. The logic of gift is not extraneous to the logic of the market; it rather opens the door to good economic analysis. □

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<sup>24</sup>Bruni and Zamagni, *Civic Humanism*, 115.