

The Encyclical *Rerum Novarum* and Its Significance for the Countries of Eastern Europe Today

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Prophetic Document

Twentieth-century Eastern Europe was a vivid example of what the encyclical *Rerum Novarum* prophesied. It warned the world that the abandonment of private property in order to make all people equal was morally wrong and economically foolish. Twenty-six years before Russia's Socialist revolution, Pope Leo XIII stated that socialists were "emphatically unjust, for they would rob the lawful possessor, distort the functions of the State, and create utter confusion in the community."¹ As Samuel Gregg pointed out in a recent article, Pope Leo saw socialism—whatever its form—as something that corrupted the state; damaged the family; violated legitimate property rights; contradicted the commandment against theft; and, above all, was contrary to divine and natural law.² Commemorating *Rerum Novarum*'s one hundredth anniversary in *Centesimus Annus*, Saint John Paul II noted that "the prognosis which it suggests have proved to be surprisingly accurate in the light of what has happened since then," and then he adds: "Pope Leo foresaw the negative consequences—political, social and economic—of the social order proposed by 'socialism.'"³ *Rerum Novarum* displayed the fundamental error of socialism, which Pope John Paul II later called the anthropological error (*CA*, 13). The twentieth century was marked by the tragic social experimentation of Communism and National Socialism. According to the Holocaust historians of the United States Holocaust Memorial Museum, the Nazis murdered fifteen to twenty million people of which six million were Jews, the children of Israel.⁴ *The Black Book of Communism*, issued by Harvard

University Press in 1999 gives a number of around one hundred million deaths in the world by Communism, which we should not hesitate to describe as a criminal system. In the former USSR and Eastern Europe, Communism is responsible for killing twenty-one million people. While almost no one defends Nazism today, people do not speak as harshly about Communism. Today, socialism still exists as a political option. Surprisingly, 11 percent of US voters, for example, still think socialism is morally superior to the US system of politics and economics while 13 percent are not sure about it.⁵ Among the youth, socialism is viewed even more favorably.⁶ In other words, there is no certainty that we are learning from the mistakes of the past.

I would like to focus on two aspects of *Rerum Novarum* that I consider especially significant for Eastern Europe today: the meaning of rights to private property and the freedom of association. The implications of these rights, I believe, must be understood anew today.

Private Property as Human Capital

Saint John Paul told us twenty-five years ago that today “there exists another form of ownership which is becoming no less important than land: the possession of know-how, technology and skill” (*CA*, 13). The wealth of nations, to use the title of Adam Smith’s revolutionary book, is no longer related directly with the possession of natural resources. The GDP of a small country such as Estonia is higher than that of Russia, although the latter is among the richest areas of the world regarding the possession of land and its resources. Hence, the right of private property today must be understood as the right to develop and safeguard human capital. The ownership of human capital or social capital becomes increasingly evident as being the decisive factor of wealth in today’s world. We need to determine how to safeguard the dignity of man and determine what it is that enables his exercise of liberty and responsibility. Perhaps it would be interesting to demonstrate how the arguments of *Rerum Novarum* on private property, understood as possession of land and the means of production, form the basis of the argument for human property or human capital. *Rerum Novarum* stresses that the right to private property is not only an individual right but also a social right. Likewise, we know today that human capital is never isolated; it is the form of capital that reveals itself only in relation to the community, in the context of a sociopolitical environment. Thus its development depends on objective and subjective aspects. Both of these aspects are developed in Catholic social teaching.

The right of private property in *Rerum Novarum* outlined by Leo XIII draws on natural-law arguments, stressing that private ownership is “our first and most fundamental principle” (*RN*, 12), the “natural right of man” that “is not only lawful but absolutely necessary” (*RN*, 19) and that must “be held sacred and inviolable” (*RN*, 35). Leo also points out that private ownership represents “the impress of [man’s] own personality” on the natural world (*RN*, 7). Forty years later, Pius XI’s encyclical *Quadragesimo Anno*, further clarified the “twofold aspect of ownership,” both individual and social, “as it regards individuals or concerns the common good.”⁷ This feature was further developed in *Mater et Magistra* where Pope John XXIII elaborated on the notion of the “social function of property.”⁸ This “intrinsic social function of private property” compliments *Gaudium et Spes*’s emphasis that private property facilitates participation in society and economy.⁹

John Paul II developed the meaning of “socialization” of property by specifying that this term does not mean the “collectivization” of property but rather its “humanization.” Thus the social aspect of private property, in John Paul’s terminology of “two inheritances,” becomes the “human aspect” of property, which is social and private at the same time. In his encyclical *Laborem Exercens*, the “social function” of ownership is related to the nature of human property. This treatment of the “social function” is based as much on personalistic assumptions as is the principle of universal destination of material goods. Hence, John Paul’s humanization of the “intrinsic social aspect” of ownership allows him to develop the notion of the property of human capital. He emphasizes the decisiveness of the human person’s knowledge, technology and skill, the ability to perceive the needs of others, and entrepreneurial ability along with the combination of productive factors most adaptive to satisfying various needs as constituting an important source of wealth in modern society (*CA*, 32). These abilities correspond to God’s universal call, expressed in the book of Genesis “to fill the earth and subdue it” (Gen. 1:28) addressed to all human beings to exercise their personhood through work, which requires creativity, collaborative skills, self-control, and patience.

An Eastern European Challenge: Safeguarding Its Human Capital

Just after the fall of the Berlin Wall and Iron Curtain, Eastern Europe started to experience a vast emigration, which continues today. People discovered that the differences in living conditions were great between those who had lived in the socialist camp and those living in Western societies. Hence, many people, looking

for new opportunities, chose to emigrate. This, however, has meant that many Eastern European societies lost some of their most valuable assets, namely people.

The same societies, like the rest of Europe, are struggling with low fertility rates and an aging society. Combined with emigration, this creates great challenges for social-security systems in Eastern Europe. In 1991, the population of Lithuania, for example, was 3.7 million. By 2014 it had decreased to 2.9 million.¹⁰ Each year we lose at least thirty-five thousand inhabitants, most of whom are emigrants. Similar tendencies exist in neighboring countries. As one research study shows:

The Baltic countries, Estonia, Latvia and Lithuania, are a prime example of countries where recent emigration has drawn the attention of policy makers looking to mitigate potential negative impacts of the departure of young and skilled emigrants as well as to support economic development... The desire to leave Baltic countries is strongly related to economic decline and rising unemployment. OECD data (2012) reveal that young men of working age have a higher propensity to emigrate in the presence of unemployment and cutbacks on social welfare, both conditions which are found in the Baltic countries. Destinations vary according to economic opportunities, legal barriers and geographical and linguistic proximity. Finland is the most popular of destination among emigrants from Estonia. Latvian and Lithuanian emigrants mainly go to the United Kingdom, the United States, Ireland, Norway and Germany.¹¹

There are at least two main causes that escalate emigration: one is the lack of opportunities to work in Eastern European countries; the second, however, is people looking for welfare benefits in Western Europe. This is a tremendous moral and economic problem.

The state, the popes teach us, has a responsibility to help create opportunities for people, but must avoid paternalism. Socialism, we know, took away the dignity of the person by handing over to the State total responsibility for organizing everyone's social life and welfare. In this way, it took away initiative and creativity. But 125 years ago, Leo XIII insisted that "there is no need to bring in the State. Man precedes the State, and possesses, prior to the formation of any State, the right of providing for the substance of his body" (*RN*, 7).

From this perspective, the right of private property elaborated in *Rerum Novarum* today can be read as an argument for human rights in protecting opportunities to develop the areas of human ownership: initiative, creativity and collaborating work. The protection of this right thus means the promotion of opportunities for the new businesses, which are the source of new work. Eastern Europe still struggles to protect its human capital. This owes much to the lack

of opportunities to develop the entrepreneurial spirit in society. We are also handicapped by the lingering socialist mindset that seeks to protect the welfare of society by state monopolies of social services. As George Gilder writes, “It is extremely difficult to transfer value to people in a way that actually helps them. Excessive welfare hurts its recipients, demoralizing them or reducing them to an addictive dependency that can ruin their lives.”¹²

Gilder’s observations correspond with research into socialism’s posttraumatic effects. This research shows that taking away private property harms the sense that one has a responsibility to work and diminishes people’s sense of self-worth. People remain dependent on the benevolence of bureaucrats. This is humiliating and degrading. The same research suggests that high consumption of alcohol and high suicide rates are directly related to this phenomenon.¹³

World Health Organization statistics show that “the biggest boozers are mostly found in Eastern Europe and in the former Soviet states. . . . In Russia and its former satellite states one in five male deaths is caused by drink.”¹⁴ As for the high suicide rates, “[o]ut of the top 25, eight were either once part of the former Soviet Union or part of other Eastern Bloc nations under the influence of the USSR.”¹⁵

Socialism thus harmed not only the individual but also society. It corrupted the notion of solidarity and promoted alienation and collective individualism. As a result, we see that the eradication of private property actually undermined solidarity. There is an inner relationship between the development of human capital, freedom, and solidarity. Put another way, the right of private property enables the “personal creative subjectivity” but also the “subjectivity of society.” In Benedict XVI’s words: “We do not need a State which regulates and controls everything, but a State which, in accordance with the principle of subsidiarity, generously acknowledges and supports initiatives arising from the different social forces and combines spontaneity with closeness to those in need.”¹⁶

***Rerum Novarum* on the Freedom of Association and Eastern Europe**

Turning now to another right stressed by *Rerum Novarum*, Leo XIII develops an argument on the right of free associations. “The State,” he says, “must not absorb the individual or the family; both should be allowed free and untrammelled action so far as is consistent with the common good and the interest of others” (*RN*, 35). There must exist free agreements of employers and workmen (*RN*, 45, 48), working men’s associations (*RN*, 49, 57) or “these lesser societies” (*RN*, 51) which can be called according to Saint Thomas Aquinas “a private society”

as they exist for the private advantages of the associates (*RN*, 51). They are “severally part of the commonwealth” and to “enter into a ‘society’ of this kind is the natural right of man” (*RN*, 51). Then Leo XIII insists that the State must protect this natural right, since “if it forbid its citizens to form associations, it contradicts the very principle of its own existence” as it is “the natural tendency of man to dwell in society” (*RN*, 51).

When exploring the meaning of free association of people one hundred years later, John Paul II refers to the “subjectivity” (*CA*, 13) or “personalization” of society (*CA*, 49) reached “through the creation of structures of participation and shared responsibility” (*CA*, 46). *Centesimus Annus* refers to “communal subjectivity” in relation to freedom: the “subjectivity” of society is destroyed when “the person’s dignity and responsibility” are ignored (*CA*, 13) and the “personhood” of society is lacking when people are an “anonymous and impersonal mass” (*CA*, 49). The text suggests that freedom of personal integration and social participation enables social or “communal subjectivity” to exist. It also explains that lack of freedom to associate results in a lack of civic “subjectivity” or communal subjectivity. Thus the right of free association is the basis of communal subjectivity. But we also see that freedom to associate is also the prerequisite for human capital to be developed and safeguarded.¹⁷

After 1990, former socialist countries were helped to rebuild a civic and free-market order, which was enormously helpful. But new challenges have resulted as Eastern European nations try to reach the social security and fiscal standards of Western countries.

The problem, however, is that the strength of an economy is based on the values, habits, and morals of people. These take much more time to rebuild than material prosperity. It is very hard to implement the subjectivity of society when the habits of excessive individualism and social alienation still exist. The creation of various types of free associations requires a special environment, or, speaking more specifically, a Christian culture of society because, as John Paul wrote, alienation occurs “when man does not recognize in himself and in others the value and grandeur of the human person, he effectively deprives himself of the possibility of benefitting from his humanity and of entering into that relationship of solidarity and communion with others for which God created him” (*CA*, 41).

One of the solutions offered by *Rerum Novarum* in order to foster freedom of association or the “subjectivity of society” can be found in its statement that “the law ... should favor ownership, and its policy should be to induce as many as possible of the people to become owners.” (*RN*, 46). To this we can add Benedict XVI’s recommendation in *Caritas in Veritate* that “one possible approach to development aid would be to apply effectively what is known as

fiscal subsidiarity, allowing citizens to decide how to allocate a portion of the taxes they pay to the State.”¹⁸

In my native Lithuania, someone who receives a post-tax paycheck of 1,000 euro has already paid 726 euro of income and social insurance taxes. A sales tax of 21 percent is also applied to most purchases of the 1,000 euro. Thus the total tax required by the State is approximately 50–55 percent of an employee’s wage. The majority of social services of health, education, and other services are thus provided by the State.

Rerum Novarum, however, challenged such thinking in its reflections on private associations:

Employers and workmen may themselves effect much, in the matter we are treating, by means of such associations and organizations as afford opportune aid to those who are in distress, and which draw the two classes more closely together. Among these may be enumerated societies for mutual help; various benevolent foundations established by private persons to provide for the workman, and for his widow or his orphans, in case of sudden calamity, in sickness, and in the event of death; and institutions for the welfare of boys and girls, young people, and those more advanced in years. (*RN*, 48)

At present, Eastern European countries face a future in which there will be only one working person for each retiree. To this extent, I think that Leo’s comment that “the working man ... should be protected by the State” (*RN*, 40) could be understood as the state helping to create the conditions, opportunities, and freedom to foster the creation of private associations which could become the systems of mutual help. This freedom of association would thus help to create the “subjectivity of society” and to overcome the spirit of alienation.

So to conclude: The temptation to see the State as a single provider for social welfare is not so different from the temptation of socialism. We in Eastern Europe tried it and it does not work. Socialism ends by killing people. Thus we need to be very vigilant so that other, less obvious types of socialism do not promote other ways of collectivizing property. In order to create a free and virtuous society, we need to look at its society’s “humanization” by expanding ownership rights and encouraging incentives to create free and private associations among people. That, I would argue, is not just a key message of *Rerum Novarum* for Eastern Europe today. It is also a message for any society that wants to secure its freedom with justice.

Notes

1. Leo XIII, encyclical letter *Rerum Novarum* (May 15, 1891), 24. Herein *RN*.
2. Samuel Gregg, "A Revolutionary Pope for Revolutionary Times," *Crisis Magazine*, April 12, 2016, <http://www.crisismagazine.com/2016/a-revolutionary-pope-for-revolutionary-times>.
3. John Paul II, encyclical letter *Centesimus Annus* (May 1, 1991), 12. Herein *CA*.
4. Matthew Day, "Nazis May Have Killed Up to 20m, Claims 'Shocking' New Holocaust Study," *The Telegraph*, March 4, 2013, <http://www.telegraph.co.uk/news/worldnews/europe/germany/9906771/Nazis-may-have-killed-up-to-20m-claims-shocking-new-Holocaust-study.html>.
5. "11% Say Communism Better Than U.S. System of Politics and Economics," *Rasmussen Reports*, March 15, 2011, http://www.rasmussenreports.com/public_content/politics/general_politics/march_2011/11_say_communism_better_than_u_s_system_of_politics_and_economics.
6. See "New Report Reveals U.S. Attitudes on Socialism, Communism on Eve of 2016 Election," *Victims of Communism Memorial Foundation*, October 17, 2016, <http://victimsofcommunism.org/new-report-reveals-u-s-attitudes-on-socialism-communism-on-eve-of-2016-election/>.
7. Pius XI, encyclical letter *Quadragesimo Anno* (May 15, 1931), 45.
8. John XXIII, encyclical letter *Mater et Magistra* (May 15, 1961), 120.
9. Vatican Council II, Pastoral Constitution on the Church in the Modern World *Gaudium et Spes* (December 7, 1965), 71.
10. Statistical data of Lithuanian Parliament research.
11. Godfried Engbersen and Joost Jansen, *Emigration from the Baltic States: Economic Impact and Policy Implications in Coping with Emigration in Baltic and East European Countries*, OECD publications, http://www.keepeek.com/Digital-Asset-Management/oecd/social-issues-migration-health/coping-with-emigration-in-baltic-and-east-european-countries/emigration-from-the-baltic-states-economic-impact-and-policy-implications_9789264204928-4-en#page1.
12. George Gilder, *Wealth and Poverty* (San Francisco: ICS Press, 1993), 30.
13. Gailienė Danutė, ed., *The Psychology of Heavy Traumatization: The Aftermath of Political Repression* (Vilnius: Akreta, 2005).
14. "Drinking Habits," *The Economist*, February 14, 2011, http://www.economist.com/blogs/dailychart/2011/02/global_alcohol_consumption.

15. "Suicide Rates by Country," *World Atlas*, updated September 19, 2016, <http://www.worldatlas.com/articles/countries-with-the-most-suicides-in-the-world.html>.
16. Benedict XVI, encyclical letter *Deus Caritas Est* (December 25, 2005), 28.
17. Kęstutis Kėvalas, "The Origins and Ends of the Free Economy as Portrayed in the Encyclical Letter *Centesimus Annus*," (PhD diss., Vytautas Magnus University, Kaunas, 2008), 102.
18. Benedict XVI, encyclical letter *Caritas in Veritate* (June 29, 2009), 60.