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Illustrating the Need for Dialogue between Political Economy and Catholic Social Teaching

*Antonio Pancorbo**
AEDOS (Spanish Association for the Study of Catholic Social Teaching)

This article seeks to illustrate the need for dialogue between political economy and Catholic social teaching. For this purpose, it approaches Benedict XVI's encyclical letter *Caritas in Veritate* by highlighting and elaborating on specific *guidelines for action* as they are found in the text, which represent good examples of areas where more discussion between sound economists and moralists is required. The article does not try to present alternatives to the encyclical's guidelines for action or to comment on its moral teachings. The intention is to elicit the need for dialogue between the two fields of knowledge so they may come together and offer technical solutions that are not only morally sound but also economically feasible.

Dialogue between Economics and Catholic Social Teaching

The aim of Catholic social teaching "is simply to help purify reason and to contribute, here and now, to the acknowledgment and attainment of what is just."[1] For this purpose, "[t]he Church's social teaching proposes principles for reflection; it provides criteria for judgment; it gives guidelines for action."[2] Beyond that, Benedict XVI insists in his encyclical letter *Caritas in Veritate* that "[t]he Church does not have technical solutions to offer" (*CV*, 9).[3] However, it is within the remit of Catholic social teaching to accompany moral principles and reflections with illustrative guidelines for action that make social teaching operational; the Church's social teaching has a clear practical dimension (*CA*, 59). What does, for example, solidarity or the eradication of poverty mean in practice? Catholic social teaching needs practical answers to its moral reflections.

Economics, for its part, tries to reason on a structured theory of the "laws"[4] that govern the actions of individuals in their natural struggle to prosper.[5] Consequently, economics should have the power to explain the natural laws enshrined in the dynamics of social coordination and so shed light on practical answers to social issues. Regardless of how well-meant or how full of love economic decisions are, if they do not respect the economic laws embedded in human action, they will not work as intended or, even worse, they could produce the opposite results of what justice demands. When the Church points toward technical solutions (where it claims to have no special competence), economists have the duty and responsibility to discuss them and ensure that, in addition to being morally correct, they are also technically feasible.[6]

Economics is a social science with which Catholic social teaching can enter into dialogue. However, who are the economists who should advise the Church? This is not easily answered. Discovering and articulating sound economic theory is not a simple task. Being a social science, the validity of economic theories depends on the skills and quality of the anthropological foundations and methodological approaches of the economists who observe and interpret social realities.[7] Today there are many schools of thought that sometimes conflict with one another. None of them is universally accepted as superior and unquestionable (other than by its followers and by the interest groups to whom they give intellectual support). The global economic crisis we are currently enduring is a good example. It shows the inability of *current mainstream economics* to understand and explain the economic, financial, and monetary imbalances that were building up and eventually triggered the crisis.[8] In addition, no school of thought can be presented as the only one compatible with the teachings of the Church because no economic thinking can argue to be based on a true Catholic understanding of man. Some, however, offer explanations of economic realities that are closer to the Christian notion of the dignity of man, created with free will and a creative mind in the image and likeness of God.

There has, in the past, been fruitful dialogue between the Church and economists, although this was perhaps more by accident than design. Without denying merit to the great economist Adam Smith (1723–1790), who systematized modern economic science for the first time, Catholics should be proud of the increasing number of studies that identify the origin of modern economics in the thoughts of the late Scholastics, particularly those of the so-called School of Salamanca in the sixteenth century.[9] Those Dominicans and Jesuits did not intend to write treatises on economics but to give moral instructions to a Spain that, at the time, was one of the world's major business, economic, and cultural centers. However, as a result of their observations of reality based on sound anthropological foundations, they were first able to successfully articulate some key economic laws, with explanatory power of the social coordination of individual actions irrespective of the morals of that society and government. Those late Scholastics observed the existence of inexorable forces of cause and effect that operate as social laws.[10]

All in all, there is a need for dialogue between the economic profession and the Church's social teaching. The following sections elaborate on examples taken from selected parts of *CV* that illustrate why this is the case.

The Scope of State Intervention in the Economy

Pope Paul VI's *Populorum Progressio*,[11] which *CV* commemorates, raised key social teachings such as, "life in Christ is the first and principal factor of development" (*CV*, 8). Some of its critics, though, have also accused it of providing Church legitimacy to an excessive and invasive state intervention in the economy. If so, this was not the fault of the 1967 Church's social doctrine. How could it be otherwise? Mainstream economics, now and then, has been founded on principles that justify broad state intervention in the economy and distrust the ability of individuals to organize themselves freely through voluntary exchanges. In addition, an extremely interventionist interpretation of the sound notion that *the market alone cannot be entrusted with the task of supplying every category of goods*[12] may have also reinforced a bias in favor of strong state intervention, along with the thinking of some utopian Catholic writers who have misconceived the modern state as the way to realize *the myth of the perfect city*.

The scope of state intervention in the economy has to be revisited. This has to start by recognizing *the principle of authority*: "Every human community needs a legitimate authority that preserves order and contributes to the realization of the common good. The foundation of such authority lies in human nature because it corresponds to the order established by God."[13] Indeed, the principle of authority transforms a mere group of people into a true community. Moreover, "economic activity, especially the activity of a market economy, cannot be conducted in an institutional, juridical, or political vacuum. On the contrary, it presupposes sure guarantees of individual freedom and private property, as well as a stable currency and efficient public services" (*CCC*, 2431).[14] That said, neither the principle of authority nor the need for an institutional, legal, and political framework for economic development requires the existence of the invasive, modern state: "Excessive intervention by the state can threaten personal freedom and initiative" (*CCC*, 1883), and "[f]urthermore, the totalitarian state tends to absorb within itself the nation, society, the family, religious groups and individuals themselves.

In defending her own freedom, the Church is also defending the human person, who must obey God rather than men (cf. Acts 5:29)" (*CA*, 45b).

The moral reference that should guide the revision of state intervention in the economy is the principle of subsidiarity, "an expression of inalienable human freedom" (*CV*, 57), whereby "a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good" (*CA*, 48). The *Compendium of the Social Doctrine of the Church* indicates that "the action of the state and of other public authorities must be consistent with the principle of subsidiarity and create situations favorable to the free exercise of economic activity" (*CSDC*, 351). In contrast, the principle of subsidiarity is systematically violated by modern states. This violation should put as a high priority a fruitful dialogue between political economy and the Church's social teaching on the scope of state intervention in the economy. The Catechism reminds us that the state has the function of *guaranteeing individual freedom and property*, "so that those who work and produce can enjoy the fruits of their labors and thus feel encouraged to work efficiently and honestly" (*CCC*, 2431). Should the state's legitimate scope for intervention in the economy be confined to this?

The Need for a "True World Political Authority"

One of the encyclical's most confusing and controversial points has been its claim for "the urgent need of a true world political authority" (*CV*, 67). Since the Dominican theologian Francisco de Vitoria, in sixteenth-century Spain, developed *ius gentium* (the law of nations) as a natural and international law, it is clear that the international community, like every community, needs a true authority and, this authority, like every *Auctoritas*, has to be legitimized by law and oriented toward the common good. Moreover, the Church has long taught the need for "some universal public authority acknowledged as such by all" (*CSDC*, 441). However, what kind of world political authority is *CV* asking for? It is not clear.

The publication of the recent note by the Pontifical Council for Justice and Peace (the same Pontifical Council that assisted the pope with the preparation of *CV*), "Towards Reforming the International Financial and Monetary Systems in the Context of Global Public Authority," has muddied the waters further.[15] The need for a legitimate world political authority, as the *principle of authority* demands, is presented in a way quite reminiscent of a supranational state-like power. The note sees it as "logical for the reform process to proceed with the United Nations as its reference."[16] The global public authority would be endowed with modern state institutions, such as a "central world bank," and a design that allows this global political authority "a fair distribution of world wealth, which may also derive from unprecedented forms of global fiscal solidarity." The note does not call it a *supranational state* but applies the principle of subsidiarity, intended to guide the relationships between citizens and the state. The comparison the note makes between individuals and states with this new global public authority would also suggest that the Pontifical Council is proposing a *state of universal competence*. Is this technical solution what the principle of authority demands?

The world political authority envisioned by *CV* should not only concern itself with the legitimate protection of life, liberty, property, and justice, but furthermore seek "[t]o manage the global economy; to revive economies hit by the crisis; to avoid any deterioration of the present crisis and the greater imbalances that would result; to bring about integral and timely disarmament, food security and peace; to guarantee the protection of the environment and to regulate migration" (*CV*, 67). The length of this article does not allow perusal through these issues one by one, but, from an economic point of view, none of these issues (except governments' disarmament, for obvious reasons, and the establishment of a judicial framework based on the natural law that governs the economy) require the intervention of a political authority, much less a global one (which when dealing with disarmament could be even harmful). Besides, *CV* also asserts the need for this world political authority to manage "the unprecedented possibility of large-scale redistribution of wealth on a world-wide scale" (*CV*, 42). This is discussed in more detail below, but it should be noted that distributive justice is the result of a free response of society—not by political authorities.

Caritas in Veritate's global political authority must be organized in a subsidiary and stratified manner in order to prevent the emergence of a dangerous and tyrannical universal power (cf. *CV*, 57). However, all political powers should already "be marked by subsidiarity, articulated into several layers and involving different levels that can work together" (*CV*, 57). Reality, however, shows that this condition is rarely met, and the tendency, with continuous attacks on freedoms, is toward increasingly less regard for the principle of subsidiarity and a less effective division of powers. If satisfactory subsidiarity is very difficult to find in existing political authorities, how could a world political authority, with the huge accumulation of power it would involve, be expected to achieve it? Is this proposal realistic? Does it not pose an excessive risk to the global common good?

The State's Role Seems Destined to Grow

Caritas in Veritate understands that "[i]n terms of the resolution of the current crisis, the State's role seems destined to grow, as it regains many of its competences" (*CV*, 41). A thorough reading of section 41 suggests that the state's role seems destined to grow in those countries that do not fully enjoy consolidated constitutional, judicial, and administrative systems or that need to reinforce the guarantees inherent in the "state of law" and build truly democratic institutions (cf. *CV*, 41). Apart from this, it is dubious that solutions to crisis require for a growing role of the state. In addition, the idea of a state that is destined to grow and regain many of its competences (assuming it had ever lost them) may conflict with section 24 of *CV* that while recognizing that the state will now actively participate in correcting errors and malfunctions also indicates that civil society should play an increased role in political life.

The discussion of the resolution of the current crisis is not a straightforward one. There is debate as to whether the solution may come from the growth of the state or if the growth of the state is hindering the resolution of the crisis. There is no technical reason why increased state intervention is more effective than reducing taxes, allowing more wealth in private hands to push the process of productive investment, and eliminating regulations that inhibit the development of private initiatives. If privately led solutions proved to be more effective, the state's role would seem destined to shrink and assume only those competences that the Catechism points out as legitimate for it in the economic sphere (i.e., guaranteeing individual liberty and property). The state would wane and give back the central stage of economic, social, and cultural issues to society. Recommendations based on interventionist ideologies requiring the growth of the state would not morally bind Catholics. Recent papal interventions remind us that the basic guidance for action in a society that faces an economic crisis should be directed toward strengthening the moral health of that society. This has nothing to do with a role of the state that is destined to grow.

The State's Role in Distributive Justice

According to the Catechism of the Catholic Church, distributive justice "regulates what the community owes its citizens in proportion to their contributions and needs" (*CCC*, 2411). It is primarily a symptom of the moral health of a society. It is also our Lord's challenge to the materialist mind when he said, "It is more blessed to give than to receive" (Acts 20:35). The principle of gratuitousness and the logic of gift are presented as an invitation from Christ to all men to meet him: “Amen, I say to you, whatever you did for one of these least brothers of mine, you did for me” (Matt. 25:40).

Distributive justice appeals to man’s free conscience: “Whoever has two tunics should share with the person who has none. And whoever has food should do likewise” (Luke 3:11), but not to the state’s coercive intervention: “Each must do as already determined, without sadness or compulsion, for God loves a cheerful giver” (2 Cor. 9:7). Distributive justice is a duty of true solidarity, which “places man before the astonishing experience of gift” (*CV*, 34) and arises once the duty of justice is satisfied: “When we attend to the needs of those in want, we give them what is theirs, not ours. More than performing works of mercy, we are paying a debt of justice” (*CCC*, 2446).

Against this backdrop, *CV* understands that the political community is conceived as *a means for pursuing justice through redistribution* (cf. *CV*, 36).[17] Section 37 reinforces this notion, saying that economic life needs “forms of redistribution governed by politics, and what is more, it needs works redolent of the spirit of gift.” Because the political community is often redolent of interest groups, would it not be prudent to eliminate it from distributive justice? To put the state’s coercive action, the social action of last resort, before free human will to achieve distributive justice, is to opt for top-down coercive government action over bottom-up free exchanges. In cases where voluntary mechanisms are not sufficient to ensure distributive justice, rather than jump straight into state coercion, all social coordination mechanisms should first be exhausted and primacy given to society on what *CV* calls the “economy of charity” (*CV*, 2) or the “economy of gratuitousness and fraternity” (*CV*, 38). Economists need to expand on economic theory so that it takes the dynamics of gift and gratuitousness into account.

Arguably, it would be unwise to make distributive justice, which is so vulnerable to corruption and so essential to any society, dependent on political action. This may strengthen governments that are already too powerful, and encourage interest groups to exercise greater influence and pressure over political powers. The duty of charity binds the conscience of every Christian and person of good will, placing into question the need for the state in distributive justice. Therefore,

> [t]he Fathers of the Church insist more on the need for the conversion and transformation of the consciences of believers than on the need to change the social and political structures of their day. They call on those who work in the economic sphere and who possess goods to consider themselves administrators of the goods that God has entrusted to them. (*CSDC*, 328)

The State's Role in Solidarity

Preference for state intervention over the voluntary actions of a free society to achieve distributive justice comes from a well-meaning interpretation of the state "inspired by the principle of solidarity" (cf. *CSDC*, 351). The duty of the state *vis à vis* solidarity should be focused on determining the best possible juridical framework for regulating economic affairs in order to safeguard the prerequisites of a free economy, which presumes a certain equality between the parties (cf. *CSDC*, 352), and not on obstructing or competing against genuine free social actions. Solidarity, in its broadest sense, is the responsibility of individuals who exercise their free will through their own actions as well as through those of the groups and associations in which they organize themselves. Subsidiarity is not a call for governments to impose actions that have an outward appearance of solidarity but instead for all to engage in the formation of matured consciences and to be able to overcome greed and the idolatry of the ego.

Section 38 of *CV* lowers the demand for state intervention but still maintains the state's primacy: "Solidarity is first and foremost a sense of responsibility on the part of everyone with regard to everyone, and it cannot therefore be *merely* delegated to the state" (*CV*, 38, emphasis added). The question is, however, can solidarity be delegated to the state at all? The state's role is to establish a legal framework for economic relations and limit the autonomy of the parties in order to defend life, freedom, and property, particularly of the weak. It is the role of society to freely articulate itself in intermediate groups to achieve solidarity.

It is difficult to root out one of the beliefs most entrenched in our collective thinking—even among the faithful and people of good will—namely, that the state has the primary responsibility to solidarity and to promote wealth redistribution for the common good. This situation is made worse by economic theories of distributism that enjoy strong support among some Catholic thinkers and that tend to look favorably on ideologies advocating centrally planned redistribution of wealth.[18]

The Welfare State

Following the duties of distributive justice and according to the works of charity founded by the Church, it is now commonly accepted that society must provide certain basic and essential goods and services (housing, clothing, food, health, and education) to those individuals who, due to their physical or mental disability, or to unemployment, cannot provide for themselves.

Collectivist ideologies have perverted the notion of free humanitarian basic assistance by arguing that the state has to expand coercion in order to force taxpayers to assist some groups of society (not necessarily those in need) in their welfare spending, creating the so-called welfare state, which has taken it upon itself to monopolize solidarity. Under the welfare state (which with different degrees of intensity has been implemented in almost all advanced economies today), the state is responsible for organizing a coercive redistribution of income according to its political and ideological agenda. Moreover, it provides public services with the purpose of displacing private initiatives. The thinking is that the state should be the main provider of welfare services and should redistribute wealth. There is then no room for private initiatives to provide basic welfare services, such as health and education, through, for example, the delivery of welfare checks that have been issued by mutual voluntary associations or private charities.[19] If a young man or woman feels the call to help those in need, rather than joining a privately and freely founded charity or religious order, they need only join the civil service of the state.

Welfarism considers *private* as selfish and *public* as virtuous solidarity. Reliance on the welfare state, however, is not without risk: "By intervening directly and depriving society of its responsibility, the Social Assistance State leads to a loss of human energies and an inordinate increase of public agencies, which are dominated more by bureaucratic ways of thinking than by concern for serving their clients, and which are accompanied by an enormous increase in spending" (*CA*, 48).

The tendency of the welfare state is to translate *any need* into a civil right and, consequently, these *new civil rights* have to be funded with taxes: "A link has often been noted between claims to a 'right to excess,' and even to transgression and vice, within affluent societies, and the lack of food, drinkable water, basic instruction and elementary health care in areas of the underdeveloped world and on the outskirts of large metropolitan centers" (*CV*, 43).

Caritas in Veritate's stance on the welfare state is unclear. On the one hand, its very relevant analysis of the falling birth rate as an economic problem (cf. *CV*, 44) suggests that the first adverse consequence is "a strain on social welfare systems." In addition, section 25 laments the fact that systems of protection and welfare, already present in many countries, are finding it increasingly hard to provide genuine social justice, mentioning as a case in point that new forms of competition between states to attract foreign businesses to set up production centers "have led to a downsizing of social security systems as the price to be paid for seeking greater competitive advantage in the global market, with consequent grave danger for the rights of workers, for fundamental human rights and for the solidarity associated with the traditional forms of the social state" (*CV*, 25).

On the other hand, *CV* questions, in section 58, the viability of solidarity that is not respectful of subsidiarity and that "gives way to paternalist social assistance that is demeaning to those in need." The *Compendium of the Social Doctrine of the Church* is clearer, stating that "solidarity without subsidiarity, in fact, can easily degenerate into a 'Welfare State'" (*CSDC*, 351). For its part, in the context of the discussion on a possible world political authority, *CV* sets out the principle of subsidiarity in such terms that would seriously challenge the primacy of public assistance and the welfare state by emphasizing the emancipating nature of subsidiarity: "By considering reciprocity as the heart of what it is to be a human being, subsidiarity is the most effective antidote against any form of all-encompassing Welfare State" (*CV*, 57).

The discussion of the moral judgment of the welfare state is not over. The welfare state is a technical and ideological solution that is seriously questioned from both an economic and a moral standpoint.[20] The most common criticism is that it promotes a culture of "dependence on the state" by proposing public subsidy as a way of life. It also trivializes saving and encourages individual irresponsibility. It mistrusts individuals' freedom and men's ability to prosper by their own forces. It violates the basic moral principle that "the end does not justify the means," thereby giving way to amorality. State welfarism that provides everything and looks after all contributes to the breakdown of the family as the natural social safety net.[21] Financially speaking it is bankrupt and similar to a Ponzi scheme, where the last entrants will eventually bear all the losses. Its virtue might be reconsidered in light of *CV*'s invitation to more economically developed nations to review "their internal social assistance and welfare policies, applying the principle of subsidiarity and creating better integrated welfare systems, with the active participation of private individuals and civil society" (*CV* 60).

The Concepts of Inequality and Relative Poverty

Poverty is definitely a social evil that should be fought in order to free the weakest "from conditions of misery and slavery" (*CSDC*, 325): "God blesses those who come to the aid of the poor and rebukes those who turn away from them.… It is by what they have done for the poor that Jesus Christ will recognize his chosen ones" (*CCC*, 2443).

Undoubtedly, those who live in a situation of dehumanizing misery and who cannot meet their basic needs for food, clothing, housing, health, and education suffer material poverty.[22] Beyond these objective conditions, defining material poverty is not an easy task. This is even less so in today's culture where the tendency is to admire the rich and powerful, thus leading to a corrupted vision of poverty, which for Christians is "a symbol of the human situation before God" (*CSDC*, 323): "Tell the rich in the present age not to be proud and not to rely on so uncertain a thing as wealth but rather on God, who richly provides us with all things for our enjoyment" (1 Tim. 6:17).

Aside from unquestionable situations of material poverty (such as those that a large part of the population in poor countries live in with corrupt governments that block people's savings and production initiatives), poverty in rich countries, where capital accumulation is possible, has become a marginal phenomenon. In this situation, welfare state theorists in rich countries and those lobbyists who live out of the state's budget have developed new definitions for poverty that will keep on justifying an increasing share of the public's solidarity expenditure. They put poverty on par with inequality, giving way to the concept of relative poverty. Thus countries with an annual income per capita above $25,000 may show pockets of relative poverty of the same magnitude as objective situations of dehumanizing misery that are truly present in poor countries. This allows for the expansion of the so-called social welfare budgets that eventually leads to the desensitization of society to objective situations of material poverty in the world.

Caritas in Veritate refers to inequality as being a social evil: "The world's wealth is growing in absolute terms, but inequalities are on the increase" (*CV*, 22). It also associates poverty with inequality (cf. *CV*, 32, 42). What kind of inequalities is *CV* referring to? When economic inequalities arise through deception, political corruption, abuse of power, and so on, then denunciation is imperative. Furthermore, the scandalous existence of glaring inequalities in this world (cf. *CCC*, 1938) calls for reflection and moral response. However, inequality in itself is not a social or moral evil but a feature of creation, both in this world and in the next. Denouncing inequalities that have not been the result of injustice would be meaningless: "To one he gave five talents; to another, two; to a third, one" (Matt. 25:15). Inequalities can be explained by the provident and merciful plan of God (cf. *CSDC*, 329). Moreover, denouncing such inequalities would be counterproductive because it fosters jealousy, an offense against God that is contrary to charity, which "is not jealous" (1 Cor. 13:4).

Therefore, reducing inequalities *per se* is pointless as a moral goal, let alone reducing the highly ideological concept of relative poverty. In contrast, reducing or where possible eradicating poverty wherever it is present in the world should be the moral and economic goal of the faithful and all people of good will.

The State's Role in Development Aid

Section 58 of *CV* offers highly accurate reflections on development aid based on the respect of the principle of subsidiarity by emphasizing that "indeed, the most valuable resources in countries receiving development aid are human resources: herein lies the real capital that needs to accumulate in order to guarantee a truly autonomous future for the poorest countries" (*CV*, 58).[23] It also indicates that "in the economic sphere, the principal form of assistance needed by developing countries is that of allowing and encouraging the gradual penetration of their products into international markets" (*CV*, 58). Moreover, this section recognizes the dangers of leaving development aid in the hands of governments, and denounces that "there are those who fear the effects of competition through the importation of products—normally agricultural products—from economically poor countries. Nevertheless, it should be remembered that for such countries, the possibility of marketing their products is very often what guarantees their survival" (*CV*, 58).

However, the encyclical establishes as a guideline for action that "more economically developed nations should do all they can to allocate larger portions of their gross domestic product to development aid, thus respecting the obligations that the international community has undertaken in this regard" (*CV*, 60). Is the encyclical advocating government-to-government aid programs? Experience has led us to be critical of any kind of policy advice that links development aid with government-to-government programs.[24] Their main result has been to prop up brutal and corrupt regimes, causing political infighting over the control of these "development funds" or destroying productive sectors in recipient countries that may be competitors of donor countries. The massive provision of such funds to governments with serious institutional weaknesses has resulted in the rise of statism, the annulment of the civil society, and, in general, developmental delays—the exact opposite of what justice demands.[25] In addition, government aid also has the effect of distracting attention from the damage that protectionist policies of donor countries inflict on the poorest regions, a situation that the encyclical also denounces (cf. *CV*, 22, 42).

What should be the state's role in development aid? Dismissing government-to-government aid programs, the state's role can include helping develop and promote, in poor countries, an environment of legal certainty, economic freedom, and respect of property rights, particularly the property rights of the weakest against the greed of the powerful, as well as the voracity of state bureaucracies. The state's role in development aid can also include helping to develop an environment that fosters savings and well-invested capital, setting the basis for the way that *all* developed nations got out of poverty.

Exchange of Equivalent Values

A solid notion of market processes is essential for a successful understanding of economics.[26] One of the main drivers of the market that contributes to making it the most effective means to solve the great problem of social coordination is that, if an exchange between two parties is voluntary, it will not take place unless both believe they will benefit from it.[27] In an exchange performed in conditions of justice and freedom, both parties value what they receive more than what they give. Both parties improve their situation after a free and fair exchange, although both do not have to improve to the same degree.

The social doctrine of the Church has developed a sound characterization of the market (cf. *CSDC*, 347–50), first introduced by *Centesimus Annus*. However, *CV* has added the notion of the exchange of equivalent values: "In a climate of mutual trust, the market is the economic institution that permits encounter between persons, inasmuch as they are economic subjects who make use of contracts to regulate their relations as they exchange goods and services *of equivalent value* between them, in order to satisfy their needs and desires" (*CV*, 35, emphasis added). The notion of the exchange of equivalent values is also present in other parts of the encyclical (e.g., *CV*, 35, 37, 38).

The so-called market principle of exchanges of equivalent values is common in current mainstream economics. It is also rooted in the *Compendium of Social Doctrine of the Church*, where it indicates that the market moves according to the rule of the exchange of equivalents (*CSDC*, 349). However, it is one thing to say that the market is subject to the principles of commutative justice, which regulates the relations of giving and receiving between *legally equal parties*, "such that one party would not be so powerful as practically to reduce the other to subservience" (*CSDC*, 352); it is quite another to say that what is given and what is received are equivalent values for the parties.

Moreover, the value that things have for one individual cannot be measured against the value they have for another individual. One man's trash is another man's treasure. Value is subjective and depends entirely on each individual according to the subjective theory of value initiated by Saint Thomas Aquinas, further developed by the School of Salamanca, and finally incorporated in modern economics by Carl Menger (1840–1921). Things do not have an objective value in themselves, neither by the labor employed, as Karl Marx would say,[28] nor by the cost of production or by the risk to obtain it or by the ingeniousness required to get it.[29] Everything depends on the individual who values according to his own preferences, goals, ideologies, beliefs, opportunities, needs, and so on.

The subjective theory of value is weakly present in current mainstream economics, which mainly treats economic information as objective and measurable. Mainstream economics supports the ability to measure the value of things by objective standards, such as money (confusing value and price) and, therefore, represents them in mathematical models—not as "metaphors" of social reality but as information that can be aggregated and modeled in order to conduct central planning of the economy. If this methodological approach were possible, centrally planned ideas would be right, and, therefore, it would be reasonable to try collectivist regimes again.[30] Is the exchange of equivalent values a sound notion for the Church's social teaching?

Final Remark

This article has tried to illustrate that there is a need for dialogue between sound political economy and the social doctrine of the Church. Sound economic thinking should collaborate with the Church in establishing guidelines for action that are morally acceptable, that do not ignore economic laws, and that propose technically feasible solutions to economic and political matters. Criticisms of economic proposals derived from the Church's social teaching cannot be construed as acts of disobedience. On the contrary, they are part of the interdisciplinary dialogue that the Church is looking for because the social doctrine of the Church has an "important interdisciplinary dimension" (*CA*, 59). This article has tried to provide examples where further dialogue is required in order to follow the express desire of *CV* that "moral evaluation and scientific research must go hand in hand, and that charity must animate them in a harmonious interdisciplinary whole, marked by unity and distinction" (*CV*, 31).

Notes

* Antonio Pancorbo, PhD (Econ) is currently at the International Monetary Fund (www.imf.org). Previously he worked at the Bank of Spain (www.bde.es), and the Bank for International Settlements (www.bis.org). The author wishes to thank Professor Huerta de Soto for his comments and support, the comments received in working sessions with fellow members of AEDOS ("Asociación para el Estudio de la Doctrina Social de la Iglesia," www.aedos-dsi.com) and "Centro Diego de Covarrubias" (www.centrocovarrubias.org), and helpful comments from anonymous referees. Any remaining mistakes are the author's alone. The opinions expressed are solely those of the author and do not represent the views of the institutions and colleagues he has collaborated with currently or in the past.

1. Benedict XVI, Encyclical Letter *Deus Caritas Est* (December 25, 2005), 28, hereafter parenthetically cited in text as *DCE* followed by section number.

2. *Catechism of the Catholic Church* (1997), 2423, hereafter parenthetically cited in text as *CCC* followed by section number.

3. Benedict XVI, Encyclical Letter *Caritas in Veritate* (June 29, 2009), hereafter parenthetically cited in text as *CV* followed by section number. The demarcation of the teachings of the social doctrine of the Church out of the field of technical solutions is common; see, for example, Second Vatican Council, pastoral constitution, *Gaudium et Spes* (December 7, 1965), 36 (hereafter *GS*) and Pope John Paul II, Encyclical Letter *Centesimus Annus* (hereafter *CA*), 43.

4. By "law" (social law) we mean those cause-and-effect relations enshrined in the very nature of human action and observable in reality.

5. A discussion of what economics is can be found in Ludwig von Mises, *Human Action: A Treatise on Economics* (Auburn, AL: Ludwig von Mises Institute, 1949); available at http://mises.org/books/HumanActionScholars.pdf.

6. A case in point could be the original usury doctrine, which declared sinful the practice of charging any rate of interest on loans, a claim that would be at odds with sound economic theory, as Martín de Azpilcueta (1492–1586) pointed out. See Martín de Azpilcueta, "Part 1: Commentary on the Resolution of Money (1556)," in *Sourcebook in Late-Scholastic Monetary Theory: The Contributions of Martín de Azplicueta,*

Luis de Molina, S.J., and Juan de Mariana, S.J., ed. Stephen J. Grabill (Lanham, MD: Lexington, 2007).

7. On anthropological considerations, see the current research work of Professor Rafael Rubio de Urquía, such as, "Acerca de los fundamentos antropológicos de la ciencia económica," *Revista Empresa y Humanismo* 2, no. 1/00 (2000): 109–29; available at http://iifv.files.wordpress.com/2011/05/rafael-rubio.pdf. On some of the methodological considerations regarding the relationship between Catholic social teaching and economics, see Paul Oslington, "*Caritas in Veritate* and the Market Economy," *Journal of Markets & Morality* 14, no. 2 (Fall 2011): 359–71. For some of the ongoing conversation regarding economic schools of thought and CST, see the controversy by Daniel K. Finn, Anthony E. Santelli II, and John D. Mueller, "Nine Libertarian Heresies Tempting Neoconservative Catholics to Stray from Catholic Social Thought," *Journal of Markets & Morality* 14, no. 2 (Fall 2011): 487–559; Samuel Gregg, "A Brief Note on the State and Society's Moral Ecology," *Journal of Markets & Morality* 15, no. 1 (Spring 2012): 7–10; Philip Booth, "Catholic Social Teaching and the Market Economy—A Reply to Daniel K. Finn," *Journal of Markets & Morality* 15, no. 1 (Spring 2012): 11–20; and most recently in this issue Daniel K. Finn, "Private Property, Self-Regulation, and Just Price: A Response to Philip Booth and Samuel Gregg," *Journal of Markets & Morality* 15, no. 2 (Fall 2012): 325–28. See also the symposium, "The Implications of Catholic Social Teaching for Economic Science: An Exchange between Thomas Storck and Thomas E. Woods, Jr., with Responses," *Catholic Social Science Review* 14 (2009): 85–140.

8. Current mainstream economics can be heroically simplified under the sentence attributed to Richard Nixon in 1971: "We are all Keynesians now."

9. See, for example, Raymond de Roover, "Economic Thought, Ancient and Medieval Thought," in *International Encyclopaedia of the Social Sciences* (New York: Macmillan, 1968); Fredrick von Hayek, *Law, Legislation and Liberty*, vol. 2: *The Mirage of Social Justice* (Chicago: University of Chicago Press, 1976), 178–79; Marjorie Grice-Hutchinson, *Early Economic Thought in Spain, 1177–1740* (Londres: Allen and Unwin, 1978); Murray N. Rothbard, "The Late Spanish Scholastics," in *An Austrian Perspective on the History of Economic Thought* (Auburn, AL: Ludwig von Mises Institute, 2006); and Alejandro A. Chaufen, *Christians for Freedom: Late-Scholastics Economics* (San Francisco: Ignatius, 1986).

10. They described, for example, the individualistic and subjective nature of prices, costs, and salaries; the laws underpinning the quantitative theory of money; the principles for safe and sound banking; the basic laws of market processes; and the distorting consequences of state intervention.

11. Paul VI, Encyclical Letter *Populorum Progressio* (March 26, 1967), hereafter parenthetically cited in text as *PP* followed by section number.

12. *Compendium of the Social Doctrine of the Church* (2004), 349, hereafter parenthetically cited in text as *CSDC* followed by section number.

13. *Compendium of the Catechism of the Catholic Church* (2005), 405, hereafter parenthetically cited in text as *CCCC* followed by section number.

14. An issue for discussion is whether "to ensure a stable monetary system" state intervention is needed. Further discussion on this topic can be found in Jörg Guido Hülsmann, *The Ethics of Money Production* (Auburn, AL: Ludwig von Mises Institute, 2008); available at http://mises.org/books/moneyproduction.pdf; and Gary North, *Honest Money: The Biblical Blueprint for Money and Banking* (2005), only available at http://www.garynorth.com/HonestMoney.pdf. Public services are also governed by the principle of subsidiarity wherein the state should be the last social resort. See also Joseph Burke, "Distributive Justice and Subsidiarity: The Firm and the State in the Social Order," *Journal of Markets & Morality* 13, no. 2 (Fall 2010): 297–317.

15. Pontifical Council for Justice and Peace, "Towards Reforming the International Financial and Monetary Systems in the Context of Global Public Authority," (2011); available at http://www.pcgp.it/dati/2011-11/08-999999/Towards%20Reforming%20ENG.pdf.

16. Pontifical Council for Justice and Peace, "Towards Reforming the International Financial and Monetary Systems," 12.

17. "Political community" is commonly understood to be the whole of acts with meaning and significance to the conquest and the exercise of power for the construction of a social order.

18. British writer G. K. Chesterton (1874–1936) and British economist Hilaire Belloc (1870–1953). John Médaille's neo-Distributist analysis, in *Toward a Truly Free Market: A Distributist Perspective on the Role of Government, Taxes, Health Care, Deficits, and More* (Wilmington, DE: ISI Books, 2010) presents distributism as opposed to his misconception of capitalism, which is characterized as plutocracy covered by the coercive powers of the state and not as synonymous with a free-market economy based on law and private property.

19. Unemployment benefits can be understood as welfare checks to meet subsistence and housing needs. It is not the state that provides the public stores or public housing, but the recipients of the cash unemployment benefits are those who determine within private market supply what food they want to buy or in what type of housing they want to dwell.

20. See Thomas E. Woods Jr., *The Church and the Market: A Catholic Defense of the Free Economy* (New York: Lexington Books, 2005); and Robert A. Sirico, "Rethinking Welfare, Reviving Charity: A Catholic Alternative," in *Catholic Social Teaching*

and the Market Economy, ed. Philip Booth (London: Institute of Economic Affairs, 2007), 47–62.

21. In this sense, the encyclical calls on states to pursue policies that promote the centrality and integrity of the family (*CV*, 44). It is not, however, the role of governments to adopt policies on the family according to its ideology but simply to recognize by law the centrality and integrity of the family, and not to question their actions or prevent such centrality of the family in society.

22. The *Catechism of the Catholic Church* (*CCC*, 2444) indicates that the Church's love for the poor includes also forms of cultural and religious poverty. These, however, are not dealt with in this article.

23. For the impact on nongovernmental organizations, see Jane Adolphe, "New Challenges for Catholic-Inspired NGOs in Light of *Caritas in Veritate*," *Catholic Social Science Review* 16 (2011): 181–93.

24. For example, this is reflected in the work of the economists such as Peter Bauer, Xavier Sala-i-Martin, and Hernando de Soto.

25. See, for example, Woods, *The Church and the Market*; and Philip Booth, "Aid, Governance and Development," in *Catholic Social Teaching and the Market Economy*," 63–90.

26. For an elaboration on the market as a competitive process of discovery and coordination, see Israel Kirzner, *Competition and Entrepreneurship* (Chicago: University of Chicago Press, 1978); Kirzner, *Perception, Opportunity and Profit* (Chicago: University of Chicago Press, 1983); and Kirzner, *Discovery and the Capitalist Process* (Chicago: University of Chicago Press, 1985). See also Jesús Huerta de Soto, *Money, Bank Credit, and Economic Cycles*, 1st English ed. (Auburn, AL: Ludwig von Mises Institute, 2006), available at http://mises.org/books/desoto.pdf.

27. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (London: W. Strahan and T. Cadell, 1776). See also Milton Friedman and Rose Friedman, *Free to Choose* (Boston: Houghton Mifflin Harcourt, 1990).

28. Karl Marx, *Das Kapital. Kritik der politischen Oekonomie*, 3 vols. (Hamburg: Meissner, 1867–1894).

29. A bottle of fine wine may have an immense value for one person and, at the same time, almost none to another one, without anything objective being in the bottle that justifies its high value or lack thereof.

30. See Jesús Huerta de Soto, *Socialism, Economic Calculation and Entrepreneurship* (London: Edward Elgar, 2010).