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## **The Contribution of Catholic Social Thought to Economic Policy**

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*“The time has come for a new and deeper reflection on the  
nature of the economy and its purposes”*

John Paul II

### **1.1 Introduction**

The purpose of this essay is to defend two somewhat controversial assertions:

1. For economic policy to effectively promote the common good it has to be based on a firm ethical foundation and a rigorous ethical analysis; and
2. The Catholic social thought tradition provides an ethical foundation that can help guide economic policy towards the common good.

Both assertions are based on the much less controversial proposition that modern capitalist economies require state intervention (including economic policies) to promote prosperity and stability.<sup>1</sup> We shall not concern ourselves with 19<sup>th</sup> Century laissez-faire economics, even if it does still have its proponents. Our concern is with the role ethical analysis can play in the formation and implementation of economic policy, particularly the insights Catholic social thought brings to the process.

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<sup>1</sup> The reality of the mixed economy is commonly accepted, with most of the debate centering on where the line separating public intervention and private initiative should be. One of the current trends in economic policy is for “public-private partnerships” which recognizes that it is increasingly difficult in a modern economy to separate the two spheres

The assertion that economic policy requires ethical analysis is controversial because it challenges the underlying assumption that neoclassical economic theory is a “positive” science, and thus free of values and value judgments. Using the term “common good” also challenges the view of society that underlies neoclassical economics. The Catholic definition of “the common good” is problematic for neoclassical economists because it asserts that there is a “good” distinct from the sum total of individual “goods.” Neoclassical economic theory implicitly, and often explicitly, rejects the idea that society is anything other than the sum total of its individuals, in fact society is seen as a “mental fiction”; only individuals are real. Since neoclassical economic theory reduces the individual good to maximizing consumption through exchange they equate the common good with economic statistics such as Gross Domestic Product or per capita income.

The second assertion is even more controversial, for it argues that economics as a discipline, and economic policy as an activity, can benefit from insights derived from moral theology. This certainly goes against the whole Enlightenment project of freeing reason from faith (which philosophers are increasingly realizing is impossible). No doubt many will argue that it violates principles of the separation of Church and state.<sup>2</sup> Yet most will agree that humans are more than just economic actors, and that the various factors that influence their actions (socialization, politics, culture, and their relationship with their creator) all overlap with each other, and that understanding each assists in understanding the economy and economic actions. Many will no doubt recognize the usefulness of an understanding of the disciplines of sociology, political science, social psychology and the humanities in order to better understand economic activity based on the simple fact that economic activity does not exist in a vacuum and is not easily separated from other social factors. The problem of separating economics from other social factors is that it ignores what is behind economic activity, that is what motivates and informs human activity at its deepest level, what shapes the values and the value judgments that

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<sup>2</sup> The irony of this criticism lies in the fact that the assertion of the separation of Church and state originates in the Catholic Church.

guide and determine our countless economic actions. These values ultimately come to us from our relationship and understanding of God and the discipline that studies this is moral theology. This is true even for atheists (their motivations and values are as shaped by their understanding of God as any religious person). Furthermore the Judeo-Christian tradition in general, and Christian ethical analysis in particular which carries forward the classical tradition of Aristotle, is the foundation of Western values, and it is impossible to make sense of the West, even in its current secular state, without understanding Christian moral theology. This is especially true for the role of ethics in economic activity, where values play such a key role in regulating individual activity with only minimal government control and coercion. To fully understand economic activity we need to go beyond economic motives.

The necessity for ethical analysis in economic policy formation stems from the role ethics plays in all economic activity. Every economic activity has two aspects that require ethical analysis. First, economics is about making choices, and choices require criteria for choosing, that is values and value judgments. There is no such thing as a “purely economic” or value-free economic action.<sup>3</sup> This is true for individual and collective choices. Second, every economic activity is always also a social, political, cultural and spiritual activity because it necessarily involves other persons. There is no such thing as a solitary economic act, just as there is no such thing as a solitary individual person. By their very nature humans must live in community with others, and must, by necessity, come from a community. All economic activity is working or trading with others. Thus it necessarily has an ethical dimension (that is at a minimum it requires criteria for regulating interpersonal interactions).<sup>4</sup> Economists have often used the Robinson

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<sup>3</sup> Economists have noted that the very act of choosing “reveals the preferences” of the individual. Such analysis often, however, becomes circular, for economists often argue that individuals make economic choices because it gives them “utility” and we know that such choices gives them “utility” because people choose them.

<sup>4</sup> Christian ethics would add that all actions necessarily involve the relationship between the “acting person” and God, thus even if we could conceive of economic actions that involve only one human, the dictates of ethics still apply. Choosing something that only harms oneself is not an ethically neutral act, for it harms a child of God in the same way as our actions that harm others. The impact our actions have on others is more a criteria for state intervention than it is for whether it is right or wrong.

Crusoe story to illustrate the autonomous nature of rational economic decision making, yet this is a very misleading example, for even when Crusoe was alone on the island, his actions and decisions were far from being autonomous, that is free of the influence of political, social, cultural and spiritual factors. Crusoe was a fully socialized person and his actions, even when he was by himself, clearly were influenced by the culture and social milieu in which he was raised. The view that each human is an autonomous individual ignores the necessary social nature of the human person. The methodological individualism of neoclassical economic theory not only forces economists working within this tradition to ignore historical and social context, thus failing it its goal of understanding actual economies, it requires them to view economic actors in isolation from others, which is an impossibility.

Attempts to ignore the ethical aspects of economic activity in general, and economic policy in particular, are usually motivated by the desire to impose one set of values and interests on others, using the guise of “scientific” analysis as a way to hide one’s own values and interests, and eliminate the need to consider others’ values and interests. The “laissez-faire” school on the right and Marxism on the left both attest to this tendency. A look at two rather glaring examples of attempting to exclude ethics from economic policy making might be useful. The first, which I need only mention to this audience, is the policy suggestions of Charles Edward Trevelyan during the Irish Famine, when the “laissez-faire” ideology (especially the Malthusian theory of population) was viewed as “science” and was used to promote policies designed to reduce the population of Ireland.<sup>5</sup> A more recent example is the famous memo written by then World Bank economist Lawrence Summers in 1991<sup>6</sup>. Using solid neoclassical economic theory, Summers argued that it made perfect economic sense to relocate high polluting industries to the third world. Summers’ three reasons for such a policy were:

1. Since the costs of the negative effects of the pollution are measured in terms of “foregone earnings from increased

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<sup>5</sup> Thomas A. Boylan and Timothy P. Foley, *Political Economy and Colonial Ireland*, London: Routledge, 1992.

<sup>6</sup> <http://www.utexas.edu/conferences/africa/ads/286.html>

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morbidity and mortality,” the costs are lower in poor countries (since their earnings are lower) than it would be in wealthy countries. Summers states: “I think the economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable and we should face up to that.”

2. Poor countries have less pollution, due to their lower level of past economic development. They are thus, according to Summers “under-polluted.” It would be efficient to transport pollution created in rich countries to poor countries (yet he laments that the transportation costs are too high to do this effectively.)
3. Since many of the effects of pollution often happen later in life, and since the life expectancy is lower in poor countries, the negative effects of the pollution will be lower in poor countries.

Summers rejects bringing in other factors, including “moral reasons”, into the policy discussion because they might lead to conclusions contrary to the policies he is promoting. He notes that “The problem with the arguments against all of these proposals for more pollution in LDCs (intrinsic rights to certain goods, moral reasons, social concerns, lack of adequate markets, etc.) could be turned around and used more or less effectively against every Bank proposal for liberalization.” What Summers does not mention is that his entire analysis is based on “moral reasons” and not on a set of rules that exist outside or above the moral order. Moving high polluting industries to poor countries makes sense if one “values” human life based on income earned, and your goal is to maximize the consumption of those with money to spend. This is not an objective scientific observation like today’s temperature and it is not based on some physical law of nature like gravity. It is an ethical judgment wrapped up as pseudo-science.

The significance of ethics to economic policy formation and implementation cannot be underestimated. Economic policy’s are designed, or should be designed, to have a positive affect on people’s lives and well being, to shape and form society and social interactions in some manner so as to improve economic outcomes. Whether it is to reduce unemployment, promote local economic development, reduce

inflation, regulate business practices, protect consumers and workers or help the poor and marginalized, values and value judgments prompt the creation of economic policies and play an important role in policy development. The failure of economic policies to promote the common good is often due to their not being based on solid ethical values, although one would have to note that often failure is due to an erroneous understanding of the economy and the nature of the economic problem being addressed.<sup>7</sup> Many, if not most, economic policies reflect the values and interests of small groups within a society who have the economic and political influence and power to use the power of the state to promote their own narrow self-interests. This is particularly true when you recognize that economic policy is much more than monetary and fiscal policy and that most actions by the state have the goal of influencing economic actions at the micro level and consists of regulations, tax-breaks and subsidies targeted towards specific industries, groups and individuals. Such policies are often necessary and can often promote the common good, but the potential for abuse cannot be underestimate. The question of what economic problems require social action, as well as what specific social action should be undertaken, is as much an ethical one as it is an economic. In fact both expertises are needed. Economic policy, like all economic actions, are social actions, they involve people acting with others. Furthermore, given the democratic nature of most capitalist societies, economic policies are the result of political decisions and political processes. Whose voices are included in the process of policy creation will determine which values will be reflected in social policy. Thus not only are economic policies an ethical concern, but so also are the processes by which policies are developed and enacted.

It is because social ethics and ethical analysis play such an important role in economic policy formulation that Catholic social thought can assist policy makers in the policy making process. The Church does not offer a universally valid set of economic policies; there is no

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<sup>7</sup> Much like the generals who fight the current war with the tactics of the previous war, often to disastrous effect, for the technology and other factors are often different.

“Christian” monetary or fiscal policy *per se*<sup>8</sup>. Actual economic policies require taking into consideration the context of the economic problem being addressed, as well as the social and political conditions. Instead the Church offers principles based on the nature of the human person and the requirements for authentic human flourishing. It offers a lens through which one can view and understand economic and social problems and a set of criteria for evaluating both the means and the ends for addressing such problems, but the actual solutions to specific economic and social problems will always be contingent on the historical and social context of the problem. The Church’s expertise is in its understanding of the nature of the human person and in what is necessary for authentic human flourishing (promoting human well being). While this is not enough to solve any economic problem, such knowledge is a necessary underpinning to inform and guide the other expertise’s necessary to address economic and social problems (economics, sociology, politics, the environment etc.)

## 1.2 The Crisis in Economics

The theoretical limitations of neoclassical economic theory have been often noted and lamented, and I shall not review here this extensive literature.<sup>9</sup> The two most fundamental problems with neoclassical economic theory are: 1. in an attempt to make economics a hard “science” it has forced ethics out of economic analysis; and 2. it excludes historical and social context. Neoclassical economists exclude social and historical context because they view economics as an axiomatic science, one that searches for universal principles independent of observing actual particulars. The underlying assumption is that one can discover the hidden forces that bring order

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<sup>8</sup> This is not to suggest that each and every possible economic policy can be, if given the right circumstances, in conformity with Church teachings. The Church’s position is that the requirements of ethics must be adhered to in both the means and the ends of economic policy.

<sup>9</sup> *My Economic Theory and Natural Philosophy* (Clark, 1992) catalogues many of these limitations.

to the marketplace based on making a few assumptions which they accept as fact, even though they are often contradicted by experience. They do this by excluding historical, social, cultural, political and spiritual factors from their analysis, attempting to develop theories and policies that are true at all times and all places. To do this they have to reduce the human person to “rational economic man”, and in the process they have stripped the human person of everything that makes them human (that is distinct from other animals). No one would argue, I think, that humans do not seek economic ends, or that they attempt to act on some occasions in a seemingly economically rational manner (such as maximizing profits). Certainly no serious student of human nature would deny that people often follow their self-interest, or at least what they perceive as their self-interest. Yet this is only a small part of the human condition. People often act in their narrow “economic” self-interest, but they also often go beyond their narrow self-interest. Furthermore, how they conceive their “self-interest” is greatly influenced by social, political and spiritual factors, and these factors influence their economic actions along with economic rationality. Moreover, people only “seemingly” act rationally, for to actually act in one’s own self interest assumes first correctly and clearly knowing what is in one’s best interest and secondly, having the power to effectively achieve it. This level of rationality, what economists call “perfect information,” is beyond any human’s capabilities, yet it is required for the neoclassical story to make sense (that is for the theory to explain how an economy of free acting individuals achieves equilibrium). Not having perfect information is one of the reasons we rely on ethical principles to guide our actions, because we know that to individually judge our actions requires knowing all the consequences of our actions, as well as all the intentions behind our actions, and this knowledge is impossible. Ethical principles allow us to act, preventing the paralysis that would be caused by having to reinvent ethical standards for each ethical problem or situation.

Yet the crisis of economics is not limited to the theoretical realm, something that concerns only economic theorists and policy makers. There is a growing realization in the advanced capitalist societies that

economic growth does not necessarily bring human happiness. This sense of “is that all there is” is particularly evident in Ireland where the experience of prosperity has been much more truncated than in other capitalist countries. Ireland has gone from being Europe’s poor neighbour to one of the richest countries in the world in one generation. It is apparent to many, if not most, Irish citizens that the dramatic increase in wealth was not matched with a corresponding increase in well being. Even more startling, many of the economic and social problems which in the past were not adequately dealt with because “we didn’t have the means” are still not being addressed even though Ireland can now afford to eliminate poverty (to give one example). Some economic and social problems have gotten worse (teen suicide), and many new problems have emerged (growing murder rate). Clearly there is a sense that we need to look beyond the economy to promote real well being. Yet even if we realize that human happiness is more than just “an economic phenomenon,” we need to realize that the state of the economy greatly influences all of the non-economic aspects of our lives. Clearly one of the greatest sources of stress in Ireland is the strain on the family. This stress is the result of economic policies and processes which have promoted a two wage earner model of the family without considering its social costs. Lessening this strain on the family will require major changes to the economy; just as ignoring this problem has imposed large costs on Irish society. Robert Heilbroner often noted that the market can be a good servant but was a terrible master. Moving from “the people serving the economy” to “the economy serving the people” will require changes in economic institutions, attitudes and behaviors.

In order to promote authentic human development and well being economic policies must consider more than just the profitability, even though businesses earning competitive profits are very important for the common good. This is true because human flourishing is different from making money. Certainly economic concerns are critical to the well being of any community. This was true for our ancestors living in caves and it is true for us. Yet how each society provides for its material reproduction (the economic problem) is only one aspect of the human experience. Our cavemen ancestors were more than hunters and

gathers. For one thing, we know that they were also artists. Human happiness is more than eating regularly and having shelter (the two most common economic concerns in human history) even if these are necessary conditions to human flourishing. They are necessary but not sufficient. Furthermore, it is hard to separate the “economic” aspects of our lives, or our society, from the social, political, cultural and spiritual. Each influences the others. Thus it makes good economic sense to include social, political, cultural and spiritual factors when designing economic policies for this will increase their effectiveness at addressing real human concerns and promoting the common good. The principles of Catholic social thought are an essential tool in ensuring that economic analysis and discourse remain focused on promoting the common good.

### **1.3 The Principles of Catholic Social Thought**

The Catholic social thought tradition has been described as being “social wisdom based on: biblical insights; the tradition of the early writers of the church; scholastic philosophy; theological reflection; and the contemporary experience of the People of God struggling to live our faith in justice” (Kammer, 1991, p. 73). For 2000 years Christians have attempted not only live according to Gospel values, they have also reflected on what these values say to the questions of what it means to be human, how should people live together in a manner fitting of their humanity, what is necessary for human flourishing and for a peaceful society, and most importantly, how can we construct a just society. Often this analysis has been in the form of a critique of the many ways actual societies have deviated from the values of the Gospel. We see this clearly in the Church Fathers, such as St. Basil and St. John Chrysostom, and in a systematic way in the philosophy and theology of St. Thomas Aquinas. In the modern era these reflections have produced a series of papal encyclicals and official Church documents specifically addressing social and economic issues from the perspective of the Gospels and in light of the Catholic intellectual tradition.

The Catholic response to economic and social concerns has never been merely an intellectual one. It has always followed (with differing degrees of success) the three steps of: See, Judge and Act.

- See – First we need to understand the world “as it is”, fully understanding all the factors that produce social outcomes and problems. Here using the social sciences are critically important.
- Judge – It is necessary to evaluate social realities based on the insights of valid social science and the values of the Gospel.
- Act – The final step is to take actions that will effectively implement the values of the Gospel

To aid in this process of understanding and alleviating economic and social problems so that Christians can better live the values of the Gospels, the Church has enumerated certain principles that are necessary to ensure that human dignity is respected and the common good promoted.

## **Principles of Catholic Social Thought**

### **(1) Dignity of the Human Person**

Each and every person is a unique individual with a social nature. The dignity of each and every person comes from their being made in the image and likeness of God, and as this dignity is a gift from God it does not lessen due to age, disability, income status, gender or race. “There is neither Jew or Greek, there is neither slave nor free, there is neither male nor female; for you are all one in Christ Jesus” (Gal 3:28).

### **(2) Principle of Participation**

The development of the person is only brought about through social interaction (working with others, and in giving oneself to others), thus participation in social processes is a fundamental human right (as it immediately flows from the nature of the human person). Participation is a good in and of itself.

Furthermore, it is both a human right and a human duty (part of one's social obligations to the community).

**(3) Principle of the Common Good**

*“The principle of the common good, to which every aspect of social life must be related if it is to attain its fullest meaning, stems from the dignity, unity and equality of all people. According to its primary and broadly accepted sense, the common good indicates ‘the sum of those conditions of social life which allows social groups and their individual members relatively thorough and ready access to their own fulfillment’ (GS 26)” (CSD 163).* The common good is not the sum total of individual goods, for it encompasses the good of all people and the whole person.

**(4) The Universal Destination of Goods**

“God intended the earth and all that it contains for the use of every human being and people. Thus, as all men follow justice and unite in charity, created good should abound for them on a reasonable basis” (GS 69). “God gave the earth to the whole human race for the sustenance of all its members, without excluding or favoring anyone. This is the foundation of the universal destination of the earth’s goods.” (CSD 171). All rights of property (including intellectual property) are subordinate to the rights of all to subsistence.

**(5) Preferential Option for the Poor**

“The Principle of the universal destination of goods requires that the poor, the marginalized and in all cases those whose living conditions interfere with their proper growth should be the focus of particular concern” (CSD 182). The development of the person is blocked by exclusion from participation in the economic spheres of social life (that is poverty). Poverty caused by exclusion extends to the social, cultural and spiritual spheres of life.

**(6) The Principle of Subsidiarity**

The principle of subsidiarity states that larger entities should not assume the roles and functions of smaller entities unless it is absolutely necessary. It “protects people from abuses by higher-level social authority and calls on the same authorities to help individuals and intermediate groups to fulfill their duties” (CSD 187). The unwarranted assumption of roles and functions by larger authorities often lessens social participation and should only be undertaken to increase participation.

**(7) The Principle of Solidarity**

The necessary interdependence of social life needs to be grounded in an authentic concern for the well being of all persons. This is true for those we have direct interaction with and for those whose actions will affect, even if we never see them. The principle of solidarity is “a firm and persevering determination to commit oneself to the common good. That is to say to the good of all and of each individual, because we are all really responsible for all” (SRS 38).

## **1.4 Christian Anthropology as a starting point**

The first principle gets to the heart of all social analysis, including economic theory; that is what is the nature and purpose of the human person. Catholic social thought rests on a very different understanding on the human person, one that is grounded both in the classical philosophical tradition of Aristotle, especially as developed by St. Thomas Aquinas, and in the revelations on the nature of the human person contained in Genesis. The statement that humans are made in the likeness and image of God asserts that humans are 1. created beings who have a natural desire for union with their creator; 2. beings with equal dignity that comes from being created by God and this dignity cannot be taken away; 3. beings with the ability to reason and a free will, thus they are moral agents; and 4. beings with a social nature, that is persons need to live in community to fully develop their humanity. The Catholic

articulation and defense of human rights grows out of this view of the human person.<sup>10</sup> This view of human rights stresses that human rights are those rights that are necessary for the fulfillment of the nature and purpose of the human person, including what is necessary for them to carry out their obligations to themselves, their family, their community and to God. Thus they are truly human rights since they are grounded in what makes us human. As John Paul II has noted:

“The dignity of the human person is a transcendent value, always recognized as such by those who sincerely search for the truth. Indeed, the whole of human history should be interpreted in the light of this certainty. Every person, created in the image and likeness of God (cf. Gn 1:26-28), is therefore radically oriented towards the Creator, and is constantly in relationship with those possessed of the same dignity. To promote the good of the individual is thus to serve the common good, which is the point where rights and duties converge and reinforce one another” (*World Day of Peace Message*, 1999).

This view of the human person is very different from the “rational economic man”, autonomous individual we find in neoclassical economic theory, just as it is different from the view of human nature contained in Marxism. The rational economic man model excludes the social, political, cultural and spiritual aspect of the person, or worse, it will occasionally reduce each of these to merely economic terms. Thus political participation is reduced to voting in one’s own self-interest (as if one’s person’s vote often, if ever, impacts their personal economy), and family life becomes merely a series of exchanges between autonomous individuals rather than parenting and family bonds. Given such a view we can see why Lawrence Summers would use income as the measure of the value of a person, since their ability to consume utility through market exchange is what they see as the most important characteristic of the individual.

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<sup>10</sup> See especially John XXIII’s *Pacem in Terris* (1963).

In Marxism the tendency is to have society and social categories such as class or gender to impart the characteristics normally associated with persons, thus the person's individual identity comes from their participation in a group. The person is thus understood based on their role or function in society. The person is seen as the sum total of their social relations. Under such a social philosophy it is easy to sacrifice the individual, or millions of individuals, for the good of society (or at least the elites running the society). In extreme Marxism the individual person is lost and in extreme neoclassical economics, particularly the Austrian variety, the individual is all that exists and society is lost. Christian anthropology considers the whole person, including their inherent social nature.

“Man's social nature makes it evident that the progress of the human person and the advance of society itself hinge on each other. From the beginning, the subject, and the goal of all social institutions is and must be the human person, which for its part and by its very nature stands completely in need of social life. This social life is not something added to man. Hence, through his dealings with others, through reciprocal duties, and through fraternal dialogue he develops all his gifts and is able to rise to his destiny” (*GS* 25).

The Principle of Participation flows directly from the assertion that human dignity needs to be realized in community. One important way this happens is the process of authentic human development. Humans do not enter the world fully formed. Human development is a process that starts at conception and ends with death. Fundamental to growth of the person is their own participation in their society. The socialization process is critical to human development, but we need to emphasize that it is the person's own participation in the process that best helps them develop. It is a two way process, and cannot be reduced to being just society to individual (as with Marx) or individual to society (as with neoclassical economics). In the economic life of the individual and community, participation is a goal. Thus if there are two ways of achieving a desired economic end and one has a high level of

participation, while the other has a low level, or none at all, the higher level of participation is to be preferred. Programs that allow the poor to become active agents in the process of improving their own lives are better than those that treat the poor as objects to be manipulated.

As noted before, the Catholic concept of the common good goes beyond merely summing up the individual “goods” and instead looks at the conditions that promote and allow for each person to participate in their own development. It is something other than an economic concept, even if it does have economic significance. The conditions that promote well being are social, political, as well as economic, and each of these needs to be evaluated based on how it promotes the common good. Thus the economic goal of economic growth at all costs often promotes activities which are harmful to the common good, but since they promote economic exchanges they are seen as positive. There are many activities which promote increases in measurements of economic growth which are harmful to the community, such as a rise in crime, increased time commuting to work, natural disasters and pollution. If we only measure their impact on the level of economic exchanges (buying and selling) we will get the wrong impression that the community’s well being is improving. We need to look beyond statistics that merely measure market activity (Clark and Kavanagh, 1996).

The economic insight of the principles of the Universal Destination of Goods is that each person needs to benefit from how social output is divided. It does not claim that each person has the right to an equal share, but that each has a right to sufficiency. It does assert that wealth and poverty are socially created categories, and those who have a surplus above their needs have an obligation to help those who have less than what they need. Distribution is more than just an economic act, and we need to consider more than market profitability. Furthermore, the principle of the Option for the Poor recognizes that all persons are “poor” at some time in their lives, that is dependant on others, and our first goal is to help the worse off in a manner that promotes their authentic development.

“The primary purpose of this special commitment to the poor is to enable them to become active participants in the life of society. It is to enable *all* persons to share in and contribute to the common good. ‘Option for the poor,’ therefore, is not an adversarial slogan that pits one group or class against another. Rather it states that the depravation and powerlessness of the poor wounds the whole community. The extent of their suffering is a measure of how far we are from being a true community of persons” (*EJA*, 88).

Poverty is exclusion, both in its causes and its effects, and exclusion blocks participation and authentic human development. While Catholic social thought does not prescribe a one-size fits all anti-poverty policies, it does call us to get to the roots of the problem, which is exclusion. This is why the problem of poverty requires the double sided coin of charity and justice, one side to lift the boot that is keeping them down, the other to give them a hand up. It is worth noting that exclusion is very costly, not only to those excluded, but to society as a whole. Exclusion prevents the poor from making contributions that benefit the common good. Viewed from the perspective of the whole society, exclusion is economically inefficient.<sup>11</sup>

The principle of Subsidiarity also flows from the right and need for participation in promoting authentic human development. The principle of subsidiarity teaches us that larger groups or entities should not take over the functions of smaller groups unless the smaller group cannot effectively carry out their necessary functions. In such cases the larger group should first try to assist the smaller group before taking over the function. Its application to government is well noted and it is included in the European Union constitution. Yet we should not limit this principle to government, for the issue here is power and

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<sup>11</sup> Neoclassical economic theory cannot see this inefficiency because they do not allow for a discussion of initial distribution (why some have a lot and many have little). Instead their attention is on, given a distribution of income, what would be a fair outcome of trading under the requirement that no one is made worse off. Any redistribution must be due to free exchanges, even if the initial distribution was not the result of free and fair exchanges.

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participation. Most power in society is in the hands of large corporations, and the size of these corporations is often, but not always, much bigger than needs to be the case for economic efficiency reasons. While it does take a very large corporation to build a rocket ship to go to the moon, in fact many very large corporations, it does not necessarily require a company the size of McDonalds to feed millions of people hamburgers and fries. The purpose of the principle of subsidiarity is to restrict the abuse of power and asserts the right and need for participation, emphasizing that means are as important as ends.

The principle of Solidarity recognizes the interdependence of all. Economists are quick to quote Adam Smith's famous statement in the *Wealth of Nations*: "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" (Smith, 1776, p. 26-7), yet they ignore the importance of sympathy (empathy) noted in his earlier book, *The Theory of Moral Sentiments*: "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it. ... The greatest ruffian, the most hardened violator of the laws of society, is not altogether without it" (Smith, 1759, p. 7). The economic freedom Adam Smith noted was so important for an efficient economy presupposes a considerable level of self-restraint and self-control, which means including ethical considerations into ones economic calculations.

## **1.5. Prudential Judgment: Linking Principles to Praxis**

As we stated above, the Catholic social thought tradition does not provide a one size fits all economic model for a "just economy," nor

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does it offer a set of economic policies that will create the Kingdom of God here on earth.<sup>12</sup> Catholic social thought provides the principles necessary for a “just economy,” but how one actually brings these principles to life will differ at different times and different places. In an agricultural economy combating the exclusion that causes poverty will typically involve increase the poor’s access to land. However, land reform would not be an effective policy for reducing poverty in most advanced capitalist economies. Poverty then, as now, is based on exclusion, but the barriers are different in each society, thus the ways to overcome them will also be different. The Christian Anthropology that underlies Catholic social thought emphasizes the social nature of the human person, particularly the role of socialization in human development. Social and historical context are important factors that cannot be ignored or assumed away. Christian ethics has always noted that one has to follow one’s conscience, but that does not mean that anything that one feels is right is necessarily right, for one has the obligation to have a fully informed conscience, which means first that one adequately understand the moral principles they are to follow, and second that they understand the context in which they are going to apply these principles. The purpose of our conscience is to discover what God’s will is. As St. Thomas Aquinas noted: “The function of prudence is not to set the goals of moral virtue, but simply to determine means to those goals. ... Prudence presupposes the goals of moral virtue as general starting-points and determines what to do in particular.” (Aquinas, 1988, p. 377). The role of Catholic social thought is to assist in the process of forming our understanding of economic problems, in particular on how they relate to the nature of the human person and their flourishing, and to provide criteria with which we can evaluate economic outcomes and processes.

The goal of the Catholic social thought tradition has always been first to help Christians and people of good will to make better moral decisions, its main purpose is to shape values, which then will shape

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<sup>12</sup> It is worth noting that in the history of economic thought a very large number of economists have offered economic policies that they argued would create heaven on earth.

behavior and outcomes. It is not the goal or purpose of Catholic social thought to dictate how individuals and society as a whole should carry out all their economic actions. The Church does not want to be the central planning agency for the economy. The Church values and promotes freedom, including economic freedom, and it values and promotes individual economic initiative and private property. It values these so much it wants everyone to benefit from them through direct participation in them. But freedom, especially economic freedom, without ethics leads to chaos and slavery. Free economic choice without morals, that is without solid criteria for making choices, is hard to justify and defend, morally or on grounds of economic efficiency. It is like a sick man choosing their treatment or medicine without knowing what their illness is, or without knowing how the medicine will work or what effect it will have. An economy based on free choosing individuals requires more than just freedom to choose, it requires informed choices, and informed choices are based on ethical analysis. This is true for the individual and it is even more true for group or political choices. Catholic social thought helps to form individuals and society so that they can make better choices, so that their freedom will be meaningful, and so that their individual choices will better promote their own and societies well being.

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