

Centesimus Annus: "New Things," Not New Principles

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Beginning with Rerum Novarum (RN), Catholic social teaching has stressed the importance of preserving human dignity, the value of community, and the need to pursue the common good. In developing these themes, Catholic social teaching has articulated a preferential option for the poor, placed heavy emphasis on employment which allows for participation in economic life, and warned against excessive state intervention in the economy, while at the same time cautioning that the state can be expected to play an important role in the economy. Centesimus Annus (CA), the latest papal social encyclical, penned by John Paul II in commemoration of the one hundredth anniversary of RN, is loyal to this tradition.(1) Rather than setting a new course for Catholic social teaching, it calls out the bearings for Catholic doctrine in a world that is clearly different than it was in 1891 or, for that matter, 1918 or 1981.

Catholic Social Teaching and "New Things"

Several commentators have been struck by CA's favorable praise of democracy, seeing it as an important departure from previous papal pronouncements.(2) That may be so, but in terms of economic concerns some of CA's more striking moments are in Chapter Three, "The Year 1989," when the pope analyzes events leading to the demise of communism in Eastern Europe and the U.S.S.R., and in Chapter Five, "State and Culture," when among other things he critiques the "welfare state."

John Paul attributes the fall of communism to two factors: first, the decisive factor was that the oppressive regimes of these states were violating the rights of workers. (CA, 23). The second factor was the inefficiency of their economic systems, the result of restricting personal initiative, private property, and economic freedom. (CA, 24) Contributing to this was socialism's incomplete understanding of the nature of man -- confining man to the economic sphere and shortchanging culture and religion. Aside from the rank ordering of these factors, few would quarrel with the pontiff's explanation. But what is most striking is the pope's ability to take Catholic social teaching and, with the benefit of hindsight of course, show how recent events in the communist countries were really quite predictable! (CA, 12)

According to CA, the basic problem with socialism is that it diminishes the individual in favor of the system.. (CA, 13) The impact of socialism on the individual is that it "makes it much more difficult for him to recognize his dignity as a person, and hinders progress towards the building up of an authentic human community." (CA, 13) Moreover, the socialist system makes the mistake of treating individuals on the basis of the economic sphere alone, failing to see the individual as "the autonomous subject of moral decision," deeply immersed in a culture that involves language, history, and values.

When socialism fails to understand the nature of the individual socialism is unable to realize that individual self-interest does not have to be at odds with the interest of society in general. Any attempt to repress self-interest will result in an elevated role for bureaucracy. The pontiff says the resulting bureaucratization will limit innovation and creativity, (CA, 25) which in the economic sphere will surely lead to a decline in economic progress. Economic initiative is snuffed out by restrictions on property ownership and private initiative.

This is not the only instance in which CA lashes out at bureaucracy. A second "new" arena for analysis charted by CA is its critique of the "welfare state," or the "social assistance state." Here, John Paul describes how the bureaucratization of income support programs in the industrialized countries robs beneficiaries of their human dignity and compromises those working in the system. In searching for a means of alleviating poverty and deprivation, John Paul raises the possibility that the level of state intervention may have gone too far. (CA, 48) By excessive intervention, government has deprived members of the community of their personal responsibility for addressing the needs of the poor. The pope cites the principle of subsidiarity, meaning that problems should be solved at the lowest possible level. Needs are best understood and addressed by those closest to the needy. They, for example, will recognize the important non-material needs of those needing support.

This critique of the bureaucratization of the welfare system makes perfect sense in the context of Catholic social teaching. Moreover, the welfare system of this country does suffer from these shortcomings. Still, it would seem that the pope is "having his cake and eating it too." Is there another system which could successfully address the tremendous level of needs without a large bureaucracy? In the U.S. the problem may be too immense for "neighbors" to solve, and of course in some "neighborhoods" all the neighbors are in need of assistance.

A look at the problem of homelessness in the U.S. may be instructive. The problems of the homeless in this country are dealt with primarily by the private sector, something that would please the pope for its faithfulness to the concept of subsidiarity. Yet in most locales those working with the homeless question whether they have adequate resources to deal with the problem, particularly if they are attempting to offer more than food, clothing, and shelter and are trying to create a solution to the problem. This is despite the fact that the number of people impacted by homelessness is much less than those experiencing other forms of poverty. The number of homeless, estimates of which generate disagreement but range anywhere from 250,000 to two million, pales in comparison to the size of needs for other categories of the poor. Table One provides data on the number of recipients and levels of spending in 1987 for several of the social welfare programs in this country that typically receive the most criticism for bureaucratic excess and dependency creation.

Table One

Benefits Provided by Welfare Programs
in the U.S. - 1987

Program	Monthly Recipients (000)	Total Expenditures (Bill. \$)
Medicaid	23,335	\$50.0
Aid to Families With Dependent Children	11,064	18.4
Supplementary Security Income	4,569	13.7
General Assistance	1,193	2.5
Food Stamps	20,600	12.5
Supplementary Food Program for Women, Infants and Children	3,430	1.7
Low Income Energy Assistance	6,300	1.9
Public Housing	1,390	
Section 8 Housing	2,240	8.1

Source: Bureau of the Census, U.S. Department of Commerce, Statistical Abstract of the U.S. - 1990, (Washington, DC; 1990) p. 353.

Column one in the table shows the scope of the poverty problem in this country, and clearly homelessness is just one aspect of the problem. Additionally, in that same year, 1987, private contributions to human service related charities were \$9.8 billion. (3) This pales in comparison to the total of \$110.9 billion in column two of Table One. Is it realistic to think that the private sector and volunteerism can handle the problem? This seems particularly unlikely when one considers the struggle to address the needs of a much smaller problem, namely the homeless. It is not clear how problems of such large proportions can be effectively dealt with without bureaucratization. While the problems the pope points out are clearly present in the welfare system of the U.S., it is not clear how they can be eliminated without significantly tearing the social safety net. In fact, one might raise the question of why such an advanced economy generates poverty problems the size of which require a bureaucratized response? Does such an economic system meet the norms of Catholic social teaching for a just economy?

A New Endorsement?

When CA was first released there was something of a debate as to whether CA had provided a new endorsement of capitalism or whether this was really just a restatement of previous carefully nuanced expressions of support for the market economy. (4) One commentator even wondered whether CA had all but shown that the 1986 economic message of the U.S. Catholic bishops was in violation of Catholic social teaching.(5)

It is difficult to see where significant new directions have been staked out by John Paul in CA. CA seems to build on previous encyclicals and apply them to more recent events. In that respect, it is no more of an endorsement of the market economy than previous encyclicals. Still, there is a difference in CA's willingness to expound on the benefits of a market economy, called at various points a "free economy" or a "business economy," yet one can search through previous encyclicals and find similar acknowledgments. It seems more a matter of emphasis rather than substance. For example, the church has always defended private property (beginning with RN, 5, 10, 15, 35), acknowledged the legitimate role of capital (RN, 28), and raised concerns about excessive government intervention in the economy. (RN, 28, 35, 38) At the same time, CA points out the problems it sees with a market economy. Again, these can be found in earlier pronouncements. Examples include the concern with the position of labor in the market economy (CA tells us that the key to reading RN is to realize it is about promoting the dignity of workers and work (CA, 6)), poverty (RN, 27), inequality (Quadragesimo Anno, 50, 57, 58, 60), and consumerism (Redemptor Hominis, 16).

Nevertheless, there are acknowledgments of aspects of capitalism in CA that appear to be unprecedented in Catholic social teaching. One of the more striking acknowledgments involves the concept of efficiency: "It would appear that on the level of individual nations and international relations, *the free market* is the most efficient instrument for utilizing resources and effectively responding to needs." (CA, 34) Still, the pope quickly qualifies this statement in the next sentence: "But that is true only for those needs which are 'solvent,' insofar as they are endowed with purchasing power, and for those resources which are 'marketable,' insofar as they are capable of obtaining a satisfactory price." With this caveat the pope introduces his concern about the possibility that the labor market will yield an unjust wage, that public goods will go unprovided by the market, that markets do not protect the environment, and that there are problems with inequality which result in many not having their basic needs fulfilled. These are some of Catholic social teaching's long-standing concerns about the market economy.

In a later passage the pope returns to the theme of efficiency in meeting human needs:

Certainly the mechanisms of the market offer secure advantages: they help to utilize resources better; they promote the exchange of products; above all they give central place to a person's desires and preferences, which, in a contract, meet the desires and preferences of another person. (CA, 40)

But the pope goes on to say that the market falls short because it "ignores the existence of goods which by their nature are not and cannot be mere commodities."

Another important acknowledgment in CA is the explicit recognition of entrepreneurship, which the pope describes as a legitimate means of creating and acquiring wealth:

It is precisely the ability to foresee both the needs of others and the combinations of productive factors most adapted to satisfying those needs that constitutes another important source of wealth in modern society. Besides, many goods cannot be adequately produced through the work of an isolated individual; ... Organizing such a productive effort .. is a source of wealth in today's society. In this way the role of disciplined and creative *human*

work and, as an essential part of that work, *initiative and entrepreneurial ability* becomes increasingly evident and decisive. (CA, 32)

CA also makes favorable references to the role of profits in guiding economic activity:

The Church acknowledges the legitimate *role of profit* as an indicator that a business is functioning well. When a firm makes a profit, this means that productive factors have been properly employed and corresponding human needs have been duly satisfied. (CA, 35)

Still, in the same paragraph the pontiff is quick to stress that profitability is not the only consideration in determining the success of an enterprise. The status of employees, for instance, must also be considered.

It is interesting to note that in each instance where the pope praises market efficiency, entrepreneurship, or the role of profits, in the same breath he warns about potential abuses. This serves to highlight the guarded nature of his endorsement of the market economy.

At another point, CA is quite frank about the nuanced nature of its support for the market economy, saying: "It is unacceptable to say that the defeat of so-called 'Real Socialism' leaves capitalism as the only model of economic organization." (CA, 35) And later when referring to the collapse of socialism: "The Western countries, in turn, run the risk of seeing this collapse as a one-sided victory of their own economic system, and thereby failing to make necessary corrections in that system." (CA, 56) The pope clearly wants to take only the "good" of capitalism. For example, in answer to the question of whether capitalism is the system that the Less Developed Countries (LDCs) should turn to for economic development, the pontiff answers "yes" if by capitalism we mean:

an economic system which recognizes the fundamental and positive role of business, the market, private property, and the resulting responsibility for the means of production, as well as free human creativity in the economic sector. (CA, 42)

the answer is "no" if capitalism means:

a system in which freedom in the economic sector is not circumscribed within a strong juridical framework which places it at the service of human freedom in its totality, and which sees it as a particular aspect of that freedom, the core of which is ethical and religious. (CA, 42)

Perhaps the final statement on the question of how CA goes in endorsing the market economy can be found in next paragraph.

The Church has no models to present: Models that are real and truly effective can only arise within the framework of different historical situations, through the efforts of all those who responsibly confront concrete problems in all their social, economic, political and cultural aspects, as these interact with one another. (CA, 43)

This statement speaks for itself. The "ideal" system must be thrashed out by the participants in policy debates. CA looks favorably on the market system, but only insofar as government plays an intervening role as appropriate. What exactly the proper degree of intervention should be, or how the famous equity/efficiency trade-off should be resolved, must be determined using the basic values of the society. For Catholics involved in these debates, these values have been articulated in the social teachings of the church. And as has been amply demonstrated since 1986, Catholics in this country do not speak with one voice on how the principles should be implemented.

What About the LDCs?

No social encyclical written in 1991 can ignore problems of the LDCs, and CA does not fail in this regard. The pope is writing for the universal church and a growing proportion of Catholics are living in the LDCs. In Chapter Two, John Paul gives an explanation of the forces that have arrested development:

Decisive factors of the economy still remain de facto in the hands of large foreign companies which are unwilling to commit themselves to the long term development of the host country. Political life itself is controlled by foreign powers, while within national boundaries there are tribal groups not yet amalgamated into a genuine national community. Also lacking is a class of competent professional people capable of running the state apparatus in an honest and just way, nor are there qualified personnel for managing the economy in an efficient and responsible manner. (CA, 20)

Elsewhere the Pope says:

The absence of stability, together with the corruption of public officials and the spread of improper sources of growing rich and of easy profits deriving from illegal or purely speculative activities, constitutes one of the chief obstacles to development and to the economic order. (CA, 48)

So, John Paul sees multinational corporations, foreign political influence, tribal rivalries, and government corruption and incompetence as the major causes of underdevelopment. Needless to say, the pope's explanation is potentially controversial. Criticizing multinationals? The bishops were grilled for that in their encyclical.(6) Tribal rivalries? Why pick on Africa? Today, "ethnic rivalries" would be a more inclusive term since it would cover some of the economically disruptive tensions currently revealing themselves in the USSR and Eastern Europe. Corrupt and incompetent public officials? Is that a problem that only plagues LDCs?

Still, this explanation of underdevelopment is probably as controversial for what it does not say as for what it does say. This is especially true when one considers the criticisms the U.S. bishops faced with their attempt to deal with the problems of the LDCs in their 1986 message. At the time conservative U.S. Catholics stressed the need for "economic activism by the poor" and "empowering the poor," arguing that in the LDCs the chief problem was the suppression by the state of this group's economic creativity.(7) Their explanation of underdevelopment essentially that "Wealth does not trickle down; it wells up from below," and those below had been suppressed for too long. (8) No where does CA come close to suggesting this as the major cause of underdevelopment.

Nor does CA make the explicit linkage made by conservative U.S. Catholics between a free economy and political and civil liberation and the importance of this for economic development in the Third world. (9) While CA does not contradict this theme, and may be read to affirm it for the nations emerging from socialism, no such application is made with respect to the LDCs.

The pontiff's emphasis on foreign aid in the development of the LDCs is also noteworthy, especially in light of the criticism the U.S. bishops received for a similar stand. (10) CA speaks of the need to "mobilize resources" and that needed resources can be made available to LDCs by disarmament both by the major powers as well as by the LDCs. (CA, 28). Later, the pope refers to the "collective responsibility for promoting development," (CA, 51) saying that it will involve:

sacrificing the position of income and of power enjoyed by developed economies. This may mean making important changes in established life-styles in order to limit the waste of environmental and human resources, thus enabling every individual and all the peoples of the earth to have a sufficient share of those resources. (CA, 52)

The pope goes on to say:

It is not merely a matter of 'giving from one's surplus,' but of helping entire peoples which are presently excluded or marginalized ... For this to happen, it is not enough to draw on the surplus goods which in fact our world abundantly produces; it requires above all a change of life-styles, of methods of production and consumption, and of the established structure of power which today governs societies. (CA, 58)

These passages are striking because they can be interpreted to imply a strong role for foreign aid in this process but, more importantly, that to some extent the problems of the LDCs are due to excesses of the industrialized countries. There may be something of a "zero-sum game" vision in the pope's thinking, in that the excessive consumption of the industrialized nations has been at the expense of the LDCs. To some extent underdevelopment is seen to be caused by external forces rather than internal errors and constraints. One is left with the impression that the pontiff may believe that the LDCs would be better off if it were not for actions taken by the industrialized countries. These are themes that U.S. Catholic conservatives are much at odds with and it is these insinuations which they sharply criticized the U.S. bishops for. (11)

The pope is quick to say that the LDCs have much to consider from a market economy, nevertheless he notes that "The Marxist solution has failed, but the realities of marginalization and exploitation remain in the world." (CA, 42) The problem is that most LDCs already have market economies, but in too many LDCs governments have intervened in such a way that there are burdensome levels of corruption, monopoly, and rent-seeking behaviors. These are ills shared by the collapsing socialist economies, as well. Clearly, all of these problems violate the basic tenets of social teaching which focus on the dignity of the human person, the importance of community, and the preferential option for the poor. In terms of the value systems which a market economy acceptable to Catholic social teaching must have, many LDCs may have significant shortcomings. Still, the pope is not saying LDC governments cannot play a positive role in fostering development, and his warning to the Eastern European countries to not blindly adopt unrestrained capitalism applies equally to the LDCs. (CA, 42)

In the end, it may be the pope's discussion of the LDCs that best illustrates why U.S. Catholic conservatives should be moderate in their praise of CA. The emphasis on foreign aid, the dim view of multinational corporations, the implication that there are external constraints on LDCs the failure to focus on empowering the poor, the absence of a linkage between political and economic freedom in LDCs – all – should temper their enthusiasm for CA.

Conclusion

CA is a fitting encyclical for its time. Some suggested that its most significant contribution is endorsement of democracy. Perhaps its most important contribution in the economic sphere is its analysis of fall of socialism in light of Catholic social teaching. This paper has chosen to ignore the first and give scant attention to the latter, other than to say that for this author it was one of the two most interesting "new things" treated in CA.

While some readers of CA may believe it is a new endorsement in Catholic social teaching of the market economy, this is hard to discern. What is apparent is that CA has a heretofore unseen willingness to extol the virtues of the market system, especially in regard to such things as profits, entrepreneurship, and efficiency. But while making these acknowledgments, in the next breath CA is cautioning against potential pitfalls of the market economy. Qualified endorsements of the market system are not new to Catholic social teaching.

John Paul's treatment of the economic challenges faced by the LDCs also gives reason to believe that CA is not providing a new endorsement of the market economy. While John Paul would surely recommend

the market system to LDCs, by itself it will not solve their ills. There are external constraints that must be dealt with, value systems that must be developed, and government will surely need to play an important role in fostering development. What CA chooses to emphasize in its discussion of the LDCs is not, for example, what conservative U.S. Catholics would choose to focus on.

All of this leads one to the conclusion that CA is about how new developments in the world are to be interpreted through the lenses of Catholic-social teaching. CA does a splendid job of analyzing "new things," but it does not appear to be making new endorsements of economic systems or establishing new principles for evaluating economies.

Endnotes

1. John Paul II, Centesimus Annus, (Vatican City: Libreria Editrice Vaticana), May, 1991. Hereafter, citations will refer to paragraph numbers as noted in the document.
2. See Michael Novak, "Pope John Paul's Encyclical Splendid, Brilliant," Omaha World Herald (May 12, 1991) p. 15-B or Peter Hebblethwaite, "Big News is That Encyclical Voted For Democracy," National Catholic Reporter (May 24, 1991; p. 31.
3. Bureau of the Census, U.S. Department of Commerce, Statistical Abstract of the U.S. – 1990 (Washington, DC; Government Printing Office), 1990, p. 372.
4. Those arguing that CA makes a new endorsement of the market economy include Michael Novak, William Simon, and Richard Neuhaus. See William Simon and Michael Novak, "Pope's Encyclical Advances Liberty, Prosperity," National Catholic Reporter (May 24, 1991) p. 32. Richard Neuhaus, "The Pope Affirms the 'New Capitalism'" Wall Street Journal (May 2, 1991). Those arguing that CA does not make a new endorsement include Charles Wilber and Thomas Nitsch. See Charles Wilber, "Argument That the Pope 'Baptized' Capitalism Holds No Water," National Catholic Reporter (June 7, 1991) pp. 8-10. Thomas Nitsch, "Centesimo Anno: The Social Encyclical of May 1991," Forum for Social Economics (forthcoming). Nitsch's article was first drafted in the Fall, 1990 and subsequently appended in Fall, 1991.
5. See Neuhaus, op. cit.
6. Lay Commission on Catholic Social Teaching and the U.S Economy (Lay Commission), Toward the Future, (New York: Lay Commission) 1984, pp. 44-45.
7. Lay Commission, Liberty and Justice For All, (Notre Dame: Brownson Institute) 1986, pp. 6-8.
8. Lay Commission, Toward the Future, p. 52.
9. Ibid., p. 47-48.
10. Lay Commission, Liberty and Justice For All, p. 6.
11. Lay Commission, Toward the Future, p. 50.