



## Unpublished Memo to the Volker Fund by Murray N. Rothbard Dated: May 1960

### READINGS ON ETHICS AND CAPITALISM: PART I: CATHOLICISM

There is, first of all, no official and specific “Catholic position” on capitalism. There are enormous differences among Catholics on political and economic questions: and Catholics can be found who are left-wing anarchists, socialists, middle-of-the-roaders, fascists, and ardent free-enterprisers and individualists. Even on such strict dogmatic matters as the immorality of birth control, Catholics, agreeing on that, differ as to whether birth control should or should not be illegal.

There had, however, been a kind of “central tendency” or drift, particularly in Europe, where the Church is apt to intervene more directly in political questions than it does here. Papal pronouncements on social questions are generally highly vague and take on a consciously eclectic hue - understandable in the light of the Church’s aim to speak for every member of the flock of varying political and social tendencies. The effect, however, has been to move into a “middle-of-the-road” position. It is no accident that, generally in Europe the specifically “Catholic” parties are the eclectic, compromising parties of the “Center.” The kind of position which says that both extremes - of individualism or capitalism, and of socialism are wrong, that both the individual good and the common good should be considered, that the State should be active for the common good, and yet not go beyond a limited sphere - all these homilies, seemingly innocuous and all-inclusive, permit a very wide interpretation of specifics, and therefore great diversity among Catholics – although they do give rise to a middle-of-the-road tendency. (The inner contradictions and fuzziness of Catholic thought can be seen in handling political issues; thus, a priest, when queried about Catholic Presidents of the U.S., how much they are subject to Catholic rule, etc., will say, in the same interview, that (a) all Catholics are subject to the same Church law, but that (b) public officials can get special exemptions by virtue of their office - or (a) that God must come before the State, but (b) nothing that an American President could possibly do under the Constitution could possibly call down official Catholic censure. And so on. )

Dr. Diamant, in describing European Catholic reaction to the Industrial Revolution, puts the situation as follows:

“Just as Catholics in dealing with the modern state had attempted to steer a middle course between the unacceptable extremes of political individualism and totalitarianism, so in

dealing with the ‘social question,’ they spoke about a two-front war against Adam Smith and Karl Marx, against laissez-faire and socialism. Because they differed on the nature of the ‘middle course,’ they held a variety of views on the social question, ranging from those of ‘Catholic liberals to Catholic (religious) socialists and corporativists’ (Alfred Diamant, *Austrian Catholics and the First Republic, Democracy, Capitalism, and the Social Order, 1918-1934* (Princeton University Press, 1960), p. 15).

Most of the specifically “Catholic” social thought has been Continental European, which, in a way has been unfortunate, since European Catholicism has been much more anti-capitalist than Catholicism in the U.S. The Papal Encyclicals, which we will turn to first, have been strongly influenced by the European “Social” Catholicism and its various movements. In the United States, Catholics think politically and economically, much like other Americans, and they range in the spectrum from the extreme-right wing *Brooklyn Tablet* to the highly New Dealish *Commonweal*, and even to the left-wing anarchist *Catholic Worker*. The central tendency, however, especially among parish priests and rank-and-file, is often quite conservative and pro-capitalist. As for the Papal encyclicals, it must also be remembered that Catholics are not required to take them for gospel; only the Pope speaking “ex cathedra” on matters of high religious dogma - which of course is a rare event must be obeyed implicitly.

The two famous “social” Encyclicals of modern times are Pope Leo XIII, *Rerum Novarum* (1891), and Pius XI, *Quadragesimo Anno* (1931). (For convenient full texts, see Father Gerald C. Treacy, S.J., ed., *Five Great Encyclicals* (New York: The Paulist Press, 1939).) I have read these two works carefully, and according to my reading, there is a great deal of difference between the two. *Rerum Novarum* while, to some extent middle-of-the-road and with a pro-labor bias, is fundamentally libertarian and pro-capitalist. *Quadragesimo Anno*, on the other hand, is virulently anti-capitalist and, in fact, pro-fascist. This fascist tendency is revealed by the trend of European Catholicism between the wars toward the adoption of the corporate state as their ideal.

### **Leo XIII, *Rerum Novarum***

R.N. begins rather badly, asserting that with the medieval guilds destroyed, “by degrees... Working Men have been given over, isolated and defenseless, to the callousness of employers and the greed of unrestrained competition.” Also, the evil of “rapacious usury... still practiced by avaricious and grasping men.” As a result of free contract, there has been “concentration of so many branches of trade in the hands of a few individuals,” so that a small number of very rich have been able to lay a “yoke” of virtual “slavery” on the masses of the poor.

After this initial paragraph, however, R.N. improves greatly. Socialism is attacked as making matters worse, with the state encroaching beyond its proper sphere. There then follows a lengthy section devoted to a fine praise and the development of the absolute right of the individual to private property. Furthermore, from this right of private property stems the right of a man to save, and then invest - his return from investment then becomes, in a

sense, *another form of wages*, which should be completely his own. Socialis[m], on the other hand, would “deprive... every wage earner... of the liberty of disposing of his wages, and thus of all hope and possibility of increasing his stock and of bettering his condition in life.”

The natural right of the individual to possess private property, Leo goes on, is a chief distinction between man and the animal. The animal is purely instinctual, determined to act by his senses and environment; man is different - as the rational animal, he can act according to reason, can act with foresight, and therefore has the right to acquire permanent property. Since man is rational and self-governing, the individual can own the earth *itself*, and not just its fruits, since the fertility of the earth is to meet man’s *recurring* needs. (This is a slap at Henry George.) Man. is older than the State, and therefore has a prior right to provide for his life. Even if some individuals own the land, others exchange the fruits of their labor for the products of the land, and therefore all share in its fruits. Raw material is provided for man, but *man* must cultivate it, put on the stamp of his personality on that portion of nature, and make the barren soil abundant (much of this is also directed against the Georgists.) Therefore, the right of private property, private ownership, is derived from natural law, the nature of man, and this therefore includes the right to transfer property in inheritance. And if the State interferes with this private property: “If the citizens of a State... on entering into association and fellowship, experienced at the hands of the State hindrance instead of help, and found their rights attacked instead of being protected, such association were rather to be repudiated than sought after.”

If a family is in extreme need, then the government should aid it, but outside of that the government should not interfere. The Socialist replacement of the parent by the State is “intolerable slavery.” Further, the “sources of wealth would run dry,” and no one be interested, in developing his talents or industry. And that “ideal equality of which so much is said would, in reality, be the levelling down of all to the same condition of misery and dishonor.” Socialism must be “utterly rejected,” none the least because it injures the inviolability of private property.

As for Socialistic equality, it is “impossible” to reduce human society to a level.... The socialists may do their utmost, but all striving against nature is vain.” In nature, there exist innumerable differences between people: in capability, in diligence, health, strength, and “unequal fortune is a necessary result of inequality in condition. Such inequality is far from being disadvantageous either to individuals or to the community; social and public life can only go on by the help of various kinds of capacity and the playing of many parts, and each man... chooses the part which peculiarly suits his case.”

It is false and irrational to believe that class is naturally hostile to class: “It is ordained by nature that these two classes (capital and labor) should exist in harmony and agreement, and should at it were, fit into one another, so as to maintain the equilibrium of the body politic... each requires the other; capital cannot do without labor, nor labor without capital. Mutual agreement results in pleasantness and good order... there is nothing more powerful than religion... in drawing rich and poor together.... Thus religion teaches the laboring man and the workman to carry out honestly and well all equitable agreements freely made,

never to injure capital, nor to outrage the person of an employer; never to employ violence in representing his own cause, nor to engage in riot and disorder.... Religion teaches the rich man and the employer that their work people are not their slaves; that they must respect in every man his dignity as a man and as a Christian; that labor is nothing to be ashamed of... but is an honorable employment, enabling a man to sustain his life in an upright and creditable way; and that it is shameful and inhuman to treat men like chattels to make money by....”

Also, the employer is duty-bound to see that his workers have time for religious piety; that they are not corrupted or neglect home and family; he should never tax his workers beyond their strength, or employ them in unsuitable work. “His great and principal obligation is to give to everyone that which is just.” And rich men and employers should remember that “to exercise pressure for the sake of gain, upon the indigent and destitute, and make one’s profit out of the need of another, is condemned by all laws “. It is also a crime to deprive workers of wages contractually due them. And the rich should refrain from cutting down workers’ earnings by force, fraud; or “usurious dealing.”

Morally, it is, of course, not enough to have plenty of money; the money must be used rightly. It is true that “private ownership... is the natural right of man,” and an absolutely necessary right. This is a matter of justice. But, morally, the rich should use their property properly by sharing with others in need; no one is obliged to distribute to others what he and his household need, or need to “live becomingly” according to their condition in life. But, out of the surplus, it is one’s duty to give to the indigent. This is a duty, not of justice, but of Christian charity, and it is therefore “a duty which is not enforced by human law.” In short, man’s duty is to himself to perfect his own divinely-given nature, and to use divine gifts for the benefit of others. The most important consideration is virtue, which can be attained by everyone; the rich should be generous, and the poor tranquil. Christian morality leads to happiness and temporal prosperity as well as spiritual salvation; it includes thrift rather than spendthriftiness, and charity. There should be no social strife because all, rich and poor, are brothers under God. On charity; “there are many who, like the heathen of old, blame and condemn the Church for this beautiful charity. They would substitute in its place a system of State-organized relief. But no human methods will ever supply for the devotion and self-sacrifice of Christian charity.”

State laws are for public well-being and prosperity, for the common good instead of particular means for relief. Everyone should receive due in the state, and all should be equal before it. Differences and inequalities, however, are essential for society. Since the workingmen are the bulk of the society, their interests should be promoted. The government should step in to intervene in the following circumstances: against a strike endangering the public peace, a lowering of family ties, when hours of work are so long that the worker has no time to practice religion, or when burdens on workers are unjust or a danger to morals. The poor and helpless have a claim to special protection do from the state, and therefore do workers. The chief duty of the State, however, is the legal safeguarding of private property: “for if all may justly strive to better their condition, yet neither justice nor common good allows anyone to seize that which belongs to another, or, under the pretext of futile and ridiculous equality, to lay hands on other people’s fortunes.”

The State should also restrain revolutionary demagogues, save workmen from their sedition, and protect the lawful owners of property. A worker's divine dignity should be inviolate and he should not enter into servitude of soul, he should not work on Sundays, and be saved from grasping speculators or excessive or child labor. As a *rule*, free contracts between the worker and the employer are fine and legitimate; nevertheless, the wage must be enough to support the wage-earner in reasonable and frugal comfort." Even if a worker voluntarily accepts harder conditions, he is still a victim of force and injustice. Yet, "private ownership must be held sacred and inviolable."

Workers should have private property in the land, which, among other advantages, fosters love of country. But these benefits require "that a man's means be not drained and exhausted by excessive taxation. The right to possess private property is from nature, not from man; and the State has only the right to regulate its use in the interest of the public good, but by no means to abolish it altogether."

Employers and workmen can regulate themselves in moral ways by forming voluntary societies to draw closer together to each other and to help the needy: such as societies for mutual help, private foundations to provide for workers or their dependents in emergencies, orphanages, etc. Most important are workers' associations. In olden times, guilds provided important functions of raising quality of products and aiding workers in need. Private societies should be formed, either of workers themselves or of workers *and* employers. The natural right to form such workers' associations should be protected by states. Many current workers' associations are "in the hands of invisible leaders," far from Christian principles, who "do their best to get into their hands the whole field of labor and to force workmen to join them or starve" (presumably the closed shop). Workers should then do their best to join Christian associations and shake off the yoke of oppression. It is clear that Leo envisioned as the best type of such associations, not unions and collective bargaining as we know them today, but "workers' benefit and insurance societies" - fraternal groups to aid workers among themselves, and even associations of workers and employers to mediate labor disputes.

### **Pius XI: *Quadragesimo Anno* (1931)**

This encyclical is a horse of a very different color: anti-capitalist, and pro-fascist (it was, of course, written during a Papal-fascist honeymoon, in relations that were always quite friendly, after the Lateran treaty of 1929 setting up Vatican City).

Q.A. begins by saying that the end of the 19th century brought a new industrial development, which led to two classes in society: a small, wealthy class; and an immense multitude of poverty-stricken workers. The wealthy of course, liked this state of affairs and were content to leave its remedy to charity, and continue the open violation of justice, this radical and unjust inequality. (It is ironic that Pius XI, while making frequent obeisance to *Rerum Novarum*, is obviously taking a stand diametrically opposed to that of Leo XIII.) Pius then goes on to directly misinterpret Leo, [to] say that Leo was boldly anti-liberal (liberal, of course, in the European sense of being pro-free market and individual liberty)

and that he took up the cause of the workers against the “hardheartedness of the employers and the greed of unchecked competition.” Leo XIII has been misinterpreted (!! ) to be pro-industrialist.

Pius then went on to say that government should steer a middle course between Individualism and Collectivism, thus giving just due to private property, and to the common good. He paid quick respects to private property, but only fleetingly. Pius then went on, again to attack capital: capital, he charged, claimed all the products and profits and left the barest minimum to labor to sustain and reproduce themselves (straight Marxism!!). Capitalism dispossessed the laboring masses (nonsense!), was unjust and led to inequitable distribution, to an “immense number of propertyless wage-earners, on the one hand, superabundant riches of the fortunate few, on the other.”

In addition to encouraging partnership or profit-sharing contracts, Pius continued that every worker should be guaranteed a wage sufficient for support of him and his family, although wages should not be so high as to wreck the company.

Specifically, employees and the employers should join in efforts to overcome their difficulties, aided and guided by public authority. Wages should be neither too high nor too low, but should be set so as to maximize employment opportunities; differentials between wages should also be “reasonable.”

Pius went on then, boldly to advocate “reconstruction of the social order.” On the principle of subsidiarity, there should be a hierarchical order of organizations, with the higher not doing what the lowers can themselves do efficiently. The State’s role is to foster harmony between the various ranks. For example, there now are two classes: employers and employees, combatting each other. This conflict should be eliminated, and the way to do it is to create new, “well-ordered... vocational groups... binding men together not according to the position they occupy on the labor market, but according to the diverse functions which they exercise in society.” These autonomous vocational groups would have their own vocational “governments.” These organizations would be established by law and binding on members. (This is the outline of the “corporate state,” realized in Fascism.) Free competition, on the other hand, cannot be the ruling principle in society; it is dangerous individualism, which must be subjected to an effective social guiding principle.

“Recently there has arisen a new syndical and corporative organization of society. (Obviously Fascism): here the State grants legal recognition, and a sort of monopoly, to a syndicate or union. This union or syndicate bargains and represents all the workers and employers in a given field. Every member is taxed by the State to support his syndicate, and bargaining contracts are legally “binding upon all members” - although technically not all have to be actual members. Above the syndics and unions stands the “corporation” in each trade, representing both syndics and unions. The corporation is an organ of the State to coordinate and direct the unions and employers. Strikes and lockouts are forbidden; instead there is compulsory public arbitration.

In evaluating Fascism, Pius XI obviously found it good. He particularly hailed the

“peaceful collaboration of the classes and the repression of Socialist organizations and efforts.” His gentle reproof was indirect: “some fear” that there is a little too much State as compared to private initiative, and that the syndica[tes] and “corporations” are a little too bureaucratic; also the whole system needs a greater infusion of Catholic principles. Actually, the “old” social order was the best, but was unfortunately abandoned (By this Pius either means the Middle Ages or the pre-French Revolution era.)

As for capitalism, since the days of Leo XIII, it has spread, its “immense power and despotic economic domination is concentrated in the hands of a few.” “[I]t violates right order whenever capital so employs the working or wage-earning classes as to divert business and economic activity entirely to its own arbitrary will and advantage without any regard to the human dignity of the workers, the social character of economic life, social justice and the common good.” Capitalism also exerts irresistible power through allotment of credit. The “natural result of limitless free competition [...] permits the survival of those only who are the strongest... who pay least heed to the dictates of conscience.” This concentration of power leads to a struggle for “economic dictatorship,” which in turn leads to a battle to control the state, which *in turn* leads to politico-economic wars between States. (Leninism!) Wars arise from using political power for economic advantage, or out of economic domination to decide politics. An economic dictatorship (presumably meaning monopoly) has arisen on [the] ruins of free competition, which is now, flatly, “dead.” Economic life is ghastly and cruel. Out of individualism and free competition have emerged economic imperialism, economic nationalism, economic internationalism, [and] international financial imperialism.

Communism is bad because of its advocacy of class war and abolition of private ownership; it is cruel and destructive. Socialism on the other hand, is another matter. For though it is materialistic and elevates material over higher goals, and out of it stemmed Communism, still, socialism is less violent, less extreme, and less fond of class war, and is getting considerably closer, and [is] often similar, to Christian social reform.

Again, Pius turned to a denunciation of free competition and capitalism, attacking “unbridled and sordid greed,” “low desires... (for) transient goods of this world,” an “unquenchable thirst for riches,” “prices charged by unchecked speculation... out of greed for gain”; the “unscrupulous but well-calculated speculation of men who... appeal to the lowest human passions” for gain, etc. There should have been “stern insistence on the moral law, enforced with vigor by civil authority” (note the difference between this, and Leo XIII’s dictum that morality should not be enforced by government). Instead, “free rein was given to human avarice, to the selfish interests” crushing competitors, etc. Workers were treated as “mere tools,” modern factories bred immorality for women workers, bad housing for families. The remedy, concluded Pius again, was such Christian virtues as charity and moderation, and association of workers, Christians, etc. of each vocational group.

### **Pius XI, *Atheistic Communism* (1937)**

This encyclical, not nearly as important as the previous two, continued the line of thought expressed by Pope Pius in his *Quadragesimo Anno*. Communism was attacked as materialistic, and antithetic to individual liberty, morality, rights, parental education, etc. The way for communism, however, was prepared by the “religious and moral destitution” of the wage earners caused by “liberal economies.” The factories had no thought for the priest. Communism was again denounced as shrewd, diabolic propaganda, aided by a “conspiracy of silence” in the press about Communism due to “various occult forces which for a long time have been working for the overthrow of the Christian Social Order.” (This is apparently a reference to those twin devils of the fascist wing of the Catholic Church: world Jewry and international Freemasonry.) The remedy for our social ills is essentially to revive the medieval guild system. “A sound prosperity is to be restored - according to the true principles of a sane corporative system which respects the proper hierarchic structure of society,” harmonized and coordinated by, public authority - (again, Fascism).

After attacking materialism, and praising charity to the poor, and counseling resignation and acceptance by the poor, Pius asserted that the State should concur actively in Church activities, should supply employment and make the wealthy assume the burdens for this, etc., all for the “common good.”

For further references on Catholic corporatism, see: Emile Bouvier, S.J., “Economic Experiences With the Pluralistic Economy,” *Review of Social Economy* (March, 1956); the Diamant book referred to above; Francesco Nitti, *Catholic Socialism* (London, 1908); Georgiana P. McEntee, *The Social Catholic Movement in Great Britain* (New York, 1927); William Schwer, *Catholic Social Theory* (St. Louis, 1940); Oswald von Nell-Breuning, *The Reorganization of Social Economy* (New York and Milwaukee, 1937); Franz Mueller, “Heinrich Pesch and His Theory of Christian Solidarity,” *Aquin Papers* (St. Paul, Minn: 1941); Father John A. Ryan, *Distributive Justice* (New York, 1916); Ryan, *A Better Economic Order* (New York, 1935); Ryan, *The Constitution and Catholic Industrial Teaching* (New York, 1937); R.E. Muleaby, S.J., *The Economics of Heinrich Pesch* (New York, 1952). For a critique, see Abram Harris, “The Corporate State: Catholic Model,” in *Economics and Social Reform* (New York: Harpers, 1958).

Let us now turn to the works of some pro-free market American Catholics. Probably the best Catholic economist in the U.S. is the German-born Dr. Melchior Palyi, who is vigorously pro-capitalist, but has unfortunately never written specifically on the ethics of capitalism. (His two leading works are: Melchior Palyi, *Compulsory Medical Care and the Welfare State* (Chicago: National Institute of Professional Services, 1949), and Palyi, *Devalued Money at the Crossroads* (University of Notre Dame Press, 1958)). Some excerpts from the former work will give the flavor of Palyi’s political ethical views:

“The essential idea of the Welfare State... the systematic dispensing, through political channels and without regard to productivity, of domestic wealth – [was] at the very core of the Greco-Latin city states, of the medieval city.... In the city republics, ancient and medieval, it meant bloody civil wars. Their constantly recurring violent quarrels about constitutional issues disguised bitter class-warfare to seize the power that was dispensing all benefits. Most of them went on the rocks of their internal struggles for economic

privileges... that the orgy of paternalism under Emperor Diocletian resulted in governmental money recipients larger in number than the taxpayers, might be applicable to many other doomed civilizations.... The Police State (of Colbert and Frederick the Great) used the Welfare State as its instrument, facade and justification, as do modern dictatorships.” (Palyi, *op. cit.*, p.1.)

One leading political work on the side of free enterprise by a Catholic is Dean Clarence Manion, *The Key to Peace* (Chicago: The Heritage Foundation, 1951).

On equality, Dean Manion writes:

“Look over any large or small company of men and women.... Do you observe a community of ‘equal’ human beings? Have you ever found any two people in the whole world...equally wise, handsome, powerful... equal in all of these qualities?... these attributes are distributed with persistent inequality among all individual persons throughout the world... the Declaration states that ‘all men are *created* equal’ ... [this] signifies that in their ‘divine’ endowments and in their divinely ordained purpose, men are all the same. Thus the life of any man is just as sacred as the life of any other, and each man has exactly the same natural rights and duties as every other person.... Being thus equal before God, they must likewise be equal before the Constitutions and laws of the land.

“This equality before their Creator neither contemplates nor calls for a dead level in the earthly condition of men. On the contrary each human being is by nature a distinct individual personality and, is consequently and naturally different in his earthly characteristics from every other person on earth... inequality is a natural and. inescapable characteristic of the human race....

“The nature of the individual as well as the nature and continuity of human society, demands these unfailling differences. Without the wide diversification of talents, taste, abilities and ambitions that now and always exist among men, Society could neither feed nor clothe itself. It is consequently a wise provision of Providence that causes the perpetuation of endless variety in the desires and capabilities of human beings. Sparked with personal liberty and the natural personal incentive to own property and advance economically this conglomeration of inequality synchronizes into a great engine for the sustenance and progress of mankind.”

On the American Revolution:

“The American Revolution turned directly away from collectivism and toward the basic integrity of the individual man. In so doing it generated a centripetal force which destroyed class-consciousness in the diversified groups of our Revolutionary population.... Far from making a new God out of “Society” (like the French Revolution), the American Revolution was an official public acknowledgment of the one true pre-existing God, the Creator of all men and source of all the rights of men....

“Not because he is a Jew, Gentile, white, black, consumer, producer, farmer, merchant....

but because he is a *man* with personal immortal destiny, each of our citizens is entitled to the equal protection of American government and to the equal respect of his fellow Americans.... The United States was born of the conviction that human rights are worth their price. For the basic all-important natural right of the individual person against his own government it was necessary in 1776 to pay the high price of a bloody revolution... ours is the only country in the whole world in which the individual man holds substantial, natural, personal rights he can require everybody, including his government, to respect and observe.”

#### On Government and Morality:

“When any part of this important domain of personal virtue (justice and charity) is transferred to government, that part is automatically released from the restraints of morality and put into the area of conscience-less coercion. The field of personal responsibility is thus reduced at the same time, and to the same extent that the boundaries of irresponsibility are enlarged. Expansion of the governmental domain in this manner is unfortunate for two reasons. The first is purely practical: Government cannot manage these fields of human welfare with the justice, economy, and effectiveness that is possible when these same fields are the direct responsibility of morally sensitive human beings. This loss of justice, economy and effectiveness is increased in proportion that such governmental management is centralized. The second reason is basic: Any shrinkage in the area of personal responsibility tends to frustrate the purpose for which man was created. Man is here to be tested for his free compliance with the moral law of God. A great part of this law concerns man’s relationships with man.

“Every human being has a God-imposed personal obligation to assist his neighbor when the latter is in poverty, destitution or distress. The government cannot excuse any many from this obligation and. it should not pretend to do so. More and more people now shirk this moral duty because they are encouraged to believe that every type of human misery is the exclusive concern of the government.... Government cannot make men good; neither can it make them prosperous and happy. The evils in society are erectly traceable to the vices of individual human beings.... In the meet name of ‘human welfare’ a government begins to do things that would be gravely offensive if done by individual citizens. The government is urged to follow this course by people who consciously or subconsciously seek an impersonal outlet for the ‘primaries’ of human weakness. An outlet in other words which will enable them to escape the moral responsibility that would be involved in. their personal commission of these sins....

Here is one example of centralized governmental operation: Paul wants some of Peter’s property. For morel as well as legal reasons, Paul is unable personally to accomplish this desire. Paul therefore persuades the government to tax Peter in order to provide funds with which the government pays Paul a ‘subsidy.’ Paul now has what he wanted. His conscience is clear and he has proceeded ‘according to law’ ....

“The fact that there are millions of Pauls and Peters involved in such transactions does not change their essential and common characteristic. The Pauls have simply engaged the

government 'to do for them that which they were unable to do for themselves.' Had the Pauls done this individually and directly without the help of the government each of them would have been subject to fine and imprisonment. Furthermore, ninety-five percent of the Paula would have refused to do the job because the moral conscience of each Paul would have hurt him if he did. However, where government does it for them, there is no prosecution and no pain in anybody's conscience. This encourages the unfortunate impression that by using the ballot instead of a blackjack we may take whatever we please to take from our neighbors....

"Big centralized government generates a system of moral anarchy for many of man's common relationships with man. In this manner the growth and centralization of governmental power gradually destroys that sense of individual conscientious responsibility which... is the mainspring of our general welfare. A 'Welfare State' is thus a contradiction in terms."

On property right:

"[E]ach responsible human being has both a natural right and a natural duty to acquire and hold private property.... The natural right of the individual person to acquire and hold property must be respected and upheld by everybody.... Like all other personal rights this one must be exercised consistently with the equal rights of others."

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I should like to conclude our investigation of Catholicism and the ethics of capitalism with a discussion of the important article by a French pro-free market Catholic economist, which appeared, translated in *Modern Age*. The reference is: Daniel Villey, "Catholics and the Market Economy," *Modern Age* (Summer and Fall, 1959).

Villey begins his article by noting the paradox that Catholic voters in western Europe since the war, have been voting generally pro-capitalist, whereas Catholic theologians and economists repudiate economic "liberalism" (in the European sense). Catholic social philosophers, he notes, have been embracing a variety of economic systems from corporatism (derived from the papal encyclicals), to solidarism, and trade unionism, and even Marxism. On the other hand, there are very few Catholic liberal (pro-capitalist, pro-free market) economists, and these, in contrast to the statist, never bring Catholicism into their reasoning.

Villey begins his discussion of this problem with three observations: (1) "Catholicism is not an economic theory, it is a religion." Catholicism deals with prayer, the sacraments, etc. "Its object is the mystery of the relationships of man with God, not his dealings with society". Moreover, it is a transcendental religion, which has no specific social laws to impart. "The object of the Christian message is the salvation of souls, not the reorganization of society." Jesus came to earth not to teach us how to amass wealth, but to save us from the world. "There is not a single word in the New Testament which even inferentially suggests that society should be organized one way rather than another. Social

organizations, of whatever kind, appear in the Gospels as neutral data which the Church must take into account in garnering her harvest of souls.... Those seeking answers to problems in the social order will not find them in Christian revelation.... Christianity provides no social recipe.” This is the meaning of the phrase: “render unto Caesar.” Therefore, there is no such thing as a “Christian economic theory.” Christianity and economics exist on completely different levels, therefore “there is little likelihood that Christianity will be found to be *completely* incompatible with any given economic system.

(2) Secondly, the psychological and historical position of the Church must be realized. The Church was deeply shaken by the Reformation, and its Counter-Reformation was a great reaction against it, one which, understandably, went too far. In particular, in closing ranks against the Reformation, the Church tended also to oppose those other modern institutions which grew up along with Protestantism and atheism, e.g.: all the modern institutions going beyond the stationary, feudal society of the Middle Ages.

As a result, “The Church is uneasy in the modern world,” and its attitude tends to be one of distrust and hostility. Such was the Church’s excessively vehement attack against the “Catholic liberal” movement of the 19th Century. Deep in Catholic thought is hostility to all the categories of the modern era: modern science, modern philosophy, modern economy - e.g. capitalism. As Villey harshly and bluntly puts it: “there is an undercurrent of the Catholic mind which breathes easier each time modern civilization appears to be in imminent danger....” Insofar as the Church is susceptible to modern ideas, “it inclines more to socialism than to free enterprise, for socialism contains elements which are reminiscent of a pre-capitalist order.” (This is a profound point.) In sum:

“As nonsensical as this may appear and in truth is, it explains much of the attraction which communism exercises today for a very large segment of French Catholic public opinion. But whether Catholic thought inclines to the feudal past or to some hypothetical collectivist future, it always appears eager to evade the present, i.e. the civilization which the Renaissance has bequeathed to us.”

Villey then proceeds to the body of his article: there are four sources of the unsympathetic attitudes that Catholics have taken toward economic liberalism.

Source 1: ignorance of the market economy and how it works. Quesnay was the first economist with the great insight to see how the seemingly chaotic market economy has within itself the laws of a beautiful, coordinated harmony. The thinking of modern intellectuals, in their ignorance of this, is really not “modern” but pre-physiocratic. Not only do Catholics dislike the idea of a science about human action, but none of the important economists were Catholic, which makes it easy for Catholics to ignore the subject. And Catholics have also tended to dismiss economic science as simply derived from the fallacious philosophies of utilitarianism and hedonism.

Villey then tilts a lance at the ignorance of a typical pastor letter by Cardinal Saliege, Archbishop of Toulouse. Saliege wrote: “I entreat the leaders of business not to increase the number of the unemployed. It is not necessary for a business to make profits. It *is*

necessary that it exist and that provide people with the wherewithal to live.” As Villey points out, this shows appalling ignorance of economics. What if by not firing people, business jeopardizes its existence, and thereby adds even further to unemployment? And what if it is the very essence of an entrepreneur’s job to make profits?

Says Villey: “Then one could not write ‘it is not necessary for a business to make profits’ no more than one could say ‘it is not necessary for a professor to give courses’ .... In the pursuit of profit is seen only the guilty desire for gain. Profit is not seen for what it really is in the competitive market economy: the barometer of service rendered.”

### Source 2: Integrism

Catholics tend to mistrust the market economy and economic liberalism, because [they] associate liberalism with Protestantism, agnosticism, and atheism, all of which are lumped together in the term “liberalism.” The confusion comes from the fact that it is historically true that Locke, Hume, Smith, Mill, etc. were emphatically not Catholic. They tended to be Protestant or agnostic, utilitarian and relativist. But economic liberalism does not necessarily rest on these bases; it rests far more on the economic science of the workings the market economy. “Bricks may be used to build a church or a brothel - they are neutral as regards the kind of structure for which they are used.” Just so can the same economic principles be incorporated into many philosophic systems.

The Church’s hatred of liberalism in general, from which it proceeds to attack economic liberalism, proceeded from its hatred of “theological liberalism” (rationalism, naturalism, individual interpretation of the Scriptures). (Thus, this led to such extreme statements as this in the magazine *Civiltà Cattolica* in 1865: “All freedom, not only absolute and unlimited freedom, but all freedom is of its very nature a... spiritual plague.”)

### Source 3 : Moralism

The moralist criticism of liberalism is twofold: (a) the market is accused of subjecting all economic activity to the immoral stimulus of the profit motive, and of creating an immoral society of inequality and the rule of money; (b) the market economy is accused of being amoral in principle, because the liberal philosophy excludes ultimate truth and a universal system of values.

What is the answer to these charges? In the first place, it is certainly true that the purpose of economic activity is to increase wealth or want-satisfying commodities, to strive for a “profit”, an excess of value received over value expended, i.e., a gain. “This, no doubt, is a goal of an inferior kind, but it is not on that account bad.” In the Catholic tradition, the ego is not necessarily to be detested. One must love himself in order to love his neighbor as himself. “The desire to live well in a material sense and to assure that one’s family will have a decent and even a comfortable standard of living, are obviously not the ultimate aspiration of a Christian. But to want these things is nonetheless normal and good.”

Furthermore, are such motives as used in Russia as terror and the lure of medals and

promotion, are these more moral than cupidity? It is unfortunate, that human life is constrained by economic necessities. But given these necessities, “there can be no cause for regret in the preponderant rule that the profit motive plays in our economic lives, for the simple reason that the pursuit of gain is the essence of economic life.”

Economic equality is not obviously a moral ideal, for it leads to stagnation and mediocrity, (See above the detailed attacks on equality in the encyclicals and in other Catholic writings.)

As for the catch phrase of Peguy’s, the “rule of money,” why is this abstract, perfectly liquid form of wealth (money) somehow morally worse than other forms of wealth? Are we then to condemn the entire monetary economy, and its great development instead of barter? As for the “power” of money, this power always existed, long before the market economy. Further, on the market these “plutocratic powers” are in competition with each other. “It is precisely this pluralism which increases the chances for survival of freedom.”

As for the alleged amorality of the liberal economy, it is not true that liberalism excludes ethics: “individuals who are free to choose what they shall consume and which occupations they shall engage in are also free to make their economic decisions in accordance with ethical principles.” Villey here cites the classical case of the GI’s in the American Army in France in 1944, who complained to the Army about the high price of French prostitutes. In an official brochure (U.S. Army, *112 Gripes about the French*, 1944), the Army answered their complaint with this excellent analysis~ “the prices are the result of supply and demand. The prices in question are in direct relationship to the virtue of French women, and in inverse relationship to your own.”

Not only does ethics enter into the data of the market; the market itself requires the practice of certain ethical virtues: loyalty, respect for contract, willingness to assume risks, initiative, effort, foresight. Above all, “a market economy requires free men, and free men are morally superior men.”

Villey concludes this section by saying that these Catholic “moralists” worry too much about morals, that Christianity is a question of seeking God, saving souls, etc., rather than a set of moralizing rules.

#### Source 4: ~ Prophetism

Moralism was the source of social Catholicism and corporatism. Since World War II, a new trend has appeared strongly in European Catholicism, which Villey calls “prophetism,” which is close to Marxism and Communism. Prophetists are: (a) concerned exclusively with our own “revolutionary” age; (b) pro-proletariat and Communist. The idea is to become one with the workers in order to win the poor back to the Church (the worker-priest movement, etc.). A mystical benediction is placed on the “working class” and its struggle against capital. (c) They glorify work and the worker, and accept that the Second Coming will be achieved through the triumph of the working class!!! These prophetists reject the very concept of natural laws and also therefore reject any idea of permanent economic law. To them, history is everything, the flux of history (a la Marx).

And while economic liberalism rests its source on the integrity and indivisibility of the individual person, the prophetists are only interested in the collective, the social class, humanity at large, which they somehow identify with the Mystical Body of Christ. To Villey, this emphasis on the collective rather than the individual is peculiarly anti-Catholic and anti-Christian. The Judeo-Christian point of view places the great stress on the individual. It is the individual who prays; "Is it not then but a step to making the individual the subject of economic choice, of reserving to him the role of autonomous economic agent?" Further, the Kingdom of God will not be achieved on earth, through history, but from the transcendent God.

Having set forth and criticized the various sources of Catholic hostility to liberalism, Villey proceeds to inquire what are the possible links between Catholicism and liberalism. He warns again that he is not trying to make liberalism "the Catholic economic doctrine" or of deriving the market from the Bible. But are there any links, parallels, etc., between liberalism and Catholicism, common grounds? In the 19th Century, authoritarianism seemed to correspond to the ideas of transcendence and God, while freedom coincided with agnosticism and relativism (which is why Pope Pius IX condemned freedom and liberalism so bitterly in his *Syllabus of Errors*.) Nowadays, liberalism is more linked to God and transcendence, while scientism has been associated with agnosticism (Nazis, Soviets.) In short, liberalism may stem either from skepticism or from faith. The Christian view is that since God does transcend the world, this means that the world exists apart from God, and therefore nature is governed by its own autonomous natural laws. Since only God is unitary and transcendent, the Christian must consider nature as discontinuous and pluralistic, *just as liberalism considers it*. Therefore:

"The Catholic mind is thus prepared to admit the heterogeneity of economic interests, the multiplicity of centers of economic imitative and the autonomy of economics in relation to politics. This Catholic outlook harmonizes easily with the essentially pluralistic concept of the world which is peculiar to liberals. "

Villey goes on to take the odd position, that this heterogeneity and competition of economic liberalism is good because it is like a "game," and that games are suitable to Christians because it teaches them not to take this world too seriously, (!) and also that salvation is always a spiritual gamble.

Villey then asserts that when Catholic philosophy was being hammered out in the Middle Ages, the market economy did not exist, and the economic thought of modern Catholic-corporativism, trade unionism, solidarism, etc. - still bears a medieval flavor. Yet, there is, particularly in the advanced modern economy, *no* "middle way" anymore, between the market [and] the planned economy. One or the other - the market or the government - must decide on the allocation of productive resources. There is now no room for the handicraft or guild way of life, with its direct adjustment of supply to demand. We cannot - without crisis, famine, and retrogression - turn the clock back to handicrafts; we must choose, with no middle way, between the free market economy and the planned economy. There can be part of the economy devoted to the market and part to a plan; but there is no "third" or "middle" system to choose from. And many Catholics concede that total economic

planning requires a totalitarian state, and therefore must be rejected. Once they realize that there is really no “middle” or third way out, they will have to choose the market economy. The Encyclicals have been interpreted (by Ropke, Baudin) as compatible with capitalism, and further they certainly both condemned Socialism.

Villey ends his article with a call to Catholics (if not the Church *per se*) to join the defense of Western ideals: which include the free market, along with human rights, dignity, and democracy. He calls on them to rehabilitate private property, profit, the market, and even speculation, to abandon nostalgia for the Middle Ages. He ends by noting that he has called the stock exchange “the temple of human rights” - a phrase which has shocked Catholics and others, because they do not understand the central importance of stock speculation in the market economy.

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