Catholic Social Teaching: A Moral Compass for the Next Millennium

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Introduction

With the demise of the Marxist alternative to capitalism, Catholic social teaching could emerge as a major international voice, challenging free enterprise to be more humane. In particular, the May 1991 document on economic ethics, Centesimus Annus (CA), offers a compelling vision and a moral compass for an economy that stands in service to humankind. This article presents my interpretation of Centesimus Annus and, based on my experience in South Africa, offers some indications of how a developing country might employ its framework for moral guidance for economic policies.

To put Catholic social teaching in a wider context, the work of James O'Toole is helpful [5]. To understand how people envision “the good society,” O'Toole suggests that it entails a combination of four core values: liberty (or freedom), efficiency (i.e., delivering goods and services that people seek), equality and community (Exhibit 1). Classic works on liberty include those by Thomas Hobbes, John Locke, Jean Jacques Rousseau, J.S. Mill and Immanuel Kant. Contemporary authors such as Milton Friedman carry forward a single-minded focus on freedom. Equality was an important theme in the works of Rousseau, Karl Marx, Thomas Jefferson and the Catholic scholar John J. Ryan to name a few [5:151-154]. Efficiency refers to the ever present quest for a higher standard of living and is often equated with a good society. Probably no one has written better about what raises a standard of living and creates wealth than the 18th century moral philosopher Adam Smith.

Exhibit 1.
Communitarians can trace their origin to Aristotle and his concern for a quality of life that comes from a shared intellectual and political community. Environmentalist E.F. Schumacher is a good example of a contemporary communitarian [6]. Robert Bellah and Amitai Etzioni have also written contemporary statements of a communitarian vision [1,3].

O'Toole points out that in a democratic polity there may be some who would like to maximize only one or two of the values. Depending on which value they choose to maximize, they are known as libertarians, corporatists, egalitarians or communitarians. The challenge of leadership in a democratic polity, however, is to find a way to harmonize the interests of various positions so that although no one may be completely pleased, enough people are pleased so that they recognize the legitimacy of the society.

Efficiency and Other Core Values

_Centesimus Annus_ has as its central theme that efficiency is not to be equated with the good society, but rather there are other core values, notably liberty, equality and especially community. Of course, the remarkable turn in _Centesimus Annus_ is that capitalism is clearly endorsed, however qual-

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fied, by official church teaching. The answer to the question should capitalism “be the goal of a country now trying to rebuild their economy and society” is clear.

If by “capitalism” is meant 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, then the answer is certainly in the affirmative [CA:#42].

In an earlier paragraph, the endorsement is clear.

It would appear that, on the level of individual nations and of international relations, the free market is the most efficient instrument for utilizing resources and effectively responding to needs [CA:#34].

This is the first time Catholic social thought has ever given such affirmation to capitalism or the market economy, and the document demonstrates an understanding of the basic dynamics of free enterprise. The thinker most responsible for helping people understand the fundamental dynamics of today’s market system is Adam Smith. Smith asked a very simple but ingenious question: Why are some nations notice-

ably wealthier than their neighbors? In his famous 1776 work, _An Inquiry into the Nature and Causes of the Wealth of Nations_, Smith related his observations. Some nations were wealthier because they used an effective division of labor in making products and utilized the free competitive market. His notion of the market mechanism continues to underpin what has become known as capitalist economics [2].

When every person pursues his or her own self-interest, the common good is enhanced. The baker bakes the best bread possible and sells it at the lowest feasible price so that the proceeds of his sale can be used to buy what he wants. Although motivated by self-interest, the net result is that a community has quality products at a reasonable cost. What Smith did was to show how economic action based on self-interest could be beneficial for the community. This was a remarkable turn because economic self-interest was hitherto not thought to be responsible.

Reflecting on the commerce of his time, Smith concluded that goods are produced more efficiently and cheaper for all if each person strives to maximize his or her self-interest in the marketplace. Producing attractive goods at competitive prices will be in the self-interest of the producer and in the best interest of the public. Smith speaks of “an invisible hand” which guides self-interested behavior to benefit the whole society. His hope was that if governments understood the real source of the wealth of nations, they would forgo all tariffs and other measures to provide protection for the producers and thus advocate a free market.

The prevailing mercantile view looked to the quantity of precious metals to measure wealth. Smith rejected this understanding, for he saw that real wealth was a nation’s productivity, “the value of the annual produce of its land and labour.” Increased productivity (wealth) was not an end in itself but a means to increase the quality of people’s lives. Smith accepted the Judeo-Christian vision which portrayed a land where all might enjoy the good things of creation. His insight was that this vision, while not realized in any nation, was gradually becoming a reality in the places which utilized incentives, economic action based on self-interest (profit motive) and a market economy.

As envisioned by Smith, the genius of a free enterprise system was that it harnessed self-interest so that it might work for the common good. Yet, the fact that business is based on self-interest is the very reason that religious social thought has always greeted it with guarded suspicion. What we find in _Centesimus Annus_ is a profound understanding of what Smith saw as operative in the market mechanism.

Moreover, man who was created for freedom bears within himself the wound of original sin, which constantly draws him toward evil and puts him in need of redemption. Not only is this doctrine an integral part of Christian revelation, it also has a great hermeneutical value insofar as it helps one to understand human reality. Man tends toward good, but he is also capable of evil. He can
transcend his immediate interest and will remain bound to it. The social order will be all the more stable the more it takes this fact into account and does not place in opposition personal interest and the interests of society as a whole, but rather seeks ways to bring them into fruitful harmony. In fact, where self-interest is violent- ly suppressed, it is replaced by a burdensome system of bureaucratic control which dries up the wellsprings of initiative and creativity [CA.#25, Italics added].

In my view, Smith assumed that the self that was self-interested would be shaped by moral forces in the community so that economic self-interest would not always degenerate into crass selfishness. Gordon Gecko, in the film Wall Street, thought he understood Smith when he said, “Greed is good.” Gecko was wrong. The virtues Smith celebrates are those of the Judeo-Christian vision and are clearly articulated in his earlier treatise on ethics. This earlier work provides the context for the later remarks on self-interest in The Wealth of Nations.

And hence it is that to feel much for others and little for ourselves, that to restrain our selfish and to indulge our benevolent affection constitutes the perfection of human nature and can alone produce among [hu] mankind that harmony of sentiments and passions in which consists their whole grace and propriety [7,8].

Thus, Smith’s vision was one of a market economy enabling a humane community.

Community

Catholic social teaching is one attempt to speak to problems of the day and provide an ethical and religious dimension to economic life and hence foster the humane community envisioned by Smith, i.e., a society which values community, equality and freedom as well as efficiency. Centesimus Annus makes this point as a recurring theme. In particular, the document argues that what is lacking in our time is a moral culture capable of forming economic life so that it has a con-
moral force assumed by Adam Smith, which would insure that the market economy does not blind the people to such an extent that it becomes an acquisitive society. This blindness happens when the means of developing the good society, wealth creation, becomes an end in itself. Moral institutions can influence minds and hearts and thus individual choices. The point is not to eliminate consumer sovereignty but rather to strengthen it. The goal is growth with all having some share (equality and community), and the perennial target of condemnation by Catholic social teaching is materialism or acquisitiveness for its own sake. Church teaching has never seen fit to condemn capitalism as intrinsically evil, although some theologians have, but rather has aimed its guidance at the reform of institutions, structures and personal life involved with a free market economy. The key criticism of capitalism focuses on what it does to people when it destroys the possibility of genuine community.

It is not wrong to want to live better; what is wrong is a style of life which is presumed to be better when it is directed toward “having” rather than “being” and which wants to have more not in order to be more but in order to spend life in enjoyment as an end in itself. It is therefore necessary to create lifestyles in which the quest for truth, beauty, goodness and communion with others for the sake of common growth are the factors which determine consumer choices, savings and investments [CA:#36].

Catholic social thought, following Aristotle, has developed its notion of community in opposition to the thinking of John Locke [4]. A person is by nature social not by choice, and thus the “law of nature” grounds not only a communitative justice but also a distributive and social justice [CA:#34].

Equality

Centesimus Annus offers a vision which clearly does not absolutize efficiency, and we are told, in religious language, that the market must not become an idol [CA:#40]. The other core values are also not absolutes. For example, Chapter 4, titled “Private Property and the Universal Destination of Material Goods,” offers a perspective on equality. Here income and wealth differences are justified under the rubric of private property; however, holding wealth entails responsibility for the community. “Ownership morally justifies itself in the creation, at the proper time and in the proper way, of opportunities for work and human growth for all” [CA:#34]. When discussing equality, the obligations and limitations are not spelled out in any detail, but rather a moral vision is offered for the intelligence of the individual in community. A central focus of church teaching is the great concern for the poor and the marginalized.

But it will be necessary above all to abandon a mentality in which the poor — as individuals and as peoples — are considered a burden, as irredeemable intruders trying to
consume what others have produced. The poor ask for the right to share in enjoying material goods and to make good use of their capacity for work, thus creating a world that is more just and prosperous for all. The advancement of the poor constitutes a great opportunity for the moral, cultural and even economic growth of all humanity [CA#28].

Freedom

In a quote from *Centesimus Annus*, freedom in religious social thought is not simply “freedom from” but rather “freedom for.” Freedom “for truth, beauty, goodness and communion with others” is the end in this teleological perspective [CA#36]. “Development is a matter of enabling people to follow their unique personal vocations to be creative, to participate and to work and thus “to respond to God’s call” [CA#29]. “People lose sight of the fact that life in society has neither

Exhibit 2.

<table>
<thead>
<tr>
<th>TRADITIONAL VIEWS</th>
<th>VS.</th>
<th>CATHOLIC SOCIAL THOUGHT</th>
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<tbody>
<tr>
<td>Milton Friedman</td>
<td>Liberty</td>
<td>Free for realizing potential</td>
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<tr>
<td>Friedman</td>
<td>Liberty</td>
<td>Free for realizing potential</td>
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<tr>
<td>Focuses on society and social groups that make up society</td>
<td>Community</td>
<td>Market system good, but should not be idol</td>
</tr>
<tr>
<td>Focuses on rights and private property — people are fundamentally isolated and come together in a social contract</td>
<td>Efficiency</td>
<td>Market system good</td>
</tr>
<tr>
<td>Justice due to a person because he or she is a person</td>
<td>Equality</td>
<td>Primary notion that we are all equal</td>
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</tbody>
</table>

the market nor the state as its final purpose, since life itself has a unique value which the state and the market must serve” [CA#49]. Thus, the market plays an important role in that it provides the material conditions that enable the moral, spiritual and political ideas to be realized. These reflections on the four core values as envisioned by *Centesimus Annus* are summarized in Exhibit 2.

Applying a Moral Compass

To see how the four core values might inform discussion of public policy and the quest for a just society, an interpretation of some contemporary issues in the U.S. as well as in South Africa are offered. As a visiting professor at the University of Cape Town during the 1995-96 academic year, I had the opportunity to observe the inner workings of a modern-day miracle as well as a country fraught with most of the problems of developing countries in our time.

When President Mandela opened the Parliament on February 9, 1996, he captured one of the crucial challenges for the country. He said, “Dealing with crime, violence and corruption requires a new morality for our new nation. Indeed, it requires a New Patriotism among communities, the public and the private sectors and the security services — so that at the end of each day, each one of us can answer in the affirmative to the question: ‘Have I done something today to stamp out crime?’”

This call for a new culture of morality, which Mandela has used as a theme in a number of addresses, captures a crucial issue for South Africa. I gave a workshop for black entrepreneurs not too long ago as part of a program sponsored by the U.S. government. Several times a year 30 black South Africans who are potentially future leaders are sent to the U.S. for two or three months. I spent several days as a lecturer to this group in a retreat setting. These were middle-class, black and talented people. One point that someone brought up and the others affirmed was: “You know what worries us is when you go into the townships you get your radio stolen or you get things stolen from your automobile or your home, and some people, even some bright people, do not think that is wrong anymore. They do not think it is stealing.” What worried many of them is that there is, as somebody said only half jokingly, a new mechanism for the redistribution of wealth — stealing.

On the other hand, someone in the group said, “Well have you looked at the report of COSAB (Council of South African Banks)? It has a blue-ribbon committee on white-collar corruption, and their feeling is that white-collar corruption in this country is of serious proportions.”

What is going on in South Africa reminds me of some things that happened in the U.S. in the late 1960s when there was a great deal of social disruption. It was the hippie era, with young people rebelling against the establishment. It was what sociologists would call a crisis of legitimacy in the U.S. in that the old way of doing things and holding the country together did not seem to be effective with people any more.

In the late 1960s and early 1970s in the U.S., we had major riots in a number of big cities. We had to bring out troops in Washington, D.C. and many other cities to maintain a civil society. President Lyndon Johnson took the leadership and proposed major legislation to re-establish a climate of legitimacy. He started a “war on poverty” and strong affirmative action programs. When you have crime or corruption, you can argue for more police, a very good argument when problems are serious. When there are corruption problems within business organizations, you can make a case for a stricter code of conduct, more enforcers or more regulation. But what we who have run institutions know is that police and regulations can only go so far in maintaining the legitimacy of organizations. We need people who believe in the institutions.

Most of the people have to want to do the right thing. The police and the regulations can cover the minority of people who want to get their hands in the cookie jar illegally, but the majority who live in a society have to believe in the legiti-
macy of the institutions. In the U.S., there are limits to what regulations can do. You can over regulate an economy so much that you strangle it. Then you have to review the whole matter again and often deregulate. The major way to handle corruption or crime is to have citizens who believe in institutions and try to follow society's rules as conscientiously as possible.

Citizens must perceive their society as legitimate in order to gain their allegiance. In a democratic polity, citizens must perceive that their government is striving to realize at least some of the values they cherish. To be sure, all do not hold the same values.

What is important is that you cannot maximize all these cherished values at any one time. What democratic societies have tried to do is find a compromise between the libertarians, the communitarians, the corporatists and the egalitarians. Since the compromise was basically agreed upon by most people in society, the institutions were thought to be legitimate, and therefore people followed the rules.

When people flagrantly violate the rules, we have what is called a crisis of legitimacy. So when my friends in the Black townships say they do not think it is wrong to steal any more, there is a crisis of legitimacy. Part of that can be handled through more and better trained police, but part of it has to be established through recreating legitimacy. The same with colleagues in the banking community who say that the white-collar crime is getting out of control. Probably some of the problems can be handled through better regulations, but I wonder if there is not something of a crisis of legitimacy there as well.

Leadership in a democratic polity entails engaging in a vigorous dialogue about how to realize core values and how to make tradeoffs. To envision how these tradeoffs might be made in the future to fashion a more just society, it is helpful to review some examples of how they have been made in our time. O'Toole offers a number of examples [5].

**Liberty and Efficiency**

Consider the tradeoff between liberty and efficiency (Exhibit 3). For example, most societies tax their citizens to support the military. Taxing is clearly taking away some liberty; when I tax some of your freedom, your discretionary income is taken. But most people think it is legitimate for them to be taxed to support the military. Why? Because the military provides a common defense by providing the security for my life and my interests.

Most societies, for example, regulate the stock exchange. In the U.S., we have the Securities and Exchange Commission which curtails liberty, but in fact it enhances efficiency. These are tradeoffs which people, through the public policy process, agreed to make. In the U.S., the Federal Communication Commission regulates radio and television broadcasting, and we have anti-trust laws. South Africa has many similar laws and agencies. These are tradeoffs which people do not think about any more. They pay their taxes and assume the military is going to be there when they need it.

**Equality and Community**

Consider the tradeoff between equality and community as depicted in Exhibit 4. This has been a particularly difficult one in the U.S. in recent years. Probably the biggest agent of equality in the U.S. has been the labor unions. One result of trade unions is a strong middle class in the U.S. This is obviously somewhat of a problem for some industries where union wages are too high for the global economy. The fact is that labor unions have kept social stability in the U.S. A strong middle class offers a sufficient number of people who believe they have a stake in the society and think it is legitimate.

What we have seen in recent years is a growing number of people who have argued for quality of life, i.e., community. Environmentalists are strong exponents for the community issue. There have been some important and serious tradeoffs in the U.S. For example, in trying to preserve the spotted owl in certain parts of the U.S. where lumber is a big industry, there were strong arguments by environmentalists against cutting certain forests and allowing lumbering in wide areas of the U.S. because of the extinction of the species. The labor unions strongly opposed this because they were going to lose tens of thousands of jobs. Thus, there is a conflict between community and equality. How should we limit timber cutting to save our virgin forests? These are public-policy decisions and very tough tradeoffs.

These tradeoffs are going on in South Africa as well. Any time a polluting plant is closed or tough environmental regulations are imposed, there are, at least in the short run, job losses. Maybe they should be refining oil and manufacturing
in a place other than near Cape Town. This is a zero-sum game in the sense that there is a tradeoff here. People have to understand that the legitimacy in our institutions depends on how well we are making the tradeoffs. Job losses, in the short run, are inevitable when tough environmental laws are enforced.

Cuba is very high on the equality scale. For example, prior to the loss of massive subsidies from the former Soviet Union, there were not many very poor people in Cuba, and everybody received basic health care. Because of the quality of life, a community issue, the intellectuals were flocking to the U.S., and entrepreneurs were fleeing as well. There was a problem with people entering the U.S. from Cuba illegally. If you have been there, you know it is the drabdest place in the world. It shows what can happen when the tradeoff is totally on equality at the expense of community. I think in many ways that was the problem with the old Soviet Union. It is clear they never reached much equality, but they certainly did lose tremendously on quality of life issues because it was just drab. It was not very interesting, and the human person requires more than equality.

Liberty and Community

Another important tradeoff is between liberty and community, which is where individual desires and the collective good clash (Exhibit 5). In the U.S., there is a ban against smoking in almost all restaurants, and for the sake of community, liberty is seriously curtailed. In South Africa, there are also bans in some places, which are public-policy decisions. Another example is the speed limit on our roads, curtailing freedom for the sake of the common good or the quality of life of the community. Zoning laws are obviously an example of curtailing liberty for the sake of community. Libertarian values are curtailed for the sake of communitarian values in any public-policy process of a democratic government.

Efficiency and Equality

The most difficult tradeoff for South Africa and for most developing countries is the one between efficiency and equality (Exhibit 6). On the one hand, it is startling when you look at the number of people who do not have jobs; the gap between those who have and those who have not is very wide. Obviously, it is not the worst country in the world. The difficulty is that some people believe that the government can create jobs, but the loss in efficiency could be tremendous if jobs are created directly by the government.

Catholic social thought reminds us that efficiency is not an idol and the poor have a special claim on us, in particular when the poor are unemployed. Thus, job creation for the poor is a major challenge for those who have resources. This is perhaps the area that requires the greatest innovation and creativity. Creating work so that everyone can participate in the society is the major imperative for the coming millennium. Governments must learn how to develop a climate that encourages private investment and risk-taking by entrepreneurs who have the skills and resources to fashion a more just society.

What is the way to create jobs? If the government does it, experience in other countries indicates that there will be huge bureaucratic waste. We have often established a whole group of people with no marketable skills who just receive welfare checks. In the U.S., they are often called the permanent underclass. It is not a large group but it represents a serious problem in U.S. society. I know young children in the inner city whose parents or grandparents never had a real job — there is no culture of working. It is a serious problem for governments to perpetuate that kind of thing; it is a bad way of obtaining equality at the expense of efficiency. Job creation is the crucial challenge in South Africa today, as in many other parts of the world.

Another way to increase equality is to redistribute wealth through taxation. If you have highly progressive rates of taxation, there is evidence that you reduce the incentive to work. I taught the young, best and brightest at the MBA Program at the University of Cape Town, and they were energized by the possibility of hitting the jackpot. To be sure, motivation is mixed, and many work hard for a variety of noble motives. Yet, if there is not a fairly good reward, they are not going to work 15 hours a day creating jobs and work for other people. So there is a limit to what you can do through taxation and still keep a society perceived as legitimate by its talented people. Certainly, that is what the Soviet Union found.

There is evidence that entrepreneurial effort diminishes when the size of the jackpot from capital gains gets too small, because people are thought to be selfish. There is no doubt that churches have a mission to broaden people's understanding of self-interest, and there is clearly a role for the church...
to be much more influential. The churches, the mosques and the temples must continually speak out for the best interests of society and offer a moral vision to people. This is what Centesimus Annus is offering to do.

In any event, I believe that we all agree that we want a good society, and a good society is composed of some amalgam of the four key values: liberty, efficiency, equality and community. All of us know libertarians, people who see only liberty. All of us know communitarians who focus exclusively on environmental issues and quality of life. All of us know egalitarians who think that Marxism might be the only answers, and probably all of us know corporatists who think efficiency is the only value worth considering. A just society is one that responds with an even hand to the conflicting needs and desires of all citizens within the framework of the moral compass of Catholic social teaching. In a sense, the challenge for a democratic government is how to do a good thing without jeopardizing other good things. The challenge in South Africa, as in many other countries, is how to increase equality without jeopardizing efficiency, liberty and community.

Conclusion

Exhibit 7 shows James O'Toole's view of where various countries might fall in the quadrants. In the U.S., we have always been in the top right quadrant by stressing liberty and efficiency, but we have varied over time. In Ronald Reagan's era, we moved toward more freedom. In the Great Depression of the 1930s, there was a move toward equality, but we have always stressed liberty and efficiency. Sweden would probably be in the lower left quadrant — a social democratic Sweden which stresses community and egalitarianism. China would be in the lowest quadrant, stressing equality at the expense of freedom. Post World War II Japan would be as indicated, focusing on efficiency.

There is not any one right answer about how to mix these core values in public policy. Catholic social teaching, not unlike much religious social thought, provides a set of guidelines, a moral compass which gives a broad perimeter where a leader might attempt to gain consensus. The question for all of us, as leaders or citizens, is to find the best way to establish the legitimacy of our institutions. The right answer in the U.S. may not be right for South Africa. What is clear is that with perceived legitimacy most people will do the right thing and follow the rules of society.

References


Endnotes

1. All but Exhibit 2 were taken from O'Toole's work [5]. Exhibit 2 is by Shawn M. Kelly who submitted it after my class lecture on the subject.
2. I interpret Adam Smith by relying on his early work in ethics, where Smith assumed that a good citizen would promote the common good [7].
3. This section follows closely an earlier version by Williams [8].