

THE LEGACY OF SOLIDARIST ECONOMICS IN THE UNITED STATES

by

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Economic issues such as the fair price, the just wage, and the charging of interest first attracted the attention of Catholic scholars as long ago as the Middle Ages. That history, however, is not our concern here.¹ Rather, it is with the development of modern Catholic social teaching which many regard as originating in 1891 with Leo XIII's encyclical *Rerum Novarum*, and with the contributions of Jesuit scholars to that teaching and in its application to everyday economic affairs.

Any account of the contributions of German Jesuits and their students to economics over the past 100 years must begin with the German economist Heinrich Pesch and *Rerum Novarum* wherein Pesch's work originates.² As his thinking on economic affairs matured, Pesch established a small study group where two other German Jesuits -- Oswald von Nell-Breuning and Gustav Gundlach -- played key roles. At least two laypersons in this group -- Goetz Briefs and Franz Mueller -- emigrated to the U.S. where Briefs joined the faculty of Georgetown University and Mueller eventually joined the faculty of St. Thomas College in Minnesota. Both played a role in the establishment of the Catholic Economics Association in 1941 which some 25 years later became the Association for Social Economics.

Two American Jesuits, Thomas Divine and Bernard Dempsey (neither of whom were formal students of Pesch), are regarded as the founding fathers of the Association. Oddly, these two men -- both trained in economics -- saw things much differently. Divine was closely allied with mainstream economic thought. Dempsey, on the other hand, was powerfully influenced by Pesch's economic thinking which at that time and for some time afterward was known as "solidarism." Eventually, Divine's view became the dominant perspective within the Association [Waters 1990a, pp. 92-93].

Dempsey and Divine were joined by several other American Jesuits including Leo Brown and Joseph Becker both of whom specialized in labor-market problems: Brown in labor-management relations and Becker in employment security. Both become leading experts in their respective domains and probably are the most influential of the American Jesuits in practical economic affairs. Brown became a major labor mediator and arbitrator; Becker became the most outstanding student of unemployment insurance of his time. There are several other American Jesuits who are noteworthy, including Richard Mulcahy who published *The Economics of Heinrich Pesch* to bring Pesch's ideas to those who do not read German, and several American lay persons who were trained and inspired by the Jesuits. Here I include among others Josef Solterer*, William Waters*, Peter Danner*, Stephen Worland*, Gladys Gruenberg, Rupert Ederer, Louis Buckley, Frank Mueller*, Thomas Nitsch, Arnold

¹ See Thomas O. Nitsch [pp. 1-90] for more on this topic in the general context of social economics.

² See Bowen [pp. 75-118] for the chief advocates of social Catholicism in Germany who preceded Pesch -- Ketteler, Vogelsang, Moufang, and Hitze -- whose teachings Pesch attempted to systematize.

McKee, and Catherine Knoop*.³ For those who would like to explore this body of knowledge further, Appendix I contains selected citations to their work and for the reader's convenience almost all of the references used in this paper.

In the following, I focus on the contributions of nine Jesuit economists. Four are Jesuit priests: Pesch, Gundlach, and von Nell-Breuning who are German and Dempsey who is American.⁴ Five others -- Briefs, Danner, Ederer, Mueller, and Waters -- are lay persons whom I think of as "Jesuits without the collar." All nine are Catholics and have direct ties to one another. Gundlach and von Nell-Breuning were students of Pesch in Germany as were Briefs and Mueller. Dempsey was powerfully influenced by Pesch and von Nell-Breuning⁵ and mentored Danner. In an extraordinary labor of love, Ederer translated Pesch's five-volume *Lehrbuch der Nationalökonomie* into English and was much encouraged in this massive effort by Dempsey and Mueller. Waters was a student of Briefs in the United States. All nine are solidarists who think about economics and economic affairs in a way that clearly originates with the Pesch. Under the influence of Danner and Waters, along with developments in personalism toward the end of the 20th century that replaces the individualism of mainstream economics philosophy, solidarist economics has become personalist economics. Only Ederer was still living at the time this paper was being prepared. In 2010 Ederer drew the following connection between solidarism and personalism.

Solidarism is the ideology underlying Heinrich Pesch's outline for an economic system. Its underlying philosophy is *personalistic* in that it emphasizes man, the human person, not merely "labor" – the factor of production—as both the driving force behind, and the reason for which economic activity takes place [Gurries, p. 4; emphasis in original].

Since our concern herein is with their contributions as economists, there is no need to differentiate any further between Jesuit priests and "Jesuits without the collar."

³ Everyone enumerated herein with the exception of Ederer, Gruenberg, and Mueller served as president of the Association for Social Economics; those marked with an asterisk are recipients of the Thomas Divine Award for lifetime contributions to social economics and the social economy.

⁴ See Gladys W. Gruenberg for more on the contributions of American Jesuit priest-economists to the social apostolate [1991, pp. 532-545] and for more on the work of Leo Brown, S.J. [1981].

⁵ Dempsey referred to Pesch's five-volume work *Lehrbuch der Nationalökonomie* as "the supreme intellectual achievement inspired by the encyclicals" [Dempsey 1958, pg. 70]. Further, Dempsey prepared the English edition of von Nell-Breuning's commentary on *Quadragesimo Anno*.

Heinrich Pesch, S.J.
(1854-1926)

The economic-science component of Catholic social economics (CSE) is anchored firmly in the work of Heinrich Pesch. His *Lehrbuch der Nationalökonomie* is regarded as a commentary on *Rerum Novarum* and a source book for *Quadragesimo Anno*. His “religion cannot produce grain” is a warning that in matters of human material need more than faith alone is required.

Pesch took up economic science for the same reason Leo XIII wrote *Rerum Novarum*: the miserable conditions of the working class. A four-year period of study in England in the 1880s was decisive because it sensitized Pesch to the miseries of the working masses and some years later led to his taking up the study of economics [Mulcahy 1952a, pp 2-3]. In addition to the *Lehrbuch*, Pesch produced more than 100 other publications before his death in 1926. Thus, from the very beginning, a concern for the working class and for conditions in the workplace has been a dominant theme of CSE.

The centerpiece of Pesch’s life work is his social system of labor which occupies the middle ground between the individualism of the capitalist system and the collectivism of the socialist system and which for that reason has been called “the third way.”⁶ Pesch’s system more commonly is called “solidarism” and is more aptly described as an architectural sketch for a reconstructed economic order than a set of detailed blue-line drawings.

Absolutely central to Pesch’s economics is his conceptualization of human beings. Pesch rejects the individualists’ conception of the human being as basically self-sufficient and self-determined and the collectivists’ view of him/her as mere member or functionary of a homogenous, self-dependent whole. Instead, humans are inseparably individual and social, simultaneously an independent free being and a dependent social being [Mueller 1977, pg. 295; Schuyler, pg. 226].

Consistent with his foundations in Thomistic philosophy, Pesch regards human beings as body-soul composites. It is the body which gives the human being his/her materiality. It is the soul which supplies him/her with the two characteristics -- free will and intellect -- which make him/her truly unique. Most fundamentally, Pesch’s conception of humans is that they are made by God in His own image and likeness. This view underpins literally the entire body of Peschian economic thought [Mueller 1951-1952, pg. 489; Schuyler, pp. 230-231].

There is little in the way of specific details in Pesch’s system, but this is of no crippling consequence since CSE insists that, without exception in economic affairs, humans are far

⁶ Interest in mapping “the third way” reached a peak in the years following *Quadragesimo Anno* but never really became deeply rooted in CSE. Nothing in the encyclicals of John Paul II over the last 20 years re-affirms the importance of finding “a third way.” Instead, Catholic social economists today are challenged to help reconstruct the market system in ways that help it better serve human material need.

more important than the system. Human beings truly exist; economic systems are a manner of speaking. John Paul II calls attention to this distinction in *Laborem Exercens*.

Everything contained in the concept of capital in the strict sense is only a collection of things. Man, as the subject of work, and independently of the work he does -- man alone is a person [John Paul II, pg. 31].

Moreover, in the judgment of the author, economic systems are to serve human material need and because that need may be different in different places, times, and circumstances, some differences in the details of solidarist economic systems are desirable, if not necessary.

As noted earlier, Pesch directly influenced a small group of fellow Germans known as the “Study Group” or “Study Circle.” In addition to Gundlach, von Nell-Breuning, Mueller, and Briefs already mentioned, the group included Wilhelm Schwer, Paul Jostock, Heinrich Rommen, and Theodor Brauer [Mueller 1941, p. 45].

Pesch’s influence extended to the U.S. in part as a result of the emigration of some members of the Study Group. But two of his followers were native-born Americans: the Jesuit economists Richard Mulcahy and Bernard Dempsey. Mulcahy authored the only book-length commentary on Pesch’s work in English which is all the more significant because until recently only a very small portion of Pesch’s work has been translated.⁷ Dempsey’s *The Functional Economy* owes much to the work of Pesch and is one of the finest examples of scholarly work in the Catholic social-economics tradition.

Oswald von Nell-Breuning, S.J. and Bernard Dempsey, S.J.
(1890–1991) and (1903-1960)

Von Nell-Breuning is included in our small company of Jesuits who have contributed greatly to social economics and the social economy even though little is known about von Nell-Breuning’s professional contributions apart from what appears in the *Review of Social Economy*.⁸ Even though he seems to have lived in the shadow of his mentor Heinrich Pesch, von Nell-Breuning is noteworthy because he is reported to have drafted *Quadragesimo Anno* for Pius XI [Mueller 1964, p. 132].⁹

⁷ Rupert Ederer’s English translation of the five volumes of Pesch’s *magnum opus* has been published by The Edwin Mellen Press.

⁸ His four articles in the *Review of Social Economy* are cited in the references section. Three first appeared elsewhere in German; the fourth was published originally in Latin. Each one was translated into English by a different American colleague.

⁹ See also “Goetz A. Briefs” in the December 1983 *Review of Social Economy*.

Shortly after the public release of that encyclical letter in 1931, von Nell-Breuning published his extended commentary *Reorganization of Social Economy: The Social Encyclical Developed and Explained*. Several years later Bernard Dempsey published the English edition. In his commentary, von Nell-Breuning raises the very same question solidarists in later years have been asked: What does the vocational order look like?

Since the question of vocational order has, by the Encyclical *Quadragesimo Anno*, been made practical and open for general discussion once more, explanations may be expected in this book as to what such a vocational order would look like, and how it can be brought about. This is a fair question, but an answer cannot be given; not because nothing can be said about it, but rather because so much could be said that it would exceed the space available and would demand a separate book. The deciding factor is that the Encyclical purposely restricts itself to discussing the principles of a vocational order of society and economics, but carefully avoids entering into the description of a *functional order in the concrete*. Since, in this instance, we have to interpret the Encyclical, and not to answer questions that are brought up by it without any comment, this restriction seems imperative. Furthermore, it is by far more important to study the Encyclical's principal ideas thoroughly, than to deal with these questions of organization. And, let us frankly admit that frequently the reason for the great interest in learning what a vocation order would look like is not so much zeal to begin immediately with its realization, but doubt whether the Holy Father's noble ideas are really possible and practicable. Some fear that Pius XI may have become the victim of visionary ideals. Since we do not share these fears, it seems unnecessary to take them into account by bringing the proof for the possibility of such an order in the form of an example [von Nell-Breuning, pp. 5-6; emphasis added].

Von Nell-Breuning's "functional order in the concrete" foretells the title and the central theme of Dempsey's *The Functional Economy: The Bases of Economic Organization* by which Dempsey meant the principles which are foundational to a functional or organic economic system [Roets, pg. 550]. *The Functional Economy*, which in fact is a collection of articles previously published, is a major contribution to CSE because it applies the principles of conventional economics such as marginal utility and substitution *along with* the principles of Catholic social teaching such as subsidiarity and commutative justice to everyday economic affairs. The subjects covered in some of the chapters are especially illustrative: the worker as person; basis of just wages; just price in a functional economy; subsidiarity -- a basis for functional adjustment.

Further, and most importantly, Dempsey understands the importance of the question on vocational order raised in von Nell-Breuning's commentary on *Quadragesimo Anno* but set aside. Dempsey's answer, however, does not take the form of concrete examples. Rather he asserts that the question relates to the nature of economic institutions and he articulates three

principles -- consistency, feasibility, and economic rationality -- which provide instructions as to the functions and structures of economic institutions reconstructed along the lines suggested in the encyclical.

Consistency, according to Dempsey, means “a harmony between the structuring given to man’s economic activity and the conclusions of an adequate philosophy of human nature and human action” and feasibility is defined operationally and administratively as “what is socially and politically possible” [Dempsey 1958, pp. 327-329]. Economic rationality to Dempsey means the impact of the reconstruction suggested by the so-called vocational order principally on production and distribution.

Will the social planner’s scheme help to produce more and better goods, in a better way, with better distribution? How much more? How much better?
[Dempsey 1958, pg. 331].

Dempsey died at age 57.¹⁰ We can only speculate as to what his contributions might have been had he lived another 20 years. Even so, the last chapter of *The Functional Economy* provides some hints in the form of Dempsey’s statement that the central problem facing American business leadership is how to “maintain democratic government and personal freedom in an economy where the high standard of living is bound up with the efficiency of very large aggregates of capital goods” [Dempsey, pg. 460]. The rest of the last chapter intimates that Dempsey likely would have studied the ways in which it is possible to reconstruct economic institutions to facilitate the everyday practice of the three principles of justice: commutative justice, distributive justice, and contributive justice.

Gustav Gundlach, S.J.
(1892-1963)

Gundlach came from Geisenheim in Rhinegau and attended secondary school in Frankfurt/Main. His university studies began at Freiburg/Breisgau. In 1912 he entered the Society of Jesus and as a scholastic was drafted and served in a German field hospital from 1915 to 1918. He was introduced to Pesch sometime after completing his military service. Werner Sombart directed Gundlach’s doctoral dissertation that was awarded by the University of Berlin in 1927 [June 23rd, p. 1; Mueller 1964, 130-131].

It is reported by Ederer,¹¹ Mueller [1964, p. 132], and Rauscher [p. 2] that Gundlach along with von Nell-Breuning helped Pius XI prepare his 1931 encyclical *Quadragesimo Anno* though their roles have not been confirmed with hard evidence [June 23rd, p. 1]. Keeping that in mind,

¹⁰ For more on Dempsey’s life see Roets.

¹¹ In the introduction to his translation of Pesch’s *Ethik und Volkswirtschaft*, published as *Ethics and the National Economy*, p.22.

though Pesch died five years before the encyclical was released to the public, three Peschian concepts – subsidiarity [June 23rd, p. 1], vocational groups, and the virtues of social justice and social charity as fundamental to regulating social order – are embedded in *Quadragesimo Anno* suggesting that Gundlach and von Nell-Breuning were responsible for including them.¹² Just as years later Divine and Dempsey were divided as to how one ought to think about economic affairs, Gundlach and von Nell Breuning were split notably on unions and co-determination [Mueller 1964, p. 133].

Gundlach was a close advisor to Pius XII [Gurries, p. 3], assisting in his very first encyclical *Summi Pontificatus* in 1939 [Rychlak, p. 5] and was asked to assist in drafting John XXIII's 1961 encyclical *Mater and Magistra* [Mueller 1964, p. 134]. In 1938 Gundlach was invited to collaborate with fellow Jesuits John LaFarge and Gustave Desbuquois in the preparation of an encyclical on racism including anti-Semitism. The encyclical was titled *Societatis Unio* and the original text which was in German was discovered in Gundlach's literary bequest following his death in 1963. The drafts were not presented immediately to Pius XI who died in February 1939 [Rauscher, pp. 4-6]. The encyclical never was finished and released to the public as an official papal document, adding to the accusations years later that Pius XII failed to do enough to condemn anti-Semitism in Nazi Germany.

Unlike his German-speaking confreres von Nell-Breuning, Briefs, and Mueller, Gundlach never published in the *Review of Social Economy*. We were able to find only one article in English by Gundlach in the Institute of Social Order's publication *Social Order* in 1951.¹³ None of Gundlach's work in German to our knowledge has been translated into English. Mueller [1964, p. 134] reports an extensive bibliography was prepared by Rauscher. Another appears in Schwarte's dissertation.

Gundlach identified three institutions as necessary to society: the family, private property, and the state. The family is indispensable to the common good because by preparing the next generation it lays the foundation for the future of society. Private property is indispensable because it guarantees the yield that derives from work. However, private property has a social dimension requiring the property owner to use it in a socially responsible way. The state is indispensable but only when it is democratically constituted because only that system of governance allows the people to participate in public decision-making and therefore is aligned with the principle of subsidiarity [Rausch, pp. 7-8].

Gundlach's most important contribution to CSE was his emphasis on the human person: "the human person is the origin, pillar and aim of all social activity and life." His views influenced not only Pius XII but also John XXIII and John Paul II [Rausch, p. 6]. Gundlach's primary legacy is found in the transition from the solidarist economics of Pesch to the personalist economics of Waters and Danner.

¹² See preceding footnote.

¹³ See Gundlach, pp. 181-185.

**Goetz Briefs
(1889-1974)**

Goetz Briefs as mentioned above was a member of Pesch's Study Group. At the height of a formidable academic career, Briefs fled his native Germany in 1934 when his life was threatened by the forces loyal to Hitler and National Socialism. He served on the economics faculty at Columbia University and Catholic University. His longest service, however, came at Georgetown University where he retired in 1970 after serving 33 years on the faculty. In terms of the five solidarist members identified above, Briefs is one important bridge between the Germans Pesch and von Nell-Breuning and the Americans Dempsey and Waters.

In addition to being a solidarist, Briefs was an institutionalist in the sense that he insisted that institutions matter much.¹⁴ His son characterized Briefs as a "Christian personalist" which to the author's knowledge is the first time anyone in economics is formally portrayed as such. Today, no doubt, Briefs would enthusiastically embrace the personalism of John Paul II as applied in his social encyclicals.

Two themes, both very much consistent with his solidarist/personalist convictions, run through Briefs' life work. The first is his criticism of collectivism whether in the form of the central state, syndicalist state, or smaller units of society which threaten the personhood of their members. The second is his criticism of "classical liberalism and individualism as pseudo social philosophy no less than as ruling public philosophy" [Henry Briefs, pp. 217].

As with other social economists, Briefs was not able to reconcile economic efficiency with the principles of his social philosophy. At times, it seems that economic efficiency imposes constraints or limits on the attainment of social improvement. At other times, Briefs' anthropological-societal norms constrain or limit the achievement of economic objectives such as allocative efficiency and productivity growth.

A short commentary like this is a disservice to Briefs and his life work, some of which still is not available in English, but his views regarding trade unions are worth our notice in part because Briefs' service on the Georgetown faculty was as a labor economist. Predictably, as a student of Pesch, Briefs saw trade unions at least in earlier stages of the development of capitalism as necessary, self-organized, self-help solidarist institutions. But later -- in the 1950s and 1960s -- Briefs came to see trade unions which have a cartel-like structure as subordinating their members to certain organizational objectives. That is, he saw them as one type of collectivist institution dangerous because of their tendencies to depersonalize their members. Thus his vocal criticism of the closed shop.

¹⁴ In the following the author borrows heavily from Henry Brief's review of his father's contributions to social economics and the social economy in the December 1983 *Review of Social Economy*. This issue is devoted entirely to the social economics of Goetz Briefs.

**Franz Mueller and Rupert Ederer
(1900-1994) and (1923 -)**

Franz Mueller was born in Germany and received his doctorate from the University of Cologne where for several years afterwards he directed research in the social sciences. It was at that time that he was a member of Pesch's study group and especially close to Gundlach [Mueller 1964, p. 130]. In 1934 the Nazis removed him from a position at the University and forced him to flee his native land. The following year he accepted an appointment to the faculty at Saint Louis University. Five years later he was appointed to the faculty at the College (now University) of St. Thomas and remained there until his retirement in 1968.

An extensive collection of Mueller's work covering 1920-1990 that includes biographical information, manuscripts, drafts and published copies of articles, lecture notes, correspondence and background materials is housed in the Department of Special Collections at the University's O'Shaughnessy-Frey Library [University of St. Thomas, p. 1].

In comparing and contrasting the hard core principles of solidarist economics and mainstream economics in which the sacred status of the person with inalienable rights is juxtaposed to the contractual behavior of the individual with instrumental value, Waters writes that it was Mueller who identified this change from the Christian concept of status to the Enlightenment concept of contract as "the root problem of contemporary society" [Waters, 1988, p. 120].

Mueller was a charter member of the Catholic Economic Association. Over his lifetime he published five articles and two comments in the Association's *Review of Social Economy*, dealing in the main with Peschian economics. His scholarly legacy includes no fewer than 43 book reviews in the *Review*. All but 10 of those reviews were of books in German. In 1987 he was named second recipient of the Association's prestigious Thomas Divine Award for lifetime contributions to social economics and the social economy.

As with Mueller and Briefs, Ederer fled Germany in the 1930s but, unlike them, earned his doctorate in economics in the United States. He attributes his all-consuming interest in Pesch to Dempsey and Mueller [Gurries, p. 2; Ederer, p. 80]. In the dedication of his *Heinrich Pesch on Solidarist Economics* Ederer said of Franz Mueller that "he ranks foremost among persons who made Pesch and Solidarist Economics known in the United States."

Ederer is included among the nine Jesuits for two primary reasons. First, he earned his doctorate in economics under the influence of the Jesuits at Saint Louis University, principally Dempsey. Second, without collaborators to ease the burden, Ederer translated into English the entire 3800 pages of Pesch's *Lehrbuch* with bibliographies, fine print, and footnotes in an effort which he described as "a boulder of a job." This translation work was a 20-year labor of love [Ederer, p. 79]. Until Edwin Mellen Press published Ederer's translation of Pesch's *magnum opus* in 2002-2003, anyone fluent only in English had to rely principally on Mulcahy's *The Economics of Heinrich Pesch*.

In 2000-2006 Edwin Mellen Press published in five volumes Ederer's translation of Pesch's *Liberalismus, Socialismus, und Christliche Gesellschaftordnung (Liberalism, Socialism, and Christian Social Order)*. IHS Press in 2004 published Ederer's rendering of Pesch's *Ethik und Volkswirtschaft (Ethics and the National Economy)*. In 1981 University Press of America published Ederer's translation of Ketteler's major works as *The Social Teachings of Wilhelm Emmanuel Von Ketteler*.

At this writing, Ederer's *Economics as if God Mattered*, published originally by Fidelity Books, is under revision. Though not a translation, this book strictly speaking is less an original work than a review of the Church's social encyclicals and teachings as seen through the eyes of a social commentator who has devoted his professional lifetime to understanding and communicating Peschian economics.

Ederer's contributions to solidarist economics are enormous. Without his 20 years of labor, Pesch's *Lehrbuch* likely would never be available to the English-speaking world. The academic world, however, has little regard today for the likes of Ederer as scholars because what they produce does not fit the academy's rigid test of originality. Even so, all of us who are instructed by the critical insights of solidarist economics stand a little taller today because we stand on Ederer's shoulders.

It's more than a pity that with the huge problems in contemporary neoclassical economic theory exposed by the 2008 meltdown of global financial markets mainstream economists do not see the flaws in their own thinking, which originate with the problem of economic agency and its underlying foundation in the philosophy of individualism, that solidarist (now personalist) economics has seen and written about for more than a century. It's a shame. Perhaps in the reconstruction of economics Ederer's work someday will find the place of honor it deserves.

Peter Danner
(1921-2008)

Most of Danner's professional career was spent on the economics faculty at Marquette University where he was devoted to teaching and mentoring students and writing on social economics. As a teacher and mentor he not only brought life to the subject matter, but also a greater appreciation that, while important, economics is but one dimension of what goes into making up who we and others are.

In later years his research and writing evolved into what today is called personalist economics, an economics which presents the person as the basic unit of economic analysis grounded in the philosophy of personalism as replacements for the individual and individualism of neoclassical economics. The jewel in the crown of his research and writing is his *The Economic Person: Acting and Analyzing* which he published 16 years after his retirement.

Danner's developmental work on personalist economics began with his student/teacher relationship with Bernard Dempsey at Saint Louis University. In the preface of *The Economic Person*, Danner says the following about his teacher.

Bernard W. Dempsey, S.J., my mentor at St. Louis University, was the first to resolve conflicts between fundamental ethical and economic principles and to introduce me to the economic wisdom of Joseph A. Schumpeter, his own mentor at Harvard [Danner 2002, p.xiii].

Danner attributes his efforts to rethink economic principles and the history of economic thought in terms of personalism to Mounier's *Personalism* and Kavanaugh's 1993 lecture and 1995 monograph *Recovery of Personhood: An Ethics After Post-Modernism* [Danner 2002, p.xiii].

The Economic Person represents a substantial reworking of five of Danner's earlier publications¹⁵ and is the capstone of his efforts to understand contemporary economic affairs in terms of the economic agent as a person. Though the book's title only hints at this, to Danner the economic agent is an embodied spirit, a human body within a spirit.

... the one basic fact is that we are primarily spirits needing to know and to love but spirits, nevertheless, who need and must work through bodies to create from the powers and raw materials of the universe the beautiful as well as the useful things for living [Danner 2002, p.xii].

... the older tradition [prior to Adam Smith] continued of seeing religious, philosophical, social, and humanistic factors influencing people's economic actions. It inevitably suggests examining the economic agent as a self-knowing but embodied spirit. This melding of the material and spiritual, the empirical and the metaphysical, *suggests the need to re-examine some basic economic principles* [Danner 2002, p.xiii; emphasis added].

The Economic Person is neither a principles textbook nor advanced text written for the undergraduate student of economics. For example, it offers none of the schematics or mathematical expressions which have been commonplace in economics texts for many years. It is instead an extended commentary on the economic agent functioning in a modern market economy which goes well beyond the simple understanding of economic agency that is captured by the *homo economicus* of neoclassical economics.

The Economic Person is a direct challenge to neoclassical economists to re-think economics by replacing the concept of the individual, which dates from the 17th and 18th centuries when economic affairs were predominantly local, with the concept of the person which is much more relevant to the overwhelmingly global economic affairs of the 21st century. Danner's

¹⁵ See Danner 1995, 1982, 1996, 1984, and 1994.

understanding of the person originates with the classical Greek philosophers Plato and Aristotle and the economics of the ancient Jews. His argument is that a proper analysis of economic affairs begins with the economic agent, specifically the economic person. Several insights from *The Economic Person* help capture the tone of Danner's extended argument.

- (1) The economic person disappeared into the rationality and gain-seeking of *homo economicus* and the mathematical and quantitative methods of neoclassical economics (Chapter Two).
- (2) Person is an amalgam of contraries -- body and spirit, male and female, individual and social, "I" and "Thou," unified and changing, free and constrained -- whose development depends on sorting out the conflicts between those contraries (Chapter Four).
- (3) Neoclassical economists exclude the person from economic analysis by absorbing all personal values, however important in economic decision-making, into price. Economic rationality transforms into moral perversion when "Thou" is completely disregarded. (Chapter Six).
- (4) Gain-seeking in the form of profits, economic rent, and consumer surplus by itself does not assure the common good (Chapter Seven).
- (5) Though the hopeful expectation of acquiring economic gain is necessary to motivate economic agents to compete in economic affairs and the actual experience of taking possession of that gain is necessary for them to remain engaged, some limit on gain-seeking is required to elicit the cooperation needed to work together and live in community. Three virtues or good habits -- moderation, justice, and generosity -- help constrain gain-seeking and thereby make community a possibility (Chapter Eight).
- (6) The economy can be described as an assortment of physical things such as factories, farms, forests, mines, roads, bridges, and the like. However, it is much more fundamentally a network of human persons acting as buyers and sellers, employers and employees, borrowers and lenders, producers and resource-holders, and in other economic roles (Chapter Nine).
- (7) The social values of liberty, equality, and fraternity are the necessary foundations for the three principles of competition, government mediation, and cooperation that organize the central activities of a market economy: buying and selling, employing and producing, borrowing and lending, innovating and investing (Chapter Ten).

The Economic Person challenges everyone in economics, whether orthodox or heterodox, to begin at the beginning, to construct their economics around flesh and blood economic agents primarily and physical things only secondarily, to examine more carefully how humans conduct themselves in economic affairs especially in matters where conflicts must be resolved, and to draw their conclusions with greater appreciation for the profound mysteries which are at the heart of the human condition and greater acceptance of the uncertainty that necessarily follows from not knowing human beings more fully.

**William Waters
(1920-1998)**

Of the nine, William Waters had perhaps the best grasp of the vast published works of Catholic social economists, no doubt as part of his work as editor-in-chief of the *Review of Social Economy* for twenty years beginning in 1965. From the very start of his editorship, Waters encouraged a broadening of perspective within the Association for Social Economics to include institutionalists, humanists, radicals, feminists, and environmentalists. As editor-in-chief, he probably did more than anyone else at that time to not only welcome them into the Association but also to embrace them as intellectual brothers and sisters. He was honored in the Summer 1990 issue of the *Review of Social Economy* as a “distinguished member of the Association for Social Economic.” Earlier, he was named the first recipient of the Thomas Divine Award for lifetime contributions to social economics and the social economy.

Waters was Jesuit in the sense that as an undergraduate student and also as a graduate student he was educated at American Jesuit institutions: Loyola College in Baltimore, and Georgetown University in Washington. He switched from history to economics when he entered Georgetown where he was influenced by Goetz Briefs and even more so by Josef Solterer. Waters’ dissertation focused on Schumpeter and the Schumpeterian emphasis remained central to Waters’ vision of economics and economic affairs throughout his professional work. In his presidential address to the Association for Social Economics in 1987 Waters said the following.

A realistic explication of the nature of the economy focuses upon the mechanism of [economic] change. The empirical reality is dynamic. Starting with this emphasis, the central role is given to the creative person as an alternative to the utility-calculating individual and is thus more compatible with the solidarist philosophical position than with the dominating classical one.

The economic process is ... essentially Schumpeterian centering upon a creative vision supported by funding that gives the economic creator access to society’s resources and brings forth an innovation. Characteristics of the innovational process [include] some Schumpeterian favorites such as dynamic competition, resistance, creative destruction and the universality of cyclical behavior in a private enterprise society [Waters 1988, pp. 122-123].

Waters quietly referred to himself as a “solidarist” but, in private conversations with the author, recognized the special liability which attends such a label with its greater meaning and acceptance in Europe than America. Of late, a few Catholic social economists including Peter Danner and the author have replaced “solidarist” with “personalist.”

As already suggested, Waters was best known for his work as editor-synthesizer of the work of a vast array of social economists with widely different views on economics and economic

affairs. At the same time, as researcher-author Waters' contribution as a Jesuit came in the form of a small but important body of published work which is significant for its consistently high quality. The following is a sample. Social economics begins with and centers on a

view of human beings as unique persons affirming their individual absoluteness but sharing a common humanity as purposive, responsible and free; as transpersonal beings moving toward community with others to reflect the ultimate dignity of each; and as creative in [the sense] that an essential makeup [of the person] is the need for accomplishment.¹⁶

Finally, Waters had a special gift as teacher-mentor. The courses he taught over more than 40 years include history of economic thought, intermediate macro-economics, European economic history, principles, real-estate economics, and a special seminar on Marshall's economics. Oddly, though the preliminary work had been completed, Waters never taught a course on Schumpeter's economics. Waters can be considered the model Jesuit layperson in teaching, mentoring, editing, writing, and engaging others professionally and personally in ways which reaffirm their dignity even when he disagreed with them. He spent his entire scholarly life at DePaul University.

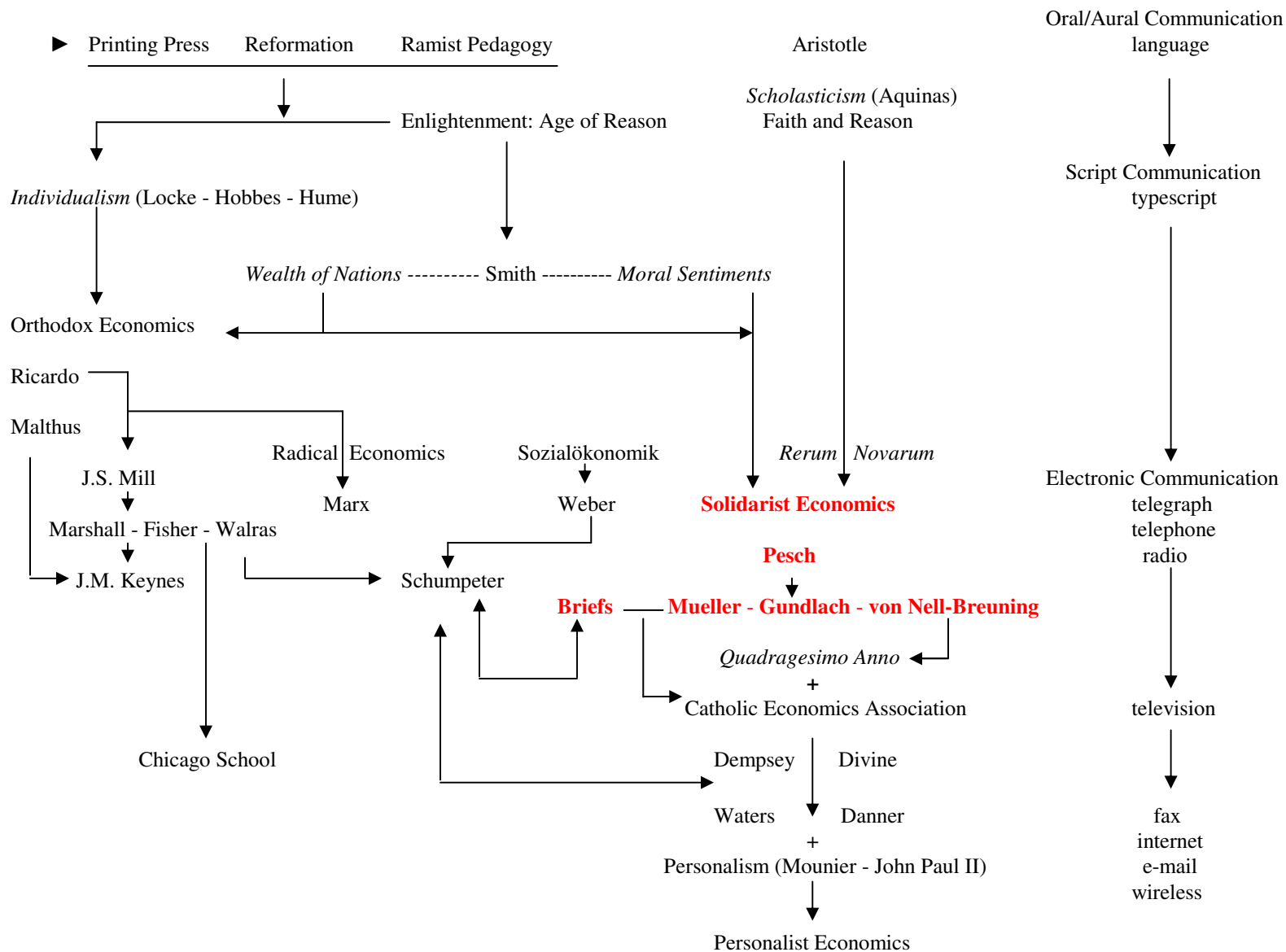
Final Comments

The schematic on the following page traces the origins of personalist economics to Aristotle and Aquinas and incorporates Adam Smith without ever embracing the individualism of the Enlightenment which continues to dominate neoclassical economics today. To limit this schematic to a single page, it was necessary to leave out much which specialists in the history of economic thought, most notably social Catholicism in Germany prior to Pesch, would like to see included.

The papal encyclical *Rerum Novarum* helped inspire the development of solidarist economics in Germany under the guidance of Heinrich Pesch who was deeply troubled by the abject poverty he observed in England in the late 1800s. Pesch rejected as seriously flawed the individualism at the center of economic thought at that time, and set out to construct economics on the foundations of the much older philosophy of the scholastics. Solidarism in turn found an important though silent outlet in the encyclical *Quadragesimo Anno*. Pesch established a study group which included Goetz Briefs, Franz Mueller, and two younger Jesuits -- Gustav Gundlach, and von Nell-Breuning. Briefs and Mueller emigrated to the United States and along with the American Jesuits Dempsey and Divine established the Catholic Economics Association in 1941 (reconstituted and renamed the Association for Social Economics in 1970).

¹⁶ Quoted in "William R. Waters, Distinguished Member of the Association for Social Economics," *Review of Social Economy*, Summer 1990.

ORIGINS AND LEGACY OF SOLIDARIST ECONOMICS: Pesch, Briefs, Mueller, Gundlach, von Nell-Breuning



Schumpeter's economics entered the Association initially through Briefs and Dempsey. As mentioned above, Schumpeter was Dempsey's mentor at Harvard University where Dempsey earned his doctorate in economics. Schumpeter challenged Briefs to design an economic system that would replace socialism as the only alternative to the capitalist system which he regarded as in permanent decline [Waters 1961, pp. 136-137]. Personalist economics emerged on its own as the offspring of solidarist economics principally at the hands of William Waters who was greatly influenced by the teachings of Aristotle and Schumpeter, and Danner whose work draws heavily on John Paul II and Mounier.

The schematic also provides a timeline which connects the three stages of human communication -- the oral/aural stage, the script stage, the electronic stage -- to the evolution of economics since the Enlightenment. In the oral/aural stage, human communication was strictly face to face thereby drawing humans closer together and requiring economic agents to interact face to face, underscoring their human sociality. Teachers and their students were actively engaged in a way which emphasized thinking and speaking as critical to learning.

In the script stage, especially after the invention of the printing press, interaction between economic agents could occur at great distances over an extended period of time without their ever meeting face to face, accentuating their human individuality. Under the influence of 16th century professor, Peter Ramus, learning became a process in which teachers lectured and students were expected to listen, take notes, and follow in the textbook (see Ong).

Virtually everyone who teaches economics employs Ramist pedagogy in the classroom, thereby reflecting and reinforcing the individualism which dominates the neoclassical economics way of thinking. The Ramist pedagogy extends naturally enough to the university library -- the official depository for books rolling off the printing press assembly line -- where the cardinal rule of silence still is observed and enforced.

Homo economicus was a good fit in the typographical culture of the 17th-18th centuries in which inward-directedness, listening and reading, and self-reliance are esteemed while outward-directedness, thinking and speaking, and co-existence are not. The library replaced the forum or as Simon Blackburn put it, citing Schopenhauer, reading is "a mere surrogate for thinking" [Blackburn, p. 5].

In the electronic stage which began with the telegraph economic agents interact over long distances in a short period of time, making them more other-reliant in day-to-day economic affairs without suppressing their human individuality. The economic agent in the electronic stage is an individual being and a social being, no longer just an individual but a person. Ong asserts that personalism emerged in the electronic stage which enhanced human awareness of self and of others.

Catholic social economics that owes much to the nine Jesuits identified herein for its origins and development is barely visible in academic circles today. Perhaps this reflects the vocations crisis in the Jesuit order, the laicization (some would say secularization) of the American Jesuit colleges and universities, the logical positivist bias in conventional economic science, what one might call the marginalization of labor economics (Briefs' and Becker's specialization) within the discipline, or some other reason(s).

Whatever the reason(s) for the decline in Catholic social economic thought and the role of the Jesuits within that scholarly tradition, today there are no American universities including Jesuit institutions which offer a doctorate in economics with a concentration in CSE. At the present time, virtually none of the nine persons included in our company of Jesuit economists would be identified by the typical economics student and, for all intents and purposes, their life work is entirely hidden from view in today's mainstream classroom. Worse yet, none of the professional work of the nine would be recognized much less respected by the typical economics faculty even at Catholic institutions. The legacy of Pesch, Gundlach, von Nell-Breuning, Divine, Dempsey, Brown, Becker, Mulcahy, Solterer, Briefs (Goetz and son Henry), Mueller, Ederer, Waters, Danner, Worland, Gruenberg, and the others is being buried by an economics profession which accepts only mainstream thought as having any authenticity. In that sense, they share the same fate as their professional colleagues in economic history and history of economic thought.

A colleague on the economics faculty at a major American Catholic university several years ago recounted to the author his efforts urging the economics department to afford wider acceptance of intellectual perspectives outside the mainstream. His suggestions were roundly rejected by the faculty. Years before, another colleague at the same institution told the author that it would be a grueling if not impossible task for a person with a specialization and publication record in CSE to get tenured there. Much more recently, a colleague at another Catholic university stated that even when the university offered special financial incentives no one on the economics faculty was competent and willing to teach CSE as part of the economics curriculum. As this paper was in preparation, another colleague also at a Catholic university asserted that colleagues on the economics faculty would not consider hiring a Catholic. In a 2010 interview Ederer lamented the fact that he could not direct a young person to a Catholic institution of higher learning with a strong program in CSE [Gurries, pp. 5-6].

One of the sad consequences of the dismantling of this tradition is that very few are left who are able to give CSE an articulate voice and apply it to the problems of the contemporary economic order. In the early 1980s the author received a first-draft copy of what would become the U.S. Bishops' pastoral letter on the economy -- *Economic Justice for All*. He was deeply concerned that the document was drafted in a way which indicated that the writers knew little about developments in CSE since the 1930s.¹⁷ Indeed, the draft read as if it had been written

¹⁷ Neither the first draft nor the published letter contained a single reference to work published in the *Review of Social Economy* the official journal of the old Catholic Economics Association which began publishing in 1944.

by a New Deal Democrat. The author urged his bishop to recommend assigning the overall responsibility for re-drafting the letter to either William Waters or Joseph Becker. The pastoral letter was improved significantly through revision, but never included the powerful insights of CSE as exemplified in the work of the nine economists in our small company of Jesuits.

The future of CSE is not promising. Even so, three developments are encouraging. First, there is some concern among U.S. Catholic bishops that the Church's own social teaching is not known and understood "by ordinary Catholics on the job, around the home and in the community" [*Initiatives*, April 1998, pg. 4]. Indeed, a report prepared for the bishops' task force on higher education states that

There is little systematic attention given to incorporating gospel values and Catholic social teaching into general education or into departmental majors.¹⁸

Second, in spite of their very small numbers, the Saint Louis Jesuits revolutionized sacred music in countless parishes in the U.S. This great service to the Church originated in a university community which does not have a school of music! It is conceivable that something similar could take place in economics if some of the remaining American Jesuit economists including both priests and lay persons were centered in one place as they were for many years in the Institute for Social Order at Saint Louis University and later in the Jesuit Center for Social Studies at Georgetown University.

Third, John Paul II has articulated a magnificent vision of economic affairs driven by a different set of premises than the individualism which governs Western economies and contemporary economic thought. There is much work to be done in re-thinking economics with these different premises and in finding various ways to apply this thinking to current economic affairs and problems -- a worthy undertaking for any economics faculty free to explore beyond the boundaries of mainstream economic thought. Appendix II provides a brief summary of the central principles of CSE and the problem of economic agency.

¹⁸ Quoted in *Initiatives*, May 1998, [pg. 1].

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APPENDIX I
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APPENDIX II CATHOLIC SOCIAL ECONOMICS AND THE PROBLEM OF ECONOMIC AGENCY

One test of the effectiveness of Catholic social economics (CSE) is whether or not it influences everyday economic affairs. To accomplish that end, however, it is necessary to re-construct and maintain a bridge that carries traffic in both directions so that there is an unimpeded two-way interaction between CSE on the one hand and everyday economic affairs on the other. In the past, the Institute of Social Order in St. Louis served as a bridge between CSE and workplace problems encountered by labor and management, business ethics issues confronting the same parties, and unemployment insurance questions raised in the federal-state administrative agencies. The ISO was established to

- inspire Jesuits with the desire to improve the conditions of their fellowmen.**
- furnish them with principles and practices by which this could be accomplished.**
- Show every Jesuit how in his field social principles could be made a reality.**
- Make the whole Society in the United States responsive to the call of the Holy Father for trained leaders and to the challenge of our late Father general to take our place in the battle to control the happiness, temporal prosperity, and eternal safety of the next few generations (Gruenberg, p. 51).**

The ISO was re-named and relocated to Cambridge in the mid 1960s and later to Washington DC. Due to the declining numbers of active Jesuits in general and specifically for this unique ministry, this important institution no longer exists.

Today there is not a single U.S. Catholic university where a graduate student in economics can master the essentials of CSE, prepare a dissertation applying CSE to contemporary economic affairs, and qualify for a doctorate in economics. Further, the few remaining senior economics faculty with the required background and commitment to this high-level work are being replaced when they retire by younger mainstream economists with little or no interest in carrying the work forward. This is a sure-fire formula for marginalizing and eventually eliminating this kind of rigorous scholarly work in economics leaving the interested graduate student with nowhere to turn for advice, direction, and support. It remains to be seen if it is too late to recover from this serious erosion of commitment and loss of faculty resources.

Thus bridging the gap today is left to a handful of persons acting alone, university-based centers such as the National Center for Business Ethics at Loyola University of New Orleans, the Vincentian Center for Church and Society at St. John's University in New York, the John A. Ryan Institute for Catholic Social Thought at the University of St. Thomas in Minnesota, and the Center for American Catholic Studies at Fordham University in New York. The key to the effectiveness of a bridge is that it carries the more-or-less abstract theoretical thought from the CSE side to the real-world side and feedback from that side to the CSE side. Without that

feedback, CSE becomes fixed in time and fails to take into account the changing circumstances of everyday economic affairs.¹⁹ In other words, it can become increasingly irrelevant.

In what follows we present several instances in which the gap between certain principles of CSE and everyday economic affairs already has been bridged as a way of demonstrating that CSE is not a set of irrelevant principles and that Catholic universities have good reason to retain the economics faculty necessary to teach them and to support the research which establishes where, when, and how they succeed or fail. We are concerned less with identifying where the initiative originated -- on the CSE side or the economic affairs side -- and more with examples of real effectiveness in bridging the gap. We proceed under the following three premises.

First, whether one's argument rests principally on the essential equality of all human beings or the common Fatherhood of all humankind, there is a fundamental sacred dignity in every living human being which cannot be taken away or diminished during his/her lifetime and may not be subordinated to any economic valuation of worth proceeding from economic affairs.

Second, it is need not want that conceptually connects CSE and our way of thinking about economic affairs. Employing need -- the things necessary for human well-being -- rather than want -- the things desirable for human well-being -- clearly differentiates our way of thinking from the mainstream way.

Third, it is the organizing principle of cooperation -- human beings are activated to work together because the work cannot be done at all or as well by working alone -- not the principle of competition -- a human being is activated to work alone for the gain that is associated with working alone -- that drives traffic on the bridge.

Re-Stating Catholic Social Economics

Given the second premise, it is necessary to re-state CSE in a way that reconciles the need of the person with the need of all. We begin with three teachings of CSE that are commonly recognized and accepted in everyday economic affairs. The right to private property and the right of workers to form a union as defined in Leo XIII's *Rerum Novarum* [§§ 15, 51] and the right to a day of rest as re-affirmed in John Paul II's *Centesimus Annus* [§ 15].

The *right to private property* may be re-stated as follows: the good or service produced belongs to the person who produces it [see Leo XIII, § 10]. This principle means that the need of the person and therefore the need of all are best met through personal action in the workplace which in turn is demonstrated by the practice of performance-based pay. Depriving the worker of the pay that is his/her due violates this principle and is fundamentally unjust. Virtually every worker and

¹⁹ See Mezrich (especially pp. 248-254) for the bridging role of principals from the NYMEX who were required to call on two Saudi religious leaders in order to reconcile the opening of the proposed Dubai Mercantile Exchange with Muslim teachings. The leaders' decision was neither to approve the DME nor disapprove it. Since strictly speaking it was not forbidden by the clerics, the DME was allowed to open.

manager in a market economy knows this principle at least instinctively.

The *workers' right to form a union*, defended in *Rerum Novarum* in 1891 and affirmed for the United States in the Wagner Act in 1935, may be re-stated as follows: the need of the worker and the need of all are best met through private *group* action in the workplace. This action takes the familiar form of negotiating with management on wages, hours, and working conditions and may at times justify a strike in order to force management to negotiate in good faith. The right to form a union is meaningless without the corollary *right to strike*.

The *workers' right to a day of rest* is defended in *Centesimus Annus* in 1991. This principle may be re-stated as follows: the need of the person and the need of all to work are subordinated to their need to rest. It is put into effect by the very common practice of allowing workers to rest on the Sabbath and select holidays, though it must be revised for some workers especially in those activities that are continuous such as steel production and hospital care and increasingly is compromised by retail shops opening for business on the Sabbath.

Five other CSE principles are not so readily recognized in everyday economic affairs: the priority of labor over capital, the common good, subsidiarity, solidarity, and the universal destination of the goods of the world.

The *priority of labor over capital* may be re-stated as the profits of capital are subordinate to the need of workers. Profit-sharing, also called gain-sharing, is a common practice in the United States and has energized Cleveland-based Lincoln Electric for many years, making its employees some of the highest-paid manufacturing workers in the world and the company one of the leading producers of quality electric motors and welding equipment and supplies. Every year since 1934, Lincoln Electric has paid a profit-sharing bonus to its eligible employees in December. Over the last 10 years that bonus has averaged 40 percent of an employee's base earnings [Lincoln Electric].

Gain-sharing is based on the simple proposition that workers are motivated to increase their productivity when they are promised a share in the gains that flow from those productivity improvements. Management benefits from gain-sharing because without it the workers would be less productive and the company less profitable. Management resistance to gain-sharing may take the form of this argument: we pay the workers once for their work, we should not have to pay them twice.

The *principle of the common good* for our purposes is re-stated as follows: the need of the person is subordinated to the need of all. The common practice of product standardization gives expression to the common good. Virtually everyone, whether producer, customer, or health-care provider, is served well by a grading system that standardizes the protection available from a range of sunscreen products available from competing firms. The same is true in various ways for many other products including home insulation, gasoline, tires, dimensional lumber, and shoes. This kind of system is made possible only if otherwise competing firms decide that

everyone is better served when they agree to set aside competition on this delimited issue and instead embrace cooperation.

A common currency such as the euro which has been adopted across most of the member states of the European Union and a common system of weights and measures contributes to the common good without in any way hindering economic agents in conducting their everyday affairs.

The *principle of subsidiarity* may be re-stated as follows: the need of all, though different at different times, may best be met through private group action. This action may be undertaken by a council or committee such as St. Louis PRIDE which is a private organization of owners, contractors, and building tradesmen which sorts through problems that arise on construction sites in the St. Louis area that otherwise could trigger work stoppages, cost overruns, and scheduling delays. No one from the public sector serves on PRIDE.

Louisiana Offshore Oil Port (LOOP) is a limited liability company that offloads and stores foreign crude oil from tankers for eventual transport by pipeline to refineries throughout the Gulf Coast and Midwest. LOOP was organized in 1972 and has four owners: Ashland Oil, Marathon Ashland Pipe Line, Marathon Oil, and Shell Oil. To assure the safe handling of oil from deep draft supertankers the offloading is done at a terminal located 18 miles off the Louisiana coast in 110 feet of water. A pipeline transports the oil to onshore storage facilities and from there to the participating owners' refineries. LOOP was built and continues to operate only because the four owners understand that they can reduce the risks in offloading and transporting crude oil more effectively by working together than by operating independently. To reinforce cooperation, LOOP's board of directors is organized on the democratic principle that, irrespective of company size or ownership share, every participating company has just one vote. LOOP, in effect, is a producer cooperative. As with PRIDE, LOOP functions strictly as a private group with no government participation in decision-making.

The *principle of solidarity* may be re-stated as the need of the person is the need of all. One real-world example of solidarity is found in the Geismar Area Mutual Aid (GAMA) agreement in which private chemical companies operating in Louisiana's Ascension Parish and Iberville Parish share certain equipment in an emergency. Due to liability issues, GAMA does not include sharing human resources.²⁰

Another example is the Lower Mississippi River Marine Fire Fighting Committee which includes in its membership federal, state, and local government officials, and private companies all of whom are dedicated to working together to properly train fire fighting teams and to respond as one to especially dangerous fires on ships, boats, and barges using the River and at the numerous petrochemical plants operating along the River between Baton Rouge and New Orleans.

²⁰ GAMA's website is accessible by GAMA members only. This information came from a June 16, 2008 email response from a representative of CAER (Ascension Parish Chemical Industry Community Awareness Emergency Response).

Advanced Book Exchange (Abebooks) is the world's largest online marketplace for used, rare, and out-of-print books. The exchange brings together 12,000 independent booksellers worldwide. Each seller decides which books to list, their general condition, price, and other information. Buyers can browse the books through a convenient search function. The on-line exchange allows buyers to comparison shop and sellers to reach a much wider market.

LOOP and PRIDE also exhibit the principle of solidarity in their operations. GAMA and Abebooks reflect not just the principle of solidarity as noted above but the principle of subsidiarity as well because they are organized strictly as private groups. The Lower Mississippi River Marine Fire Fighting Committee to a lesser extent reflects the principle of subsidiarity because it is organized as a public-private group.

The *universal destination of the goods of the world* may be re-stated in these words: the profits of the company, the property of the person, are subordinate to the need of all. The practice of allowing rival pharmaceutical companies to manufacture and sell as a generic drug a product originally developed by another company once its patent has expired, which allowed the originator to at least re-coup its research and development costs, effectively makes that medication available to more persons in need because as a generic it can be sold at a lower price and still allow the generic manufacturer the profits necessary to bring it to market.

Re-Thinking Economic Agency

To re-construct and maintain a bridge between CSE and everyday economic affairs, it is necessary to re-examine the economic agent, the human being, who principally as consumer and worker is engaged in those affairs literally every day. The need for clarity here is simple and straight forward. Economic affairs are activated not by prices, profits, supply and demand, and the like, though the language of economics often suggests otherwise, but by human beings who alone are capable of *acting* in economic affairs because only humans are living, breathing, existential actualities.

Economic agency as represented in mainstream economics is seriously outdated in large measure because it has deliberately oversimplified the economic agent -- the individual or *homo economicus* which originated in the Enlightenment of the 17th-18th centuries -- in order to simplify economic analysis and produce empirical findings about which it can claim certitude. We propose instead an economic agent -- the *acting person*²¹ -- who is more faithful to 21st century understanding of human nature and better aligned with human activity in

²¹ By the *acting person* we mean the *person in action* carrying out such uniquely economic activities as producing, distributing, exchanging, consuming, saving, investing, credit-creating, lending, borrowing, innovating, developing, and (re-)vitalizing. We suggest *acting person/person in action* for two reasons. First, *acting person/person in action* underscores the economic agent as a human being acting in economic affairs both as an individual being and a social being. Second, whereas *homo economicus* is tied to the philosophy of individualism, *acting person/person in action* links our conception of economic agency to the philosophy of personalism which aligns much more closely to CSE.

current economic affairs. The result admittedly is more complexity in economic analysis which in turn demands more judgment on the part of the economic analyst in correctly interpreting the findings that the analysis brings forth. This proposition rests on the premise that certitude purchased at the price of oversimplification is an illusion.

Economic agency constructed by mainstream economics is based on the proposition that *homo economicus* maximizes utility and profit and that the economy functions best when it reaches Pareto optimality. Maximizing utility and profit means that the good invariably consists in *having* more. This construction misrepresents human nature. In the extreme this leads to conceiving of the economic agent as a “rational, self-interested, calculating *machine*” [see Blinder, pp. 18, 24; emphasis added].

Calling to mind Aristotle on virtue, we propose instead that human beings routinely maximize what we call personalist capital in which certain good habits or virtues such as justice and courage are learned, practiced, and acquired and by which a human being becomes more fully a human person. Further, as human beings develop more fully as a human persons, they become more effective and more highly valued as economic agents. We should add that human beings become less fully human persons by learning, practicing, and acquiring certain vices such as injustice and recklessness, and become less effective and less highly valued as economic agents. This proposition rests on the premise that the economic agent is inseparable from the human person. Maximizing personalist capital rests on the assertion that the good always inheres in *being* more.

A human being is not an automaton. A disposition to act one way or the other does not program a person to act in any predetermined manner. Otherwise that person would not be truly free. Because the economic agent is a complex union of individuality and sociality he/she is free to act in a self-centered or other-centered manner, in a rational or emotional way, a benevolent or mean fashion, a generous or greedy mode, among many other behavioral options. This for sure is one of the profound mysteries of human nature and one of the reasons why predicting the behavior of economic agents is so weighed down with uncertainty.

Final Remarks

What we have said to this point provides only slim anecdotal evidence that economic affairs in fact are governed by more than *homo economicus* and the organizing principle of competition which are at the very core of mainstream economics. In that sense, CSE represents a direct challenge to the mainstream economics way of thinking. Much more research must be done in the workplace and the marketplace to find other examples of companies and human beings – *acting persons* -- operating in ways that are not explainable in terms of the mainstream way of thinking and demonstrate that the examples cited above are more than simple curiosities which in no way undermine mainstream economics.

At the end of his professional work in employment security for which he was known across the

United States as the very best researcher Jesuit Joseph Becker, who for many years served on the staff of the Institute of Social Order, reminisced on the reasons that prompted him into that line of work. His reason finally was “a vision of Judgment Day and of the Judge saying: ‘I was unemployed, Joseph, and you supported me’” [Becker, p. 56]. Becker, who insisted he was a specialist not an expert, offered this advice to one of his graduate students. “If you’re really serious about this kind of research, you must roll up your sleeves and get your hands dirty in the information available only at the state employment security agency.”

Good advice then, and good advice now. It’s the stuff out of which a bridge is re-constructed and maintained. Without that kind of bridge-building work, CSE tends to waste away and in the extreme never is seriously re-examined in terms of everyday economic affairs. Years ago the Catholic Economic Association was split at the very top between one founding father, a Jesuit, who followed orthodox economic theory which emphasized economics as a science studying the allocation of scarce means among alternative ends and purposes based on rational principles of behavior and the other, also a Jesuit, who underscored the importance of the reconstruction of social order based on the social encyclicals. The orthodox view prevailed in the pages of the Association’s journal *Review of Social Economy* [Waters, pp. 92-98]. The orthodox view today dominates the thinking of economic faculties across the United States, including those at Catholic colleges and universities. In that sense, there is very little difference between economics faculties at Catholic institutions of higher learning and other private or state institutions.

Putting CSE back into the economics curriculum and supporting rigorous research along those lines, notably though not exclusively applied to real-world problems such as employment security, discrimination, and market failure, will take a huge commitment on the part of Catholic university administrators who somehow must convince their economics faculties that the mainstream paradigm based on the autonomous, entirely rational, self-interested, utility and profit-maximizing individual simply does not square with CSE. The current turmoil in developed market economies worldwide and the all-too-apparent division in the economics profession as to what to do provide some support for such a re-examination.

If such a recovery is not forthcoming, the work will be left to men and women acting alone without the benefit of mentors who would have seen that they were thoroughly grounded in CSE and the research tools necessary to the task of bridge re-construction and maintenance and without a depository to identify, collect, and provide access to relevant materials already published. Given the relative ease of establishing and maintaining Internet websites, it is a pity there is no website dedicated to function specifically as a depository for CSE materials.

The work will be slowed, hazardous, and conducted under conditions similar to actual bridge work where university schools of architecture and engineering no longer teach and develop the necessary design and engineering skills and the trade unions and vocational schools no longer provide the technical instruction required to turn a blueprint into a bridge.

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