

JOHN PAUL II ON ECONOMIC FREEDOM

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“The individual today is often suffocated between two poles represented by the State and the marketplace.” [John Paul 1991, §49].

John Paul spoke eloquently in 1987 about freedom in the United States on the occasion of his meeting in Miami with President Reagan to celebrate the bicentennial of the U.S. Constitution.



Among the many admirable values of this nation there is one that stands out in particular. It is freedom. The concept of freedom is part of the very fabric of this nation as a political community of free people. Freedom is a great gift, a great blessing of God.

From the beginning of America, freedom was directed to forming a well-ordered society and to promoting its peaceful life. Freedom was channelled [sic] to the fullness of human life, to the preservation of human dignity and to the safeguarding of all human rights. *An experience in ordered freedom is truly a cherished part of the history of this land.*

This is the freedom that America is called to live and guard and to transmit. She is called to exercise it in such a way that it will also benefit the cause of freedom in other nations and among other peoples. The only true freedom, the only freedom that can truly satisfy, is the freedom to do what we ought as human beings created by God according to his plan. It is *the freedom to live the truth of what we are and who we are* before God, the truth of our identity as children of God, as brothers and sisters in common humanity. That is why Jesus Christ linked truth and freedom together, stating solemnly: "You will know the truth and the truth will set you free" (*Io 8, 32*). All people are called to recognize the liberating truth of the sovereignty of God over them both as individuals and as nations. [John Paul II 1987b, §3, emphasis in original].

Our attention turns first to John Paul's comments in *Centesimus Annus* on the centrality of freedom to human nature and his warning with regard to the violent suppression of self-interest.

Moreover, man, who was created for freedom, bears within himself the wound of original sin, which constantly draws him towards evil and puts him in need of redemption. Not only is *this doctrine an integral part of Christian revelation*; it also has 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 still 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 violently suppressed, it is replaced by a burdensome system of bureaucratic control which dries up the wellsprings of initiative and creativity. When people think they possess the secret of a perfect social organization which makes evil impossible, they also think that they can use any means, including violence and deceit, in order to bring that organization into being. Politics then become a "secular religion" which operates under the illusion of creating a paradise in this world. But no political society – which possesses its own autonomy and laws – can ever be confused with the Kingdom of God. [John Paul 1991, §25; emphasis in original].

In *Sollicitudo Rei Socialis*, which was released four years before *Centesimus Annus*, John Paul makes the extraordinary statement that "... one must not overlook that *special form of poverty* which consists in being deprived of fundamental human rights, *in particular* the right to religious freedom and the right to *freedom of economic initiative*." [John Paul 1987a, §42; emphasis added].

Notice John Paul's conditional approval of the market economy constructed on freedom and his rejection of socialism as an alternative even in those cases where private capital absolutely controls the decision-making process.

In this sense, it is right to speak of a struggle against an economic system, if the latter is understood as a method of upholding the absolute predominance of capital, the possession of the means of production and of the land, in contrast to the free and personal nature of human work. In the struggle against such a system, what is being proposed as an alternative is not the socialist system, which in fact turns out to be State capitalism, but rather *a society of free work, of enterprise and of participation*. Such a society is not directed against the market, but demands that the market be appropriately controlled by the forces of society and by the State, so as to guarantee

that the basic needs of the whole of society are satisfied. [John Paul 1991,§35; emphasis in original].

Elsewhere in *Centesimus Annus*, John Paul centers attention on the fundamental error of socialism.

Socialism considers the individual person simply as an element, a molecule within the social organism, so that the good of the individual is completely subordinated to the functioning of the socio-economic mechanism. Socialism likewise maintains that the good of the individual can be realized without reference to his free choice, to the unique and exclusive responsibility which he exercises in the face of good or evil. Man is thus reduced to a series of social relationships, and the concept of the person as the autonomous subject of moral decision disappears, the very subject whose decisions built the social order. From this mistaken conception of the person there arise both a distortion of law, which defines the sphere of the exercise of freedom, and an opposition to private property. A person who is deprived of something he can call “his own”, and of the possibility of earning a living through his own initiative, comes to depend on the social machine and on those who control it. This makes it much more difficult for him to recognize his dignity as a person, and hinders progress toward building up of an authentic human community. [John Paul 1991,§13; emphasis in original].

John Paul’s condemnation of socialism derives importantly from the crisis in Eastern and Central Europe in 1989 where two factors played a critical role: “the violation of the rights of workers” and “the violation of the human rights to private initiative, to ownership of property, and to *freedom in the economic sector*.” [John Paul 1991, §§23,24; emphasis added]. The historical record regarding socialism, he notes, is that human alienation has not been reduced but collectivism has only added to it. The state, he argues, is to be guided by two principles in economic affairs: subsidiarity to assure economic freedom and solidarity to defend the weak, limit the autonomy of the parties who determine conditions in the workplace, and provide basic support for jobless workers. [John Paul 1991, §§ 41, 15].

Rather than condemning profits out of hand, John Paul offers the following conditional approval.

The Church acknowledges the legitimate *role of profit* as an indication that a business is functioning well. When a firm makes a profit, this means that productive factors have been properly employed and corresponding human needs have been duly satisfied. But profitability is not the only indicator of a firm’s condition. It is

possible for the financial accounts to be in order, and yet for the people – who make up the firm’s most valuable asset – to be humiliated and their dignity offended. Besides being morally inadmissible, this will eventually have negative repercussions on the firm’s economic efficiency. In fact, the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a *community of persons* who in various ways are endeavouring to satisfy their basic needs, and who form a particular group at the service of the whole of society. Profit is a regulator of the life of a business, but it is not the only one: *other human and moral factors* must also be considered which, in the long term, are at least equally important for the life of a business. [John Paul 1991, §35; emphasis in original].

Economic freedom is the foundation of the modern business economy. [John Paul 1991, §32]. Further John Paul re-affirms the Church’s commitment to freedom as a necessary condition to assure the “transcendent dignity of the person” [John Paul 1991, §46]. Even so, he recognizes that freedom in economic affairs is not absolute. Economic freedom, he asserts, is only one element of human freedom. When economic life becomes absolutized, that is

when man is seen more as a producer or consumer of goods than as a subject who produces and consumes in order to live, then economic freedom loses its necessary relationship to the human person and end up by alienating and oppressing him. [John Paul 1991, §39].

While the right of private property assures that the goods produced belong to the persons who produced them and who thereby have a rightful claim on the use of those goods, that claim is not absolute. There is a second claim on their use based on the principle of the universal destination of the earth’s goods that states that the material goods of this world are intended for the use of all humankind and are not governed and protected absolutely in their use by the right of private property. [John Paul 1991, §§30, 34].

CONCLUDING COMMENTS

John Paul rejects the notion that the Church has a model for organizing economic affairs. Instead he argues that economies must be organized “through the efforts of all those who responsibly confront concrete problems in all their social, economic, political, and cultural aspects, as these interact with one another.” [John Paul 1991, §43].

Unlike his extended remarks on capitalism and socialism, John Paul does not refer directly to a “third way” of organizing economic affairs. However, twice in *Centesimus Annus* John

Paul addresses the significance of intermediary bodies in the social order between the individual on one hand and the state on the other.

... the social nature of man is not completely fulfilled in the State, but is realized in various intermediary groups, beginning with the family and including economic, social, political and cultural groups which stem from human nature itself and have their own autonomy, always with a view to the common good. [John Paul 1991, §13].

Apart from the family, other intermediate communities exercise *primary* functions and give life to specific networks of solidarity. These develop as real communities of persons and strengthen the social fabric, preventing society from becoming an anonymous and impersonal mass, as unfortunately often happens today. It is in interrelationships on many levels that a person lives, and that society becomes more “personalized.” [John Paul 1991, §49; emphasis added].

Personalist economics argues strenuously that, besides capitalism and socialism, there is a third way to organize economic affairs. Waters asserts that the logic of Catholic principles actually *dictates* what he calls a solidarist system [Waters 1993, p. 34] and we prefer to call a personalist system. And John Paul with others has supplied a modern philosophical foundation for a personalist system -- personalism -- to replace the absolutist individualism of the capitalist system and the suffocating collectivism of socialist regimes that he condemns in *Centesimus Annus*.

A personalist economy is modeled after John Paul’s recommendations from *Centesimus Annus*, specifically the following: the market, private enterprise, the common good, economic freedom, subsidiarity, solidarity, worker participation in enterprise decision-making, the universal destination of the world’s goods, and the legitimacy of profit. [John Paul 1991, §§43, 48, 15, 30, 35]. The *most important* characteristic of a personalist economy is economic freedom. Its *distinguishing* characteristic is the unique role played by cooperating intermediary groups.

Much work must be done to accumulate the evidence indicating that a personalist market economy offers a viable and practical “third way”. In this regard, we have uncovered a few examples of cooperating intermediary bodies at work in the U.S. economy. For example, PRIDE of St. Louis, which was established in 1972, is a voluntary labor-management organization in the construction industry that meets monthly to identify and deal with stress points that interfere with the completion of building projects on time and within budget. It is an excellent example of private group decision-making that seeks to

find ways to deal with problems in the construction industry that cannot be addressed by private individual decision-making and eliminates the need for public group intervention.

Other examples of intermediary groups include Advanced Book Exchange (AbeBooks), Louisiana Offshore Oil Port (LOOP), Business Software Alliance, and Geismar Area Mutual Aid.¹ Still others are needed that demonstrate the diversity of a personalist market economy not only in the United States but in other countries as well. With its history of producer cooperatives, which emphasize cooperation in economic affairs, *Italy offers considerable promise.*

A personalist economy represents a viable option to both capitalism and socialism because it is organized around private groups positioned between the individual person and the more powerful state, groups that emerge due to the inability of the individual person to adequately address specific economic problems.

By using non-collusive cooperation to work out solutions to problems, intermediary groups that operate in a personalist economy offer promise for slowing the growth of big government thereby helping preserve the free exercise of economic initiative. The most important characteristic of these private groups is a separate administrative organization that subordinates the principle of competition to the principle of cooperation in a dynamic decision-making process that is positive-sum in that these groups seek to achieve gains for all of the parties involved whether they are directly represented in the organization or not. Arising from the social nature of human beings who are encountering similar day-to-day economic difficulties, these intermediary bodies are as diverse as the individual nature of those human members and the specific economic problems they hope to resolve.

All of us who affirm John Paul on the need to replace the absolutist individualism of capitalism and the suffocating collectivism of socialism are well-advised to return to his teaching on economic freedom and how it is practiced and protected in a personalist economy by the practical application of the principle of subsidiarity. In other words, a personalist economy and economic freedom are inseparable.

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¹ Links to their websites are listed in the references section.

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