The Capital Market and Catholic Social Thought

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The Passover of the Jews was near, and Jesus went up to Jerusalem. In the temple he found people selling cattle, sheep, and doves, and the money changers sitting at their tables. Making a whip of cords, he drove all of them out of the temple, both the sheep and the cattle. He also poured out the coins of the money changers and overturned their tables. He told those who were selling the doves, ‘Take these out of here! Stop making my Father’s house a marketplace!’ His disciples remembered that it was written, ‘Zeal for your house will consume me.’ The Jews then said to him, ‘What sign can you show us for doing this?’ Jesus answered them, ‘Destroy this temple, and in three days I will raise it up.’

John 2:13-20

The Church’s doctrine regarding its Catholic Social thought and its continual reflection on national and international economics has been repeatedly rejected by modern market theories for nearly a century and a half since Pope Leo XIII’s Rerum Novarum. The disdaining voices of Max Weber, Karl Marx, and Charles Wright Mills are a few that stand out when examining 20th century economic theorists, on the subject of the Papal office’s written reflections on economics. Many of these theorists declare that the Catholic Church’s teachings have no place in the new economic and technologically advanced nations of the secular Western world. However, can this Western society mutually agree upon an overall conceptualized ideal of a social morality within the marketplace without the reflection from a third party? All people of good will, both of faith or not, can identify the individual moral conditions that seem innate to the human person,¹ yet the individual often has difficulty identifying these moral conditions when it concerns elements or practices of a shared universal culture. In a society not based on the foundation of a moral consciousness, “structures of sin” are easily developed without a critical or observant response.

Structures of sin are defined by Saint John Paul II as:

[the] type of analysis above all in order to point out the true nature of the evil which faces us with respect to the development of peoples: it is a question of a moral evil, the fruit of many sins which lead to ‘structures of sin.’ To diagnose the evil in this way is to identify

¹ Moral conditions are those situations which force us to individually question actions of right and wrong.
precisely, on the level of human conduct, the path to be followed in order to overcome it.”\(^2\)

Arguably, the largest issue confronting North American society today is the economic hardships of income inequality, which are both created and distributed as a result of a market lacking a reinforced moral foundation. This polemic situation rewards the few rather than enabling the inclusive prosperity of all who share within this culture. Through the examination of Catholic Social Teaching, a legitimate critical response can be constructed on behalf of the Holy Roman Catholic Church against the abusive tendencies of Western society to manipulate and harm the peoples of the world through an unregulated form of market economics. This paper argues that the Church calls upon individuals and organizations engaged in the market on both a professional and recreational level to achieve the ethical obligations of our humanity, through treating the other with respect and dignity whilst promoting a free and democratic market for the 21\(^{st}\) century. As Pope Francis explained as something for every person living in the 21\(^{st}\) century to reflect upon: “we are not living an epoch of change so much as an epocal change.”\(^3\)

Many who superficially examine what the Church’s teachings are on economics, usually conclude that the Church proclaims a tendency towards a socialist economic state. A prime demonstration of this false belief was on some of the American News outlets’ rendition of Pope Francis’ *Evangelii Gaudium* upon its publication. A superficial interpretation lead many of these news outlets to accuse the Pope’s encyclical as sympathetic to socialist ideology on economics and social structure. Preferential treatment of the poor, fair minimum income, and the right to work, for many, sound too similar with the ideological tenets of the once Soviet Union. Daniel


K. Finn describes this idea in his book: *The Moral Ecology of Markets: Assessing Claims about Markets and Justice*, “for most of the past 150 years, this debate [on proper shape of economic institutions] has been largely understood as a contest between ‘capitalism’ and socialism”.

The Church does not join into this debate by attempting to stand as an outside institution condemning or critiquing both capitalism and socialism while providing an alternative direction. Rather, the Church argues for a democratic capitalist economic market which remains in the realm of both political and ethical regulation. Holy Fathers have continually demonstrated support of a moral capital market blessing the tenets of economic prosperity and private property. Saint John Paul II responded to the question of what economic system should a developing country embrace by outlining:

> The answer is obviously complex. 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, even though it would perhaps be more appropriate to speak of a "business economy", "market economy" or simply "free economy".

While the Church and Saint John Paul II do affirm this economic system, they also identify the necessity of two circumscriptions upon the free market, which is expressed through both a political and ethical perspective influenced by societal reflection upon the capitalist economy.

> When examining the impact of the political circumscription, the Church preaches it as an utmost necessity in maintaining a legitimate capitalist market. Those who are most actively engaged within the market’s presence and political organizations are called to embrace this form of regulation. The plea to maintain continual political regulation and supervision over the free

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6 Ibid.
market is the response to permitting for the prosperity of the individual without the harm of another. The Church emphasizes that those called to this political regulation are to be bound by both the Church’s social criticism, and social teaching, which has its authority reinforced from both the magisterium and the entirety of the Church’s ecclesiology. A distinction that must be perpetually maintained for this political circumscription to fulfill its role is the relation and significance between labour and capital. As the *Compendium of the Social Doctrine of the Church* defines:

> Labour has an intrinsic priority over capital. “This principle directly concerns the process of production: in this process labour is always a primary efficient cause, while capital, the whole collection of means of production, remains a mere instrument or instrumental cause. This principle is an evident truth that emerges from the whole of man’s historical experience.” This “is part of the abiding heritage of the Church’s teaching.”

The labourer must always be held as more crucial and significant in comparison to capital for the whole of both social and economic sustainability. In answering one of Daniel Finn’s questions: “Are there any moral standards to which a business firm should adhere when considering layoffs?” Catholic Social teaching, and multiple studies which connect worker’s happiness with overall higher levels of productivity, such as the study *Happiness and Productivity* out of the University of Warwick, would lead the average individual to believe that a priority over the labourer rather than a net capital should always be taken for granted when considering the action plans of companies and organizations. Although the increase in capital may provide financial and monetary benefit for both the employer and labourer, the perpetual mission to value the labourer must be the primary concern for any business.

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In the last one hundred and fifty years, the Church has predominantly promoted the wellbeing of the labourer and the right to work as being a fundamental necessity for the good of humanity.¹⁰ Those who do not work because of the misfortunes of an unfettered capitalist market are left to the fringes of our society and experience a loss of essential human dignity. One must only need to reflect upon the average North American’s reaction and mindset towards homelessness over the past few decades to understand how those who suffer economic and financial misfortune are no longer considered a part of the ever so healthy capitalist society. A connection can be made between the increased rhetoric of disdain towards low income or homeless individuals and families over the past decade, and the strain of a 32% increase on United States welfare spending since 2008 and 2011.¹¹ Furthermore, James P. Bailey also discusses issues of Asset Discrimination in his book Rethinking Poverty: Income, Assets, and the Catholic Social Justice Tradition.¹² Where he describes the continual tradition in American culture of withholding certain monetary and financial services to individuals of a discriminated minority, such as African-Americans and the Hispanic community.¹³ Pope Francis states that in the 21st century world, these individuals are not even sent to the fringes but are “no longer even a part of [society]. The excluded are not the ‘exploited’ but the outcast, the ‘leftovers’.”¹⁴ Therefore, in order to satisfy this political circumscription which the Church places as one of the criteria for the legitimacy of the free market, both the priority of the labourer and the continual

¹⁰ Compendium of the Social Doctrine of the Church, 126.
¹³ Ibid. 87-102.
advocacy for political regulation and the right to work are to be held as infallible by all means, and respected by all members of the market.

The second universal regulation the Church places in the criteria for a legitimate market is the adherence to an ethical or moral practice within the world of economics. The Church proclaims that, to fulfill this moral circumscription, the ideals of fairness in the judicial system, the respect of the individual, observance to environmental protection, and the placement of religious adherence must all be advocated by the economic stratosphere. To fulfill this moral or ethical circumscription for the legitimacy of the free market, special attention must be raised concerning the call for a religious tradition to play as the foundation of a shared morality. This shared morality would in turn influence the actions of the entire socio-economic culture towards the acknowledgement of the other. By stressing this mutual morality, it does not mean to insinuate that individuals of good will who do not participate in a specified religious tradition do not comprehend a foundational sense of ethics. As the Compendium quotes Pope Pius XI: “Even though economics and moral science employs each its own principles in its own sphere, it is, nevertheless, an error to say that the economic and moral orders are so distinct from and alien to each other that the former depends in no way on the latter.”15 The Pope stresses to some degree that moral cognition and economic prosperity can reconcile in order to construct a homogeneous structure for societal utilization. Is it then necessary for the Church to advocate the need of a religious tradition in the marketplace?

The Church would affirm the need of a religious tradition or scriptural reference as being necessary on the claim that, how can a society or even the Church make proclamations on the good of private property without the conception of “You shall not steal.”16 The connection

15 Compendium of the Social Doctrine of the Church, 144.
16 Exodus 20:15 NRSV.
between the mutually shared principles of ethic morality within Western tradition and Christianity come to influence and shape specific societies and their corresponding culture. Yet one may ask, does not the Commandment of *thou shall not steal* contradict notions of private property which is expressed by a capitalist economy? Therefore, is Saint John Paul II not contradicting the core principles of Catholic teaching when endorsing a system that promotes the ideology of private property amongst those participants in the marketplace? However, Saint Thomas Aquinas’ argument of private property is a practice that leads to the betterment of a larger body politic due to its ability to produce a more peaceful dynamic where each individual maintains and partakes of their own property in community with the larger society. A regulated and fettered ideal of private property, according to Aquinas, tempts the brokenness of man less than having continual urges to steal that which is not his. Although, A.M.C. Waterman raises the question in his article *Market Social Order and Christian Organicism in Centesimus Annus*:

How can Christians, being members of a body in which ‘all the parties … be not together in perfect love and unity,’ permit and approve of a social order in which the production and distribution of goods and services (not to mention the very nature of society itself) is the result not of any human design for the common good but of many private, individual actions motivated chiefly by self-love?  

The fairness of a prominent judicial system is a good answer to Waterman’s concerns, as it being a mechanism in which a state or larger institution, such as a corporate business, could use as the ability to recognize the dignity of the individual while attempting to achieve the set mission or goal of the larger body of people. “Judicial [systems]… reflects a realistic vision of man's social nature, which calls for legislation capable of protecting the freedom of all.”  

The fairness of a developed judicial system is a key criterion in the foundation of a morality within the world of

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18 Saint John Paul II, *Centesimus Annus,* sec. 44.
economics, which identifies and respects the dignity of both the individual and the larger human body.

It is the struggle of the 21st century for both the Church and Western society to reconcile the Catholic organicist approach to society and Western individualistic social theories, yet Catholic social teaching must continue on the path of openness and communication in order to connect these two distinct approaches. Furthermore, the Church preaches for the protection of the environment against both marketers and consumers in an unfettered demonstration of a capitalist economy. Most notably has been Pope Francis’ latest encyclical *Laudato Si’*, which discusses the harms humanity has done to Earth, and how the current state of radical consumerism is having major implications on the sustainability of our planet.

Their behaviour shows that for them maximizing profits is enough. Yet by itself the market cannot guarantee integral human development and social inclusion. At the same time, we have “a sort of ‘super development’ of a wasteful and consumerist kind which forms an unacceptable contrast with the ongoing situations of dehumanizing deprivation”, while we are all too slow in developing economic institutions and social initiatives which can give the poor regular access to basic resources. We fail to see the deepest roots of our present failures, which have to do with the direction, goals, meaning and social implications of technological and economic growth.19

To conclude this discussion on the moral circumscription of the market, two quotes leave one to reflect on teaching of the Church in contrast with the societal practices of the 21st century world.

“If you have two shirts in your closet, one belongs to you and the other to the man with no shirt.”20 And Pope Leo XIII’s exclamation: “once the demands of necessity and propriety have been met, the rest that one owns belongs to the poor.”21

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21 Ibid.
Once these two circumscriptions have been satisfied to permit the legitimacy of the free market, the Church warns both the religious and secular of another social practice that may arise as a detriment to the human person, the idolatry of money. Pope Francis acknowledges similarities in the Western World’s obsession with money, to the golden calf of Moses’ time. Following in the tradition of Catholic Social thought, Pope Francis states that the Western economic system does not fulfill the above regulations upon the market, which in turn generates: “[an] imbalance [that] is the result of ideologies which defend the absolute autonomy of the marketplace and financial speculation.” Condemning this new God ‘Money’, Pope Francis declares that the worship of this false god automatically descends society and the marketplace past the criteria of a circumscribed economy. “In this system, which tends to devour everything which stands in the way of increased profits, whatever is fragile, life, the environment, is defenseless before the interests of a deified market, which becomes the only rule.” I argue that both Pope Francis and the Church would affirm that once money has become the centrality of a society, meaning that money is the shared goal of most individuals living within that society, these two circumscriptions are inadequate. In order for the two circumscriptions to be utilized properly towards the flourishing of a free democratic capitalist system, then the idolatry of money must be held as something that goes against the progress of the society. Western society demonstrates these characteristics to an alarming rate, with the obsession of capital increase, the age of supercenters such as Walmart, and the controversial discussions around fair minimum wages. Western culture, and its marketplace seem to be what Pope Francis alludes to when discussing a shared community that prays to the Golden Calf. Those entering the market place as participants or heads of business must avoid the intensified tendencies of financialisation which

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22 Evangelii Gaudium, 42.
23 Ibid., 43.
24 Ibid.
“commoditise[s] the goals of work and to emphasise wealth maximization and short-term gains at the expense of working for the common good.”

The Roman Catholic Church does not call for the establishment of a socialist market within the states of the world, but rather the creation of a fair and just democratic capitalist economy. By arguing for a duo circumscription upon the free market, the Church demands the people of the world, to the obligation of establishing a political and moral regulation on the free capitalist market. The Holy Roman Church prophetically exclaims that with the foundation of a moralistic society, the practice of a politically regulated market, and the divine intervention of Christ, the democratic capitalist market can fulfill its obligations as “an institution of social importance because of its capacity to guarantee effective results in the production of goods and services.”

This fulfillment of the capitalist market would lead to the prosperity for all who wish participate, and grant the safety of the individual from the horrors of an unfettered capitalist system that proves to dismiss the rights of the person, segregate between socio-economic class, and cast people from a system that is intentionally prepared to only serve the few. In the conclusion of Saint John Paul II’s encyclical Centesimus Annus, he states the one principle in which humanity must defend to combat historical and societal change.

In every age the true and perennial "newness of things" comes from the infinite power of God, who says: "Behold, I make all things new" (Rev 21:5). These words refer to the fulfilment of history, when Christ "delivers the Kingdom to God the Father ... that God may be everything to everyone" (1 Cor 15:24,28). But the Christian well knows that the newness which we await in its fullness at the Lord's second coming has been present since the creation of the world, and in a special way since the time when God became man in Jesus Christ and brought about a "new creation" with him and through him (2 Cor 5:17; Gal 6:15).

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26 Compendium of the Social Doctrine of the Church, 150.
27 Saint John Paul II, Centesimus Annus, sec. 62.
Bibliography


