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Economics, Property and God's Will

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Catholic Social Thought (CST) has enjoyed a continuous consistent development through the history of the Church grounded on scripture and tradition informed by rational enquiry and faith up to the twentieth century. The century of social encyclicals beginning with *Rerum Novarum* can be interpreted as a response by the Church to novelties in social thought that crystallised into mainstream cultural practice in the eighteenth century. So called *Enlightenment* thought created an illusory dichotomy in social thought and the split libertine movements that are now commonly labelled as the political Left and Right.

Economic thought has been caught within this dichotomy as a result of its adoption of an anthropological premise that owes more to the Enlightenment than to an authentic understanding of the human person. The late Holy Father addressed this shortcoming in several places, both with respect to the human person and to the centrality of an authentic understanding of liberty. Catholic economic thought is currently caught between emerging social realities and its own history. This rift is partly due to a methodological divide between Catholic social thought and the contemporary economics discipline. The latter has been at pains to establish an ethics free science, while CST tends to include an understanding of human action that contains an essential ethical dimension.

Conceptions of the human person, liberty and ethical action informed by realist Catholic thought are shown to provide a context that can resolve the tension between economic thought and CST. This would locate positive economics as a service discipline to a more complete understanding of human action befitting the person's relationship with the community and God. Within this framework the political left and right can be seen not as exhausting the possibilities for human action, but only providing one dimension within a multi-dimensional understanding of the person. CST and the economic principles that follow from it, can be shown to be not so much a third way, but a separate dimension of understanding that places the person before God as a steward entrusted with the freedom, power and dignity to act with charity. From this perspective the Gospel can be shown to provide the necessary starting point for an understanding of economic action that has the capacity to appropriate the valid components of contemporary economic thought while not following it into its pitfalls.

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Introduction

When Philip Booth wrote a dual review of Thomas Woods' *The Church and the Market: a Catholic Defence of the Free Market* and the Pontifical Council for Justice and Peace's *Compendium of the Social Doctrine of the Church* he expressed in print a position that has taken form implicitly in the more visible thread of recent Catholic economic scholarship, at least in the English language. While he introduced Wood's work as one that "should be required reading for any university or seminary course that is supposed to be grounded in Catholic social teaching", the Compendium was described as "quite a different book." Booth left no doubt which book should be adopted to mould the economic views of Catholics, even though he did concede that it could be argued that Woods' criticisms of the Catholic teaching on several "issues covered in (his) book are too severe." Apparently the teaching of the Catholic Church is to be disregarded by Catholics in favour of writers such as Woods in order to provide a more Catholic view than that contained in a century of papal encyclicals.

Booth and Woods are by no means alone in this endeavour. The review of the Compendium in the *Journal of Markets and Morality* was titled *A Lost Opportunity*, leaving little to the imagination regarding the view of the Church's official position supported by the editorial board there (Gregg 2006). The movement that these authors collectively represent was referred to as the Catholic neoconservative economic position, some time before the term *neoconservative* came to be popularly associated with US political inclinations.

The Catholic neoconservative economists advocate liberal democratic capitalism as the ideal expression of Christian economic order. They attempt to fuse Catholic social thought with free market economics, usually of the Austrian variety, to argue that the economic order that developed in Europe as a result of the Protestant revolt is the one that the Catholic Church must now adopt. In its finer points it argues that key aspects of the former moral teaching of the Church were either wrong or have changed. Unfortunately, the Popes have been slow to recognise this and from Leo XIII to John Paul II they have clung to an outmoded economic morality according to the neoconservatives. The neoconservatives have undertaken to correct this and have mobilised considerable resources through foundations like the Acton Institute to educate Catholics and the hierarchy of the Church. They publish journals such as *Markets and Morality* and promote educational initiatives in universities and seminaries throughout the Americas and elsewhere aimed at disseminating their views. If they are part of the work of God, then their efforts will be a great good. However, if their aim is to be an instrument for the distraction of the Church's moral teaching, then they may pose a major impediment to the effectiveness of the Church in its role as teacher to the nations.

This type of instrumentalism is usually associated with the liberal movement within the Church who have a proven track record over recent decades since they successfully subverted the thrust of Pope Pius X's encyclical against the modernists, *Pascendi Dominici Gregis*. Whereas the liberals teach the suite of doctrines that the saintly pope banned on the Left of the Church, a powerful and well funded conservative lobby on the Right is preaching an approach to economics that is likewise well beyond the explicit teaching of the Church and the consistent

development of its social thought as found in the likes of St. Thomas Aquinas, St. Bonaventure and a host of other saintly authors.

It has been said that if the devil cannot pull you off the path to salvation one way then he will try to push you off in the opposite direction. The challenge is to identify the appropriate, though narrow, middle way. This paper will attempt to explore some of the themes and identifiers that may shed light on the strengths and weaknesses of the various positions. It will do this by beginning with a review of liberalism and its importance as metaphor for economic action. It will then review various major positions, identify the major themes for economic action and relate these to wider cultural forces.

The three liberties

The American war of independence was fought by two armies both using the same catch cry of liberty. For the English, liberty meant the liberal thought of David Hume and the continued mercantile liberty that his close friend Adam Smith had embodied within his *Wealth of Nations*. English liberalism provided the name for our major conservative political party and promotes a liberty that argues freedom for the market. By contrast, the American colonists were fighting for continental liberty of the sort that the French, following the likes of Jean Jacques Rousseau or Voltaire, were promoting. To be liberal in the USA is to vote Democrat, and American liberalism may even account for the curious spelling of our equivalent political party, the Labor party.

The irony of these two liberalisms is contained within the person of David Hume, who was also a close friend of Rousseau, and whose philosophy admits both liberalisms. Hume's philosophy was based on a rejection of metaphysics and its replacement by experience. From this, his anthropology posited a theory of humanity that was rational and material, or at least focused on the senses. According to Hume, such a person could only base moral judgement on subjective sentiment and happiness reduces to material pleasures. Hume was referred to by his peers variously as "*the Father of British empiricism*," "*the Great Atheist*" and the "*greatest philosophical terrorist of all times*". His philosophy supported a personal life that was anything but Christian, but not unlike that found in both the Left of contemporary politics as exemplified in former US president Bill Clinton, and the Right in the intrigues of Richard Nixon and the class of Republican operatives that gained the title *republican reptiles* during the Reagan administration. Smith was heavily influenced by Hume (Morris 2001) and used the latter's anthropology to argue that the self interest that necessarily followed from it could perhaps be the only organising principle within the economy. This led to the conclusion that liberty in the market was necessary for the efficient workings of the economy.

Conversely, French intellectuals used a similar philosophy and anthropology, though applied from the perspective of the ordinary person, to conclude that liberty required political action to curtail the abuses of the powerful. Following the French revolution, these sentiments tended to move north to inspire Hegel's theories of history, Proudhon, Marx and the socialist movement. For the French, as for the later socialists, liberty for the majority could only be achieved through the application of their political influence to produce an equitable society.

The problem with both expressions of liberalism is that they rest on the deficient understanding of the human person developed through the so called Enlightenment of

the eighteenth century. If a person is no more than a rational animal, liberty can be no more than an absence of restraint.

In their economic outcomes both liberalisms result in curious paradoxes and despite their apparent opposition, they have fundamentally similar intellectual foundations (Kreeft 1984). The Left wing liberal seeks equality for the majority through the force of the state. It would give many liberal access to other people's property. History has shown the result of its extreme application under communism is anything but freedom.

The Right wing liberal seeks equal profit opportunity, using the forces of the market. Marx argued it would give a small number of people inordinate access to the fruit of other people's labour. Historically its extreme application in the British Isles from the sixteenth to nineteenth centuries is salient evidence that it is an inhuman economic system. It was able to make Britain the world's foremost economic power whilst simultaneously impoverishing the majority of its own working people.

Both liberalisms use external force to constrain the other in relationship. Both are pursued by militants who consider that they have some right to preferential treatment. Both tend to result in misery for the majority under a privileged elite for whom no balancing social obligation exists. Liberalism created the covert upper class of the Soviet communist party on the Left, and the equally discrete club of high net worth individuals that manages the free economies on the Right. While the State provides force for the communist, the market provides force for the capitalist. Though the forces are officially meant to give all equal opportunity, in practice the elites escape their bite. Moreover, since moral action requires freedom and both these expressions of liberalism use impersonal force to achieve their end, personal moral action is neither necessary, nor possible (Small 2005).

The late Holy Father, Pope John Paul II reminded the world of the flaws in the liberalisms of both flavours and denounced their essential flaws in *Veritatis Splendor*. His argument was by no means novel, but it was timely. The word freedom is used 185 in the main text of the encyclical, making it as much treatise on freedom as one on truth, though its unifying theme is a philosophical defence of the revelation "*the truth will set you free*" (John 8:32). It is an encyclical on methodology and one of its targets is the Enlightenment's methodology. Freedom lies in the truth, the pope reminded the world, not so much as a pope, but as one of the greatest twentieth century professors of philosophy. Methodologically, empiricism can never deliver truth, only probabilities, and always tainted with the subjectivist caveat that my truth may differ from your truth. Truth comes from understanding natures, to think at the level of the Platonic forms. St. Augustine was early amongst the host of Christian scholars who recognised that this path inevitably led to God. It is no surprise that as our culture has followed Wycliffe into subjectivism, the path has led away from God and genuine freedom.

The Pope contrasted Enlightenment liberalism, as *freedom from restraint*, with genuine human freedom that is *freedom to be*. Using the view of human nature found in various places such as *Gaudium et Spes* and *Centessimus Annus*, he reminded the world that the human person is more than a rational animal. The human person has free will, a spiritual soul and a social dimension, all of which make genuine moral action not only possible, but the most complete expression of his being.

Under this liberalism, human persons express and develop themselves through consciously willing the good and this willing ultimately leads to God. This ennobling freedom does not rely on external forces but the informed choice of the moral actor. It means that power may be left in the hands of moral actors without the need for coercive restraint. While it does not guarantee the realisation of the good, it trusts in the possibility of good action and sees it as a manifestation of God's grace at work in the world.

At present, there is little need to compare Christian liberalism, and its economic implications with that of the Left wing expression of Enlightenment liberalism. History has provided ample evidence of the latter's inadequacy, at least when applied in the communist/socialist style. There is also now an apparent drying up of Marxist economic thought with little of the novelty or vibrancy that it promised a century ago before its application was seriously tested. There are a plethora of books, often by apparently covert socialist authors, complaining about globalisation but they lack a cohesive or compelling theoretical backing. At this point there seems to be little useful scope for a comparison between the positions.

The contest between Christian Liberalism and right wing Enlightenment liberalism is a very different case. The ideological Right appropriated the fall of the Berlin wall as its imprimatur and consolidated its push for universal acceptance of the market. Today politicians on both sides of parliament outdo each other with market solutions to all issues. The Church is perhaps the only organised voice in our culture that is not entirely supportive of the market and even within it there is plenty of well placed dissent.

While the Church recognises the necessity of a free market place as a context for moral economic action, it does not consider that a free market place is a sufficient condition for a moral outcome. Thomas Rourke demonstrated this gap when he examined the necessity for conscious willing moral outcomes and concluded that it was one of the many essential flaws in the free market argument of Michael Novak (Rourke 1997).

To understand the contribution of Catholic Social Thought to contemporary economic dialogue, it is therefore important to examine the prescriptions and methods of Christian economic thought in contrast with the secular discipline. These differences are in terms of methodology and content.

Economics Metaphysics and Methodology

The methodological implications of Pope John Paul II's description of the relationship between truth, freedom and moral action for the discipline of economics can be better understood from an investigation of the foundations of economic institutions. It can be shown that there is an intellectual hierarchy upon which economic action rests (Small 2003). While economics is often defined as the study of the distribution of scarce resources, it can also be understood as the study of the social mechanics of commerce and pricing. As such, it rests on conventions of property and ownership adopted within any particular society. It is no coincidence that most major economic works and theorists all include some defence of the institution of property as it is practiced in their culture. Hernando DeSoto is currently popular arguing that economic development is intimately connected with the adoption of Western style property in developing countries (DeSoto 2000). Milton Friedman (1980) included a

section on the institution of property in his classic defence of the liberal market, as did Michael Novak (1984).

The property conventions adopted by particular societies differ considerably and tend to change over time. Land is perhaps the most important and contentious property form and contributes at least some portion to all material commodities. Historically, our current dominant form, freehold, is only recent, and is even now changing. Planning legislation through recent decades has curtailed many of the effective rights of private ownership and the ascendancy of the environmental movement has introduced an element of obligation for others into private ownership to a degree previously unknown.

Adam Smith defined property as that situation of possession that enjoys state sanction (Smith 1778). He recognised that it stood on legal and statutory foundations that were ultimately grounded on moral/cultural beliefs expressed politically. It can be argued that the moral and cultural beliefs of a society are not themselves foundational, but vary according to the theory of the human person adopted by a society. Our society is currently exhibiting indications that the dominant view of the human person is material and utilitarian. For other societies this would be repugnant. Richard Weaver (1948) argued our culture was being transformed into using a commercial model for society, where the exemplar was rapidly becoming the entrepreneur, rather than the gentlemen. Weaver was describing a change in anthropology where merit and virtue were abandoning chivalry and morals to laud the entrepreneur, the archetype for whom he believed was the American gangster.

Pope John Paul II is known for his call for attention in social thought to be directed to the human person. Quoting Saint Catherine of Siena, he recognised in *Centesimus Annus*: that "*In your nature, O eternal Godhead, I shall know my own nature*" suggesting that only appropriate basis for social thought is an anthropology that understands man as made in the image of God, with the dignity and moral implications that that implies. If the other in a commercial transaction is seen as an image of God, sharing His dignity and commanding a free response appropriate to that dignity, much of the question of price would be resolved.

The late Holy Father also showed how one's theory of the human person rests on deeper beliefs. While for the Christian "anthropology therefore is really a chapter of theology" the fact that it rests on theology is insightful. In general, people ground their belief of who constitute humanity and deserve full human dignity, on their spirituality, or at least their theory of existence, their metaphysics. This connection is especially evident when dealing with property with customary people. When westerners speak to Australian aboriginals about property they are considering its economic potentials. When the aboriginals speak about property they are considering its spiritual importance. While their spirituality differs from ours, they have an insight that rivals Aristotle or Aquinas when they recognise that ownership of anything finds its roots in its maker. Eddie Mabo of the Murray Islands held that Malo the octopus made both the islands and the islanders and gave the people their code of law. There is no point in speaking to indigenous people about land sale and price, if you are not prepared to engage their metaphysics and the law that follows from it (Small 1997).

The late Holy Father's call was to adopt an economics that was grounded in an understanding of the human person that was in turn grounded in the nature of God and creation. This becomes a test of faith for the economist who professes belief in God. If God exists, and the whole Christian edifice of belief conforms to what actually is,

then it would be foolish in the extreme to ground one's economics in a metaphysics that was fictional. Phillip Johnson argued that all science was compromised once recognition of the existence and significance of God for creation was suspended (Johnson 1995). He demonstrated the absurd lengths natural science was prepared to go to ignore the presence of God in creation.

Scott Meikle uncovered a similar difficulty in the area of economics when he investigated the origin and applicability of Aristotelian economic thought (Meikle 1995). Meikle found that Aristotle's method was fundamentally incompatible with modern positive economics. Aristotle grounded his economics in a view of the human person that was far more human than the current science. Aristotle even named the discipline after the family as the art of household management, implying that the state economy is best understood using a family metaphor. Meikle considered that the empirical methodology of contemporary economics and the assumed nature of its economic actor left no intellectual intersection between the two approaches. Contemporary economics is based on the decision and utility functions of an agent who is a rational, self interested individual. This type of person, dubbed *homo economicus*, has no social, spiritual or moral dimension and no free will. It is the creation of the Enlightenment, but hideously inhuman. While few economists when pressed would claim it to be representative of humanity, it is retained as a computational convenience. Unfortunately, when policy is developed using it, the social result tends to be either wrong, or dehumanising. Karl Zimmerman (1947) noted that great civilisations grew when they followed the Aristotelian model, but fell when they transformed their family and social relationships into those more resonant with *homo economicus*.

The methodological conclusions from this would be that a sound economics should have a sound metaphysical foundation. While this may include some recognition that human nature has a theological dimension, while also being cognisant of the fall. It further suggests the formal approach of classical realism over the recent experiment with empirical positivism. Lawrence Boland chanced on this same conclusion after doing no more than exploring the internal contradictions of the contemporary corpus of neo-classical economic thought (Boland 1992). CST uses this approach. It does not shun empiricism, but places it lower in the hierarchy of useful methodologies. Much of the argument between economics and CST has been across a methodological divide very similar to that identified by Meikle. The question then becomes which approach is more useful for directing economic policy.

Alfred Marshall was one of the architects of the current discipline of economics (Marshall 1890). He introduced his work by arguing that in order to achieve the best result for society, economists could not see into the human heart, but could only see the data left from market transactions. He argued that the economist should seek to understand the patterns in this data to divine the causal processes that connect them and this understanding could be used to develop optimum policy. This is positive economics. Such a science would have no *a priori* theoretical content and all theory would be accepted strictly according to its conformity with the data. This is positive economics.

In a sense Marshall initiated an experiment that could be interpreted as a test of positivism. The hypothesis was that robust causal relationships would crystallise out of the data with sufficient reliability to guide policy. He also argued for an ethics free positive economics using an ethical argument. While the Church has always turned its

attention to the latter issue, the former one provides important insights. Marshall was writing about a century ago and the last hundred years has send considerable resources poured into the economics discipline and the emergence of immensely powerful economic institutions. By comparison, the ability of the discipline to fulfil has been mediocre at best. Elmer Joseph Working recognised early in the century that even the simplest component of the market paradigm, the demand function, could not be observed empirically (Working 1927). Somewhat later Richard Jones demonstrated that the supply function was not what it appeared (Jones 1976). Further, Jones showed both through logic and empirical study that the marginalist theory of the firm was not and could not be positive. Boland took this type of investigation further and demonstrated how many parts of the neo-classical corpus was neither positive nor possible (Boland 1992). Perhaps the most telling case of the non-positive character of positive economics was the US Federal Reserve Bank's management of the American economy through the mid 1980s. Despite massive resources and immense public responsibility, the Fed did not manage the economy using the empirically calibrated theories of contemporary economics. Instead, its halls were a debating arena between Monetarists and Keynesians, each with very different policy recommendations, and a practical policy strategy that involved raising interest rates until inflation stopped. Unfortunately, stopping inflation also meant almost stopping the economy. While the result was effective in obtaining its objective, it was hardly elegant, or a demonstration of a scientific approach of any merit (Grieder 1987).

There are apparent successes in the application of market economics. Europe, and especially England, did prosper as a result of the adoption of market economics from the sixteenth century of the capitalist sort. This has led Michael Novak amongst others, to conclude that capitalism alone it the most successful economic system (Bethell 1998; Friedman 1980; Fukuyama 1992; Novak 1984; Woods 2004). The data these authors tend to use are GDP per capita figures. A closer look at the data reveals a curious contradiction. Thorold Rogers observed that the transition to capitalism was attended by a dramatic fall in the relative fortunes of the ordinary person with the countries benefiting from capitalism (Rogers 1884). Charles Dickens wrote his novels as part of a political strategy to make the beneficiaries of capitalism aware of its victims, even though they often lived within walking distance. The Australian penal colonies owed their existence to way capitalism forced poverty and lawlessness on the English. CST advocates solidarity, and while it is quiet the opposite of the interpersonal sentiments inculcated by capitalism, as seen in England, it was also used successfully by Cardinal Karol Wojtya in his contribution to the end of socialism.

There are other areas where the market has achieved useful ends, such as the many cases cited by Woods (2004) and the simple fact that the most industrialised countries all have capitalist economies. While these cases are true and admirable, there are often more factors than capitalism at work and the timeframe is often carefully crafted to omit the social costs. It is also quite possible that parts of the market approach are useful, but the entire package may be extreme. The successes of non-capitalist economies provide evidence that the capitalist apologist would prefer to ignore. The Medieval period is usually described critically as stagnant, but George Grantham (1995) has shown that it was a period of outstanding agricultural development. The successes of capitalism must be accepted, but the possibility that their costs may be too great and that other systems may achieve superior social outcomes cannot be dismissed.

Aristotle's Economic thought and CST

Aristotle is championed by many today as the originator of empiricism, but this is to misunderstand his method. Aristotle intended observation of particulars to be the preliminary to abstracting to natures, and rational development of the implications of natures, especially using principles such as causality and teleology, was the real stuff of science. Applied to economic problems this means taking some observations and abstracting back to what can be learned of the underlying natures and then considering how this should inform action. While his method may not always be evident in his texts, the latter lose their integrity and power when attempts are made to superimpose other methods on them. This is what Scott Meikle found in Aristotle.

In terms of content, Aristotle's work covers three economic issues, just price, usury, and property (Aristotle 1981). Meikle's study of Aristotle's economic work is particularly useful for the English speaking reader, because as he carefully demonstrated, English translations over the last century or two have tended to use terms that have more in common with the prevailing economic theories than the intention of the author.

This is especially the case with the rendering of the Greek *Cheria* as "demand" in English. Meikle argued that this unfortunate choice makes Aristotle an apologist for nineteenth century English political economy, in contradiction to much of accompanying text. Aristotle's concept of natural exchange is drawn from a philosophical reflection on natures and leads to a notion of ethical price as one that can be shown to not contain economic rent. By happy coincidence, the price that a perfectly competitive market will return also covers normal costs (costs to produce plus a fair return to the entrepreneur) but contains no economic rent. Whether the result of ethical action or the compulsion of market forces, such a price is sufficient to support the business structure that brings products to market, while not overcharging the purchaser. When applied to the price of labour, it permits a living wage to the worker, while not exploiting their position in the productive enterprise. It was these facts that led Bishop von Kettler to recognise that the perfect market was capable of delivering a morally justifiable price (von Kettler 1981). It is believed that Bishop von Kettler's economic thought contributed to the framing of *Rerum Novarum*.

On the topic of usury, Aristotle rejected the practice, using what is known as the sterility argument. Odd Langholm (1984) provided an excellent appraisal of the usury argument, though his analysis tended to include the development of its rejection by the Medieval writers, especially St. Thomas Aquinas.

Aristotle's position on property first enunciated what has come to be known as his dual theory of property, that property should be privately owned but used in common. Rupert Ederer (1995) showed how this idea has come down to the present and pervades the social encyclicals.

Overall, Aristotle's interest was with the education of virtuous persons and he was clear that the exercise of virtue was a habit that had to be carefully nurtured and freely exercised. An understanding of natural exchange, for example gave a person the freedom to charge reasonably through the ability to understand what was an ethical price, even though the person may have the market power to exploit an opportunity. Similarly, the virtuous person had the intellectual resources from Aristotle to understand that to lend at usury or exclude the disenfranchised from use in some form of private property owned by an economically powerful person was to violate virtue.

These economic precepts can also be found in the Holy Bible (Small 2005). Christendom appears to have adopted them purely as expressions of love of one's neighbour as can be inferred from the economic thought of St. Bonaventure (Langholm 1992). The Medieval guilds, especially before the fifteenth century were practical expressions of natural exchange (Kurth 1987), the property structure of that era can be understood as an application of Aristotle's dual theory (Small 1997), and usury was considered immoral and illegal from about the fifth century up to the Protestant revolt (Goyder 1993).

St. Thomas Aquinas treated each of these three economic institutions in the *Summa Theologica* in questions 66, 77 & 78 of the second part of the second part (Aquinas 1981). His arguments are elegantly precise, though they need care in appropriating. St. Thomas expanded Aristotle and concisely presented his core elements, including a new focus on the usury issue that has been in Catholic thought ever since. Since then, usury has been a constant controversy through the history of the Church, with St. Peter Canisius refusing absolution to German bankers, Pope Benedict XIV's encyclical *Vix Peruenit* of 1745 and its treatment as the first topic within the question of robbery within the Catechism of Trent.

The Era of the Social Encyclicals

The era of the social encyclicals has seen a marked transformation in the flavour of debate amongst Catholics regarding economic issues. Pope Leo XIII described the world as awash with rapacious usury, though Antoine de Salins and Francois Villeroi de Galhau commented that the Church's prohibition on usury was too literal an application of the Christ's intention in the Gospel (Salins and Galhau 1994, p.13). Jean-Yves Calver SJ supported this position in the preface of the same work, and as it was an official publication of the Pontifical Council for Justice and Peace (PCJP), many would take it as a statement of the Church's official position on the matter. The apparent change in the Church's moral position on usury led John Noonan (1957) to conclude that the Church could and did change the moral status of certain acts, a position he also applied to the question of contraception.

The nineteenth century began with England in the grips of extreme market capitalism. The poverty and social destruction of that regime eventually fertilised the rise of the workers movements. For many the penalties associated with organising to oppose capital were less severe than the costs of submitting them, and men were hanged for daring to organise. This expression of solidarity was successful in establishing the union movement and political parties such as the Australian Labour party can be traced back to it. At its extremity, socialism was prompted into existence as the most militant expression of opposition to capital. Pope Leo XIII authorised the organisation of labour, but also the right to private property, thereby recognising the core problem and creating a balance but simultaneously not going to the socialist extreme.

Politically, the threat of communism reversed the fortunes of working people and produced an environment in the first post war decades of the most equitable distribution through the economy since the turn of the sixteenth century (Pusey 2003). It is important to note that much of the supposed benefit accruing to ordinary families from capitalism is actually the result of this hard won political balance. With the demise of communism several indicators are showing that the circumstance of the ordinary person, especially in the developed nations, is slipping, especially with respect to the economic elite.

Contemporary significance of the three institutions

The plight of Christian moral theory regarding usury has been mentioned. The popular understanding, exemplified by Noonan, is dangerous and wrong. The reality is that usury in itself continues to be considered immoral, however the Church has always accepted that what is called an interest charge may contain components that are licit charges as well as usury (Small 2002). The Church acknowledged in *Vix Pervanit* that it was not competent to ascertain the balance between the components of interest and hence could not say unequivocally that accepting interest income amounted to mortal sin. This is not to say that the usury component cannot be identified, especially with the aid of recent financial theory, but only that the Church has not returned to explore the matter. If the publications of the (PCJP) are any indicator, it would appear unlikely that the matter will receive attention in the near future.

What de Salins and de Galhau do illustrate is that the methodology of the PCJP is currently very different to that used in the social encyclicals. The arguments found in the former relate to corporate success and national economic prosperity in terms reminiscent of the mercantilists, whereas the popes tend to speak in terms of the dignity of human person. A similar divide exists in debate over the other institutions.

The question of price is dealt with by the neoconservative thinkers in terms of the apparent effectiveness of the market and the failure of statist pricing controls. The theory of the market has strengths and weaknesses. Its greatest weakness is the fact that the market form of the text books and the policy makers is not the market form encountered in reality. The gap between the two is wide enough accommodate massive economic exploitation, while the blind confidence that market is best makes meaningful public discourse difficult. The solution is not necessarily state control of pricing, but the moral education of those wielding market power that self control is a virtue.

The capital asset price model developed by Sharpe and Markowitz suggests the risk free rate of interest underlies the pricing of all financial assets. If this is deflated by inflation, the result may be close to the usury rate that pervades the entire financial sector. It is also apparent that real growth in the value of equities can be traced to the firm's ability to exploit market failures and capture robust streams of economic rents that are capitalised into stock value. More work needs to be done in this area, but it points towards an interaction between usury and violations of the just price doctrine.

The question of property at first appears to be independent of these more visible economic dynamics. Ownership has been argued by St. Thomas as a necessity of our fallen nature and supported by the popes of the social encyclicals. The reality is more complex. The economic rents that flow from violations of just price tend to accrue to property. While labour tends to be competed down in price to social minima, excess revenues revert to property. The property owner has the free personal ethical obligation to decide whether to appropriate these economic rents, or somehow make them available to the other participants in the production and distribution of goods. This is the meaning of common use, and its dimensions do not appear to have been explored to any great degree. The capitalist believes that property is mine, all mine, and everyone else can look out for themselves, while the socialist believes with Proudhon that property is theft. Neither is an adequate response and both betray the Church's admonitions regarding property.

The recent ascendancy of the environmental movement as a political force has illustrated the vulnerability of property as an institution. Environmental controls pivot on an underlying belief that the property owner has obligations that extend to others, both currently and intergenerationally into the future.

Practical Realities

A moral enquiry into economic action would have to recognise that the focal element is the human person. The human person is an embodied rational social and moral creature. As an embodied creature, the human person has fundamental needs due to his (her) right to life. These include access to air, space and other materials necessary for life. Part of the person's dignity is related to the person's ability to contribute to the good of others and in this way the person realises their humanity, this is human work. There are non-linearities that follow from this recognition. A human needs some space, but any space a person controls beyond that needed personally belongs to a different moral category of possession. Likewise, a person has the right to income from work sufficient to support life and family, but income beyond what is a reasonable reward for effort, risk and responsibility is also in a different moral category, especially when exceptional personal abilities are recognised as gifts from the Almighty. The fact that the one quantity could be distributed into more than moral category does not mean that the person has a right to one and not the other, as socialist believe, but it does mean that the exercise of virtue is very different between them.

Considerations such as these have the capacity to inform understanding of the objective content of property. The objective content of price determination can also be informed by resort to considering the casual components of goods for sale. The formal, material and efficient causes are the property of the owner through his own effort or by purchase. The final cause, desire for the good, is totally within the consumer. St. Thomas noted that you may not sell a person what is already their own possession, hence the price the owner asks must only compromise the value of the causal components that the owner actually has title to. This excludes demand as factor in determining price. Demand initiates the productive and trade process, and provides the upper limit for price, but it cannot ethically be used to set price. This makes price setting objective and given the precision of accounting and financial management, can be set with reasonable precision in many cases. It is the task of economics to explore further the conditions and extent under which ethical price can be set.

The question of usury was left as the task of better understanding extrinsic titles by Pope Benedict the XIV. It may be timely to apply contemporary finance theory and realist metaphysics to the question of understanding the objective dimension of licit components of interest charges and isolating the usury element. This will have implications across all financial markets.

Conclusions

Catholic principles for economic action should empower informed free economic action. Culturally, the principles contained within the social encyclicals tend to resonate better with non-western people than with either of the dominant western ideologies. The fact that Catholic economic thought does not unreservedly embrace capitalism does not mean that it is socialist.

The three major economic institutions of property, price and usury have objective moral knowable content. It is the task of Catholic economic scholars to explore this

content and encouraging the ethical application of its findings even when economic actors have the power to derive greater personal advantage.

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