

Market Economy and Ethics By Joseph Cardinal Ratzinger

Allow me to give a cordial welcome — also in the name of the two other protectors, Cardinal Höffner and Cardinal Etchegaray — to all the participants here present for the Symposium on Church and Economy. I am very glad that the cooperation between the Pontifical Council for the Laity, the International Federation of Catholic Universities, the Institute of the German Economy and the Konrad-Adenauer-Foundation, has made possible these world-wide conversations on a question of deep concern for all of us.

The economic inequality between the northern and southern hemispheres of the globe is becoming more and more an inner threat to the cohesion of the human family. The danger for our future from such a threat may be no less real than that proceeding from the weapons arsenals with which the East and the West oppose one another. New exertions must be made to overcome this tension, since all methods employed hitherto have proven themselves inadequate. In fact, the misery in the world has increased in shocking measure during the last thirty years. In order to find solutions that will truly lead us forward, new economic ideas will be necessary. But such measures do not seem conceivable or, above all, practicable without new moral impulses. It is at this point that a dialogue between Church and economy becomes both possible and necessary.

Let me clarify somewhat the exact point in question. At first glance, precisely in terms of classical economic theory, it is not obvious what the Church and the economy should actually have to do with one another, aside from the fact that the Church owns businesses and so is a factor in the market. The Church should not enter into dialogue here as a mere component in the economy, but rather in its own right as Church.

Here, however, we must face the objection raised especially after the Second Vatican Council, that the autonomy of specialized realms is to be respected above all. Such an objection holds that the economy ought to play by its own rules and not according to moral considerations imposed on it from without. Following the tradition inaugurated by Adam Smith, this position holds that the market is incompatible with ethics because voluntary “moral” actions contradict market rules and drive the moralizing entrepreneur out of the game.³ For a long time, then, business ethics rang like hollow metal because the economy was held to work on efficiency and not on morality.⁴ The market's inner logic should free us precisely from the necessity of having to depend on the morality of its participants. The true play of market laws best guarantees progress and even distributive justice.

The great successes of this theory concealed its limitations for a long time. But now in a changed situation, its tacit philosophical presuppositions and thus its problems become clearer. Although this position admits the freedom of individual businessmen, and to that extent can be called liberal, it is in fact deterministic in its core. It presupposes that the free play of market forces can operate in one direction only, given the constitution of man and the world, namely, toward the self-regulation of supply and demand, and toward economic efficiency and progress.

This determinism, in which man is completely controlled by the binding laws of the market while believing he acts in freedom from them, includes yet another and perhaps even more astounding presupposition, namely, that the natural laws of the market are in essence good (if I may be permitted so to speak) and necessarily work for the good, whatever may be true of

the morality of individuals. These two presuppositions are not entirely false, as the successes of the market economy illustrate. But neither are they universally applicable and correct, as is evident in the problems of today's world economy. Without developing the problem in its details here — which is not my task — let me merely underscore a sentence of Peter Koslowski's that illustrates the point in question: “The economy is governed not only by economic laws, but is also determined by men...”.⁵ Even if the market economy does rest on the ordering of the individual within a determinate network of rules, it cannot make man superfluous or exclude his moral freedom from the world of economics. It is becoming ever so clear that the development of the world economy has also to do with the development of the world community and with the universal family of man, and that the development of the spiritual powers of mankind is essential in the development of the world community. These spiritual powers are themselves a factor in the economy: the market rules function only when a moral consensus exists and sustains them.

If I have attempted so far to point to the tension between a purely liberal model of the economy and ethical considerations, and thereby to circumscribe a first set of questions, I must now point out the opposite tension. The question about market and ethics has long ceased to be merely a theoretical problem. Since the inherent inequality of various individual economic zones endangers the free play of the market, attempts at restoring the balance have been made since the 1950s by means of development projects. It can no longer be overlooked that these attempts have failed and have even intensified the existing inequality. The result is that broad sectors of the Third World, which at first looked forward to development aid with great hopes, now identify the ground of their misery in the market economy, which they see as a system of exploitations, as institutionalised sin and injustice. For them, the centralized economy appears to be the moral alternative, toward which one turns with a directly religious fervor, and which virtually becomes the content of religion. For while the market economy rests on the beneficial effect of egoism and its automatic limitation through competing egoisms, the thought of just control seems to predominate in a centralized economy, where the goal is equal rights for all and proportionate distribution of goods to all. The examples adduced thus far are certainly not encouraging, but the hope that one could, nonetheless, bring this moral project to fruition is also not thereby refuted. It seems that if the whole were to be attempted on a stronger moral foundation, it should be possible to reconcile morality and efficiency in a society not oriented toward maximum profit, but rather to self-restraint and common service. Thus in this area, the argument between economics and ethics is becoming ever more an attack on the market economy and its spiritual foundations, in favor of a centrally controlled economy, which is believed now to receive its moral grounding.

The full extent of this question becomes even more apparent when we include the third element of economic and theoretical considerations characteristic of today's situation: the Marxist world. In terms of the structure of its economic theory and praxis, the Marxist system as a centrally administered economy is a radical antithesis to the market economy.⁶ Salvation is expected because there is no private control of the means of production, because supply and demand are not brought into harmony through market competition, because there is no place for private profit seeking, and because all regulations proceed from a central economic administration. Yet, in spite of this radical opposition in the concrete economic mechanisms, there are also points in common in the deeper philosophical presuppositions. The first of these consists in the fact that Marxism, too, is deterministic in nature and that it too promises a perfect liberation as the fruit of this determinism. For this reason, it is a fundamental error to suppose that a centralized economic system is a moral system in contrast to the mechanistic system of the market economy. This becomes clearly visible, for example, in Lenin's

acceptance of Sombart's thesis that there is in Marxism no grain of ethics, but only economic laws. 7 Indeed, determinism is here far more radical and fundamental than in liberalism: for at least the latter recognizes the realm of the subjective and considers it as the place of the ethical. The former, on the other hand, totally reduces becoming and history to economy, and the delimitation of one's own subjective realm appears as resistance to the laws of history, which alone are valid, and as a reaction against progress, which cannot be tolerated. Ethics is reduced to the philosophy of history, and the philosophy of history degenerates into party strategy.

But let us return once again to the common points in the philosophical foundations of Marxism and capitalism taken strictly. The second point in common — as will already have been clear in passing — consists in the fact that determinism includes the renunciation of ethics as an independent entity relevant to the economy \. This shows itself in an especially dramatic way in Marxism. Religion is traced back to economics as the reflection of a particular economic system and thus, at the same time, as an obstacle to correct knowledge, to correct action — as an obstacle to progress, at which the natural laws of history aim. It is also presupposed that history, which takes its course from the dialectic of negative and positive, must, of its inner essence and with no further reasons being given, finally end in total positivity. That the Church can contribute nothing positive to the world economy on such a view is clear; its only significance for economics is that it must be overcome. That it can be used temporarily as a means for its own self-destruction and thus as an instrument for the “positive forces of history” is an ‘insight’ that has only recently surfaced. Obviously, it changes nothing in the fundamental thesis.

For the rest, the entire system lives in fact from the apotheosis of the central administration in which the world spirit itself would have to be at work, if this thesis were correct. That this is a myth in the worst sense of the word is simply an empirical statement that is being continually verified. And thus precisely the radical renunciation of a concrete dialogue between Church and economy which is presupposed by this thought becomes a confirmation of its necessity.

In the attempt to describe the constellation of a dialogue between Church and economy, I have discovered yet a fourth aspect. It may be seen in the well-known remark made by Theodore Roosevelt in 1912: “I believe that the assimilation of the Latin-American countries to the United States will be long and difficult as long as these countries remain Catholic.” Along the same lines, in a lecture in Rome in 1969, Rockefeller recommended replacing the Catholics there with other Christians 8 — an undertaking which, as is well known, is in full swing. In both these remarks, religion — here a Christian denomination — is presupposed as a socio-political, and hence as an economic-political factor, which is fundamental for the development of political structures and economic possibilities. This reminds one of Max Weber's thesis about the inner connection between capitalism and Calvinism, between the formation of the economic order and the determining religious idea. Marx's notion seems to be almost inverted: it is not the economy that produces religious notions, but the fundamental religious orientation that decides which economic system can develop. The notion that only Protestantism can bring forth a free economy — whereas Catholicism includes no corresponding education to freedom and to the self-discipline necessary to it, favoring authoritarian systems instead — is doubtless even today still very widespread, and much in recent history seems to speak for it. On the other hand, we can no longer regard so naively the liberal-capitalistic system (even with all the corrections it has since received) as the salvation of the world. We are no longer in the Kennedy-era, with its Peace Corps optimism; the Third World's questions about the system may be partial, but they are not groundless. A self-

criticism of the Christian confessions with respect to political and economic ethics is the first requirement.

But this cannot proceed purely as a dialogue within the Church. It will be fruitful only if it is conducted with those Christians who manage the economy \. A long tradition has led them to regard their Christianity as a private concern, while as members of the business community they abide by the laws of the economy.

These realms have come to appear mutually exclusive in the modern context of the separation of the subjective and objective realms. But the whole point is precisely that they should meet, preserving their own integrity and yet inseparable. It is becoming an increasingly obvious fact of economic history that the development of economic systems which concentrate on the common good depends on a determinate ethical system, which in turn can be born and sustained only by strong religious convictions. 9 Conversely, it has also become obvious that the decline of such discipline can actually cause the laws of the market to collapse. An economic policy that is ordered not only to the good of the group — indeed, not only to the common good of a determinate state — but to the common good of the family of man demands a maximum of ethical discipline and thus a maximum of religious strength. The political formation of a will that employs the inherent economic laws towards this goal appears, in spite of all humanitarian protestations, almost impossible today. It can only be realized if new ethical powers are completely set free. A morality that believes itself able to dispense with the technical knowledge of economic laws is not morality but moralism. As such it is the antithesis of morality. A scientific approach that believes itself capable of managing without an ethos misunderstands the reality of man. Therefore it is not scientific. Today we need a maximum of specialized economic understanding, but also a maximum of ethos so that specialized economic understanding may enter the service of the right goals. Only in this way will its knowledge be both politically practicable and socially tolerable.