

## Catholic Ethics and Social Market Economy\*

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The relation between social ethics and social market economy is complex. Despite the many parallels between the two schools of thought – especially the critique of unbounded laissez-faire-liberalism and economic overpowering as well as in respect to the importance of the ordering tasks of the state – common elements of the two mindsets were accepted rather hesitatingly. At the beginning of the 1950s did Oswald von Nell-Breuning, nestor of Catholic social teaching emphasise that the social market economy's front thinkers' refusal to the laissez-faire and their standing up for a new liberalism could "create the appearance of neo-liberalism having achieved riddance of the individualistic distortion of old liberalism and to have purified itself as genuine liberalism. Perhaps it will really reach that station in the future; but up to now, despite great progress in the economic realm of Manchester laissez-faire-liberalism, neo-liberalism has not yet been able to set itself free from individualism."<sup>1</sup>

Things could have been so simple: as for the origin of social market economy more pleasant anecdotes have it that the Protestant Alfred Müller-Armack hit upon the idea and notion of social market economy behind the walls of a Catholic monastery. The research centre of the General and Textile Market Economy of the University of Münster, headed by Müller-Armack since 1941, due to threatening bombardment of Münster had been relocated to the Heart-of-Jesus-Monastery in Vreden-Ellewick in July 1943, close to the Dutch border. Here Müller-Armack had written his tome "Steering the Economy and Market Economy" finished in December 1946 in which the term "Social Market Economy" is used in a publication for the first time. The narrative about the invention of the term runs as follows: "On the second floor a door flies open, the house guest runs down the stone stairs waving a manuscript. At the landing of the stairs he stops and shouts into the corridor: 'now I have got it. Its name must be *Social Market Economy!*'"<sup>2</sup> How true that narrative is cannot be assessed but it is out of the question that Müller-Armack has achieved more with his concept Social Market Economy than conjuring up a formula of compromise for politics and the public. What is to be regarded as "social" to him is rather a chiffre for the basic, predominant and demanded attitude and values commonly shared in society. In his introduction to "Steering the Market Economy", he writes: "Resuming the basic principles of rational economic management per se does not at all exclude renouncing to an active economic policy compliant with our social and ethical convictions."<sup>3</sup>

Against this backdrop, how can the contents of the concept of Social Market Economy best be described? There are at least three points that systematically govern the "social" essence of the Social Market Economy: firstly and basically it is about linking the advantages of the market and competition with the demands of a social balance. The fundamental demand of this concept is to show paths of solution on "how the divergent objectives of social security and economic freedom can be brought to a new balance" to quote Müller-Armack again.<sup>4</sup> And it is posing the

question on the relation of a social state and free market economy which to these days has marked current discussions of the day.

Secondly, the attribute 'social' aims at the *societal* demand of the Social Market Economy. The intellectual originators of this programme had more in mind than a more efficient order of the economy and social order; they rather aimed at an encompassing forming of society (*societas*). In this concept of Social Market Economy, an order of the community is striven for in which, in principle, equal chances are allocated to everyone irrespective of class barriers.

In this sense, Ludwig Erhard's catchphrase "Wealth for All" is not to be understood as mere consumerism, but behind it there is a political project of distribution which is to offer every man and woman the opportunity to participate in the economic and societal achievements of modern times.<sup>5</sup>

Thus Alfred Müller – Armack programmatically demands in his idea of an "irenic formula" (derived from the Greek term for peace) the reconciliation of economic efficiency and societal volition, simultaneously resting on a reconciliation of different ideas within society. Thirdly, the social concern of Social Market Economy can be understood as a genuinely ethical i.e. normative concern. Market and competition are a *means* and not the *goal* of societal shaping. The societal aim is a humane order conducive to a successful life of every individual. In a classical way, this concern is formulated in the preface to the year book "Ordo" founded by Franz Böhm and Walter Eucken: "Our demand confines itself to the creation of a socio-economic order which equally guarantees economic achievement and humane conditions of livelihood. Because competition can serve this goal, which cannot be reached without it, it is the very reason why we demand it."<sup>6</sup> Hereby the specifically ethical concern of the Social Market Economy is to be understood in terms of the Christian tradition. Without turning to the religious roots of Western civilization building a "civitas humana" was not thinkable: "Social Market Economy is not everything. It must be embedded into a higher context."<sup>7</sup> In this Alfred Müller-Armack talks about the "meta-economic dimension" as a prerequisite of a successful economic policy.<sup>8</sup>

It is rather astonishing that against the background of a Social Market Economy grounded ethically as an "Economy for the People", the dialogue with Catholic social teaching and its mindset, orientated toward the common good of the community, has been so arduous for so many years. The reasons for this were of a varied nature: principally, from a Catholic perspective, there was mistrust towards the Ordoliberalism against the individualistic core of liberalism. Was the new Liberalism not merely Liberalism wrapped in a new packing with the old content which sees the benefits for the individual rather than those of the community? With a view on practical economic politics there were clear differences. Though the proponents of the Social Market Economy did not deny the need of a social policy by the state they were concerned right from the beginning that a too generous social policy of the state would overstrain the financial means of the state on the long run and could become an open gate for special interests. However, Nell-Breuning and others saw in a social

policy by the state a guarantor of an encompassing protection against arbitrariness of competition and thus a counsel for the employees. Additionally, it was the concept of an order for professional groups as could be found in the encyclical “Quadragesimo anno” of 1931 which was unacceptable to liberals due to the audible echoes of pre-modern structures of the future.

Only in the mid 1960s did the climate change. It became more and more apparent that, despite all differences, there were more binding elements and that for Catholic social ethics as well as the Social Market Economy a constrained liberalism serving people was high on the agenda. The discussion of the encyclicals “Mater et Magistra” and “Populorum Progressio” in both camps symbolises this process of rapprochement. Wilhelm Röpke finds clear words of agreement: to the author of ‘Mater et Magistra’ it is not less clear than to the ‘neo-liberal’ that the right answer to the big question (about the demands of the industrial society, N.G.) must entail two things: the decisive renunciation to socialism (...) and an open view to the starting points of a new structuring of the market economy which protects the dignity and worth of humankind, liberty and justice, individual and family against the undeniable dangers of modern industrial society.”<sup>9</sup> Oswald von Nell-Breuning, too, emphasises the congruencies:” What Pope Paul VI says about competition – of great use in fully developed national economies, i.e. where sufficient equality of chances has been or will be secured, against destructive and leading to acts of injustice, where the strong and the weak, be it individuals, national economies compete with one another -, every national economist will sign unreservedly. Who speaks out against this identifies with a type of liberalism – the Pope calls it ‘unrestrained liberalism’, we call it with Alexander Rüstow ‘Palaeo-Liberalism’- which we thought extinct, but which, as reactions to the encyclical prove, is still strongly alive.”<sup>10</sup>

It is this understanding of an ordered, equal chances providing, orientated toward the human being type of market economy which has become the point of crystallisation between the two schools of thought up today. From the ecclesiastical side, it is the great merit of the long-standing Archbishop of Cologne, Joseph Kardinal Höffner, to have placed emphasis on the narrow parallels between Social Market Economy and the Freiburg School of Ordo Liberalism. Large parts of Höffner’s socio-ethical tome, who concluded his national economic thesis under Walter Eucken in Freiburg in the year 1940, can be read as a kind of practical Theology of ordered economic provenance. Recurring to the notion of order and referring to “Quadragesimo anno” Höffner already writes in 1949: “When the economy has been set in a rational order it will provide people plenty of goods that these do not simply meet the needs of livelihood and other proper demands but rather make possible for people the unfolding of a refined cultural life which, enjoyed in a modest measure, will not vilify a virtuous life, but rather be conducive to the opposite’ (QA 75).”<sup>11</sup>

Besides Höffner it is especially Anton Rauscher, the long-standing director of the Catholic Central Institution for Catholic Social Sciences, who deserves the merits that the dialogue between the two camps has been intensified during the past decades.

Despite the rapprochement and the intense exchange an almost paradoxical situation becomes discernible. In the economic sciences in general but also with representatives of a Social Market Economy perceived in any way, the thought to reconcile the economy and society with one another seems to have stepped back to the background. The foreground sees the question of more efficient shaping of the markets, regulating separate parts of the market and the formal-mathematical permeation of this process. This might be helpful for single questions but thinking in larger contexts, the question on the formation of the societal order in toto has been lost. In a certain manner, Catholic Social Ethics has taken up this gap and provided essential impulses for the further development of a Social Market Economy orientated toward humankind.

It is the special merit of Pope John Paul II to have given important encouragement. Especially his last social encyclical “Centesimus annus” in the year 1991 propagates the advantages of a market economy among the economic systems does read in large parts like writings in the tradition of the Ordo Liberalism: “The economy, especially the market economy, cannot play its role in an institutional, legal and political void. On the contrary, it requires the security of individual liberty and property as well as a stable currency and strong public services. Therefore it is the state’s paramount task to guarantee this security so that the one who works and produces can enjoy the fruits of his labour and feel motivated to do his work efficiently and properly.” (CA, No.48) To John Paul II the creation of a framework by the state, which makes economic freedom possible, is a central issue, but not the state’s interference in the running of the market- in the sense of the Social Market Economy. Seen as a whole, “Centesimus annus” furnishes a clear concept concerned with a systematic linking of economic factual necessities and socio-ethical principles.

This clarity does not apply to the two recent social encyclicals. But in “Caritas in veritate” submitted by Pope Benedict XVI in the summer of 2009, clear deliberations on ordering politics can be found.<sup>12</sup> There it says: “Economic life (...) should be directed to the achievement of a common well-being, for which, and above all, the political community must see to. (CiV, No.36) Accordingly the Pope emphasises: “The domain of the economy is neither morally neutral nor, in its essence, inhuman and antisocial. It is part of human activities and must, just because s/he is human, be structured and institutionalized according to moral points of view.” (CiV, No.36) Analogous to thought of the Freiburg School, Benedict at first demands the establishment of fair rules of the game and not moralising singular moves. The political and moral framework forms the centre which exhorts the actors to behave in compliance with the legal guidelines. There is more to be found in the encyclical: Besides the classical and order-ethical message of the importance of a framework of order, the political, economic and, above all, societal conditions at the beginning of the 21<sup>st</sup> century are discussed. Benedict is also concerned with the chances of civil society rejuvenating the economic order: “It is in the interest of the market to foster emancipation, but in order to be successful, it must not rely on itself, because it is not able to achieve out of itself that surmounts its possibilities. It must rather recur to the

moral powers of other subjects that can bring those forth,” (CiV, No. 35) a thought, also to be discussed from the point of view of state politics.

It is more difficult to draw references from the social encyclical of 2015, “Laudato Si”, to the Social Market Economy. There, many statements sound rather critical of the market and consumption. Experiences and observations – especially from a Latin American context – form the background of these passages and are not that much the result of a systematic analysis of economic processes. But this is of little importance. It is of importance that Pope Francis formulated demands in this text which a modern and future-oriented Social Market Economy must face up to. It is certain that the market on its own cannot master all these challenges: “Again it is good to avoid a magic perception of the market that tends to adhere to the idea that problems will be solved simply by the increase of businesses’ or individuals’ profits. It is the questions of an ecologically responsible way of managing business, according to the conditions of humanely qualitative growth and the causes and possible constraints of economic power – just from a global perspective – mentioned by the Pope and to which a Social Market Economy must find answers in the coming years and decades.

To jointly set one’s way to an “Economy for Humankind” will be a gain for the Catholic Social Ethics as well as for the Social Market Economy. The chairman of the German Bishops’ Conference and Archbishop of Munich and Freising, Reinhard Cardinal Marx, recently made the point: “What we need is a new way of thinking and retrospection to a humane market economy, only such a market economy is a true Social Market Economy. (...) If the market economy loses its human face, it loses its yardstick and thus its legitimacy. Our task will always be to form the economy oriented to the human being and this means: within freedom and equal chances at the same time. Here I discern (...) no contradiction from the real Ordo-Liberalism’ and ‘Catholic Social Teaching as both approaches want to push their thoughts beyond the interests of a capitalism merely oriented towards enhancing capital value.”<sup>13</sup>

Translated from the German by York R. Buttler, 7/16

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- 1 Oswald von NELL-BREUNING: Liberalismus, in: Wörterbuch der Politik, Freiburg 1951, S. 218.
  - 2 Cornelia SCHMERGAL, Deutsche Wirtschaftsordnung: Ersonnen hinter Klostermauern, <http://www.wiwo.de/politik/deutschland/60-jahre-soziale-marktwirtschaft-deutsche-wirtschaftsordnung-ersonnen-hinter-klostermauern/5440438.html> (Abruf: 01.03.2016). Siehe auch Alfred MÜLLER-ARMACK, Wirtschaftspolitik als Beruf [1969], wieder abgedruckt in: Jürgen SCHNEIDER/Wolfgang HARBRECHT (Hg.), Wirtschaftsordnung und Wirtschaftspolitik in Deutschland (1933–1993), Stuttgart 1996, S. 290.
  - 3 Alfred MÜLLER-ARMACK, Wirtschaftslenkung und Marktwirtschaft [1947], wieder abgedruckt in: DERS., Wirtschaftsordnung und Wirtschaftspolitik, Bern/Stuttgart 1976, S. 20.
  - 4 Alfred MÜLLER-ARMACK, Stil und Ordnung der Marktwirtschaft [1952], wieder abgedruckt in: DERS., Wirtschaftsordnung und Wirtschaftspolitik, Bern/Stuttgart 1976, S. 236.
  - 5 Ludwig ERHARD, Wohlstand für alle, Düsseldorf 2000 [1957].
  - 6 Ordo 1 1948, S. XI.
  - 7 Wilhelm RÖPKE, Jenseits von Angebot und Nachfrage, Bern/Stuttgart 1979 [1958], S. 146.
  - 8 Alfred MÜLLER-ARMACK, Wirtschaftspolitik als Beruf [1969], wiederabgedruckt in: Jürgen SCHNEIDER/Wolfgang HARBRECHT (Hg.), Wirtschaftsordnung und Wirtschaftspolitik in Deutschland (1933–1993), Stuttgart 1996, S. 300.
  - 9 Wilhelm RÖPKE, Die Enzyklika «Mater et Magistra» in marktwirtschaftlicher Sicht, wieder abgedruckt in: DERS., Wort und Wirkung, Ludwigsburg 1964, S. 317.
  - 10 Oswald von NELL-BREUNING, Warum soviel Aufregung?, in: Anton Rauscher (Hg.), Ist die katholische Soziallehre antikapitalistisch? Köln 1968, S. 22 f.
  - 11 Joseph HÖFFNER, Sozialethik und Wirtschaftsordnung, wieder abgedruckt in: DERS., Gesellschaftspolitik aus christlicher Verantwortung. Reden und Aufsätze. Band 1. Herausgegeben von Wilfrid Schreiber und Wilhelm Dreier, Münster: Regensberg 1964 [1949], S. 26. Siehe hierzu auch: Norbert TRIPPEN, Joseph Kardinal Höffner (1906–1987). Band I: Lebensweg und Wirken als christlicher Sozialwissenschaftler bis 1962, Paderborn 2009, IV. Kapitel sowie Nils GOLDSCHMIDT/Ursula NOTHELLE-WILDFEUER (Hg.), Christliche Gesellschaftslehre und Freiburger Schule. Zur Aktualität des Denkens von Joseph Kardinal Höffner, Tübingen 2010.
  - 12 Siehe hierzu und zum Folgenden: Nils GOLDSCHMIDT/André HABISCH, Was die Wirtschaftsethik vom Papst lernen kann, in: Frankfurter Allgemeine Zeitung vom 12. Februar 2010, S. 14.
  - 13 Reinhard Kardinal MARX, Wie viel Mensch verträgt die Wirtschaft?, Festrede zur Verleihung der Alexander-Rüstow-Plakette, München am 25. Juni 2015, [http://www.asmev.de/Pub\\_Wie\\_viel\\_Mensch\\_vertraegt\\_die\\_Wirtschaft.html](http://www.asmev.de/Pub_Wie_viel_Mensch_vertraegt_die_Wirtschaft.html) (Abruf: 02.03.2016).