

Market and morality? Impulses of the catholic social doctrine and of the evangelic social ethics for the furthering of the social market economy

Address to the study group "Politics, Church, Economy", Dusseldorf,

by Prof. Dr. Ursula Nothelle-Wildfeuer, Freiburg

(translated from German by Mrs. Elmendorff-Pfeifer, Düsseldorf)

Preliminary remark: With an interval of only some days in summer 2009 the two big Churches have given their comments on the urgent social issues of the present time, the issues of the crisis of the financial market and of the economy, as well as on the globalization: the German evangelic Church - E K D - issued on 2nd July 2009 its word "*Like .a tear in a high wall*", whilst Pope Benedict XVI published four days later his first social Encyclical *CARITAS IN VERITATE*. The publication of this text had been announced already for 2007 - the year of the 40th jubilee of the first development Encyclical *POPULORUM PROGRESSIO* 1967 of Pope Paul VI - had , however, been postponed again and again with reference to the actual economic crisis still to be included in the text.

If now this evening we devote to the question which contribution the Churches can render to the further development of the social market economy, it is obvious to mainly consider these two most recent documents for finding an answer, for the therein discussed actual crisis, dealt with differently, is actually the most massive inquiry on not only the peculiar components of social market economy, but on the social market economy as a whole, as model of an economic system: "Confidence - in the responsible persons - is destroyed, but also confidence in the fundamentals of the social market economy" (Foreword EKD; 5). However, please take into account that myself as catholic theologian and social philosopher do not claim to be a competent interpreter of the

evangelic scripture.

Therefore, this evening we consider the questions still open with regard to the social Encyclical; but quite naturally I shall endeavour to include also different points of the text of EKD. I develop the answer to the subject dealt with in five thesis as follows:

1. The Churches do not contribute "technical solutions", e.g. their contribution to the progress of the social market economy is not of political, economic or professional nature

In the first place let me say one word to that what the Churches will not or cannot contribute: until today the catholic Church, with its social teaching, has always stucked to the fact - and this is also stated in the new Encyclical and almost word by word in the second social Encyclical QA of 1931 - that "the Church cannot offer any technical solutions" (CiV 9). With regard to the present situation it is to state that it is not within the specific theological competence of the Churches to analyse systematically the economic and/or economy-political causes, and also not to describe possible solutions of the present crisis of the financial market or to develop detailed regulations for the world of finance and economy. Nevertheless these issues are looked at - in the view of Christian ethics.

Because the questions of globalization and of development are so important for the Pope, he takes into account the mission of the Pastoral Constitution of the Second Vatican Council "to search for the signals of the epoch and to interpret them in the light of the Evangel" (Vatikanum II, Pastoral Constitution *GAUDIUM ET SPES* (GS 4). Alone the Encyclical title of the Encyclical *CARITAS IN VERITATE* makes clear the hermeneutic principle, the formal object, the specific perspective under which the central subject is considered,

namely - this is already stated in the address of the Encyclical - "the integral human development in charity and truth". The then still chairman of the council of EKD, bishop Wolfgang Huber, formulates in his preface to the paper also a central concern: For him it is important to initiate a necessary "reversal", a "fundamental change of thinking and acting" and to be guided therein by biblical-prophetic instruction.

2. The Churches refer to the fundamentals of a human economic system: to the Christian understanding of the human being and of the inseparable relationship of market and moral which is fundamental for the progress of the social market economy

The genuine Christian contribution to the economy-ethical issues refers deeply to the Christian understanding of the human being, for every acting of the human beings all institutions and structures reveal something of the fundamental conception of the human being which as such influences and imprints the acting and the institutions:

The decisive point of contact of the interest of Christians in economic issues is the "universal orientation of the Christian faith": all human beings are - theologically spoken - God's image and God's creation, provided with the same intangible dignity and the therefrom resulting freedom of the children of God. Philosophically spoken the point is here the 'being a person' of the human being. Thereby the central (socio)ethical measure of all acting is formulated as follows (s. Nothelle-Wildfeuer 2005 #632): The rooty ground, that is the carrier and the aim of all social institutions, is and must be the human person" (Vaticanum II, 71989 #1187). This implies - as deployment of the divine message to the human being "Subdue the earth" (Gen. 1,28) - a central moral task, namely to "create a political, social and - this is especially important in our context - economic system which serves the human being always better and which helps the

individual and the groups to maintain and to deploy the personal dignity" (GS 9).

That will say that the sense and the aim of managing affairs in general and of the financial market in particular, are from the Christian socio-ethical point of view the human being of every individual and of all human beings and of their deployment in human dignity. Thus the managing of affairs has only an instrumental value in the service of the human being and a human order of the community. Decisive criterions for judging the economic procedures are therefore: Is its primary subject the human being and his development? Are they serving the benefit of all human beings? In a very similar sense the Pope formulates in the new social Encyclical, *"that the primary capital to be safeguarded and valued is man, the human person in his or her integrity"* (CiV 25).

Only by way of suggestion it is possible here to refer to the central argumentation of the dignity and which practice-relevant consequences are therefrom drawn: "The subsidiarity respects the dignity of the person ... By considering reciprocity as the heart of what it is to be a human being, subsidiarity is the most effective antidote against any form all-encompassing welfare state." (CiV 57). This comprehension of the human being becomes also relevant for the determination of work and its dignity: "What does mean the term 'dignity' applied to work? It means work that in each community is the expression of the characteristic dignity of every man and woman: a work chosen in freedom that allows the employees, men and women, to participate efficiently in the development of the community; a work which in this way allows the workers to be respected without discrimination; a work which permits to satisfy the needs of the family and to send children to school without the children being forced to work; a work which allows the employees to organize themselves in

freedom, and to make heard their voice; a work which leaves sufficient space to recover the own personal family and spiritual roots; a work which guarantees retired employees to live in respectable conditions".

For the relationship between economy and ethics decisive statements have thus already been made: economy and ethics are irrevocably related each other. Both areas are not identical - such an opinion of the identity of both areas is somewhat expressed in the writings of the renowned moral philosopher of economics Karl Homan, for whom economy is the continuation of ethics with other, will say better means, so that ethically correct and good is that what economically is efficient. In this view efficiency is the unique criterion. However, both areas cannot be separated in such a way that they either have nothing to do each other, or that ethics is a superadditum, and interesting but, finally also renounceable addition. On the contrary, every economic acting, thus also the market as a place of such acting, has always an ethical dimension. This is clearly stated by Pope Benedict XVI in his first social Encyclical *CARITAS IN VERITATE* , dated 29th June 2009: "*Without internal forms of solidarity and mutual trust the market cannot fulfil completely its proper economic function*"(CiV 35). With regard to the development of the last months the dimension of confidence, which in the actual crisis seems to have gone lost in many places, is clearly described, the Evangelic paper stresses exactly and always clearly the importance of confidence, also and just against the background of the loss of confidence. Thus the market proceedings and the competition cannot function efficiently without solidarity and trust. The market itself is in its proper legalities a place of ethical acting. "In the view of the social teaching of the Church true human relations in friendship and in community, in solidarity and mutuality can be practiced also within business activities and not only outside of or "according" to them" (CiV 36). In this context must also be situated the specific importance of the role

of the enterprise and of the entrepreneur: specific entrepreneurial acting -keyword profit and investment - is accentuated in its economic and ethical importance, simultaneously is stressed the social responsibility of the entrepreneur (CiV 40). As a consequence of this perspective is to be considered the so-called stakeholder approach to be found there where Benedict XVI stresses the social responsibility of the entrepreneur for "the employees, the clients, the suppliers of the different production components, the community of reference" (CiV" AO), an approach which actually is very important in the economo-ethical discussion of the shareholder-value approach.

As the broadly disseminated understanding of the market operations as a whole considers this dimension rather as an - often even impairing - superadditum and not as a constitutum, it is especially striking that the Pope accentuates this item. Thus the Encyclical demonstrates a specific understanding of business ethics - not corresponding to the mainstream; as a consequence of this understanding it is important that not only certain specific areas of business activity become ethical, but that the entire "economy with all its branches constitutes a sector of human activity" (CiV 45) and is therefore ethical.

Whatever may be the importance attributed to the moral component of the market, it remains clear that the market itself cannot produce the forces needed. "The market must rather recur to moral energies of other subjects that are capable of generating them" (CiV 35). Thus here is suggested, under the aspect of business ethics, the so-called Böckenforde dilemma which states that "*the liberal secularized state (...) lives on conditions which the state itself cannot guarantee*". The same is claimed analogously for the business sector. A similar opinion is already to be found with Wilhelm Röpke, one of the fathers of the social market economy, when he states: "This force (the force to common sense) cannot be generated by the market itself and also not by the game of the there

competing interests, but the human beings must own them, and the family, the Church, genuine communities and traditions must provide these forces to them" (art. 306). Business activity must be embedded in a comprehensive anthropological ethical horizon.

For the relationship of business activity and ethics it is important that ethics cannot exist without defined technical knowledge. The business sector must be acknowledged as equivalent dialogue partner with its proper logical legalities and valuations. This implies primarily to follow the central imperative: Manage the things with financial intelligence. Meant is here financial rationality, the thrifty or abundant input of funds with regard to the available recourses (which normally are narrow). Thus Robert Zollitsch is not tired to stress the justified proper value of business activity, i.e. the primary concern to produce profit and to create assets. "No question: the economic competition is the basis of our actual prosperity, it is inspiring creativity and innovation". However, this in no way means submission under material constraints, but - finally serving the human being - an acceptable handling of the logical laws. For the scientific discourse this requires the dialogue with the correspondent human and social sciences.

3. The Churches put the important social questions of the present time in a greater anthropologic-ethical, cultural context: According to CiV is concerned the human development of every and all human beings, what is tried to be achieved through the path of charity and justness.

Pope Benedict XVI reconstructs the big social questions of the present time in the context of the subject of development. Thus he opens a new and large horizon for the subject of globalization, but also for questions of the crisis of the financial market and of the business community. If the progress of the social market economy must necessarily be achieved under the aspect of globalizazion,

there exists a decisive contribution by the Church: for the Church it is extremely important how this globalization is judged and assessed. Considered under this perspective of development the globalization process is socio-ethically not perceived as a pure socio-economic process (although without any doubt this is also the case), but comprehensively interpreted as - thus it is stated in the Encyclical - "a multi-layered and polyvalent phenomena which in the diversity and in the unity of all its dimensions - the theological included - must be conceived" (CiV 42). Globalization is "a priori neither good nor bad: It will be that what human beings make of it". Thus globalization is not "satanized" as consequence of turbocapitalism, but considered as chance -- for the "to a growing extent inter-linked humanity; this humanity is composed of persons and nations to the benefit and the development of which the global process shall serve"(CiV 41). In this view the Pope conceives globalization as "*a process of integration*" (CiV 41) which the human beings shall form (CiV 42)¹ and even can form.

The social Encyclical qualifies , in its title, "charity" as the central and the leading value of this development: Charity is denoted also as the "main path of the social doctrine of the Church" (CiV 2) which with regard, to the general understanding of social ethics, in the centre of which social justice is situated, may at first surprise. It becomes clear that here no contrast exists when considering that the Pope, for the transformation of charity to the development of a community, mentions in the context of globalization two central measures of orientation: justice and common welfare. In dealing with the relationship of justice and charity, the text takes up a subject which is part of the "primitive rock" of the social proclamation and the analysis of subjects relating to the social

¹The type of judging the procedure of globalization is a clear parallel to the catholic-social thinking of the 19th century, when for example bishop Ketteler, G. v. Herling a.o. have also conceived that the industrialization cannot be condemned in a lump, but must be dealt with differentiation

market economy.² Already in *QUADRAGESIMO ANNO* 88 social justice and social charity were dealt with as forces which take competition -: in strict and wise discipline, thus should take care that capitalistic handling of business does not result simultaneously in a capitalistic social system in the style of social Darwinism despising human beings. In *DIVES IN MISERICORDIA* John Paul II accentuates that justice alone cannot suffice, "can even bring negation and destruction thereof" (DiM 12,3), if not just in the context of the efforts for justice the power of charity is included. Charity can direct the regard to the neighbour as person and see what the true "suum cuique" is.

Once again Benedict XVI sets new accents: on the one hand, in his opinion charity requires justice, on the other hand, charity surpasses justice and "completes justice in the logic of giving and forgiving" - this can already be read as a reference to the later on deployed dimension of the civil community. Here is suggested the classical definition of justice "to everyone the his", when reading "charity is to give, to give to the other what is 'mine'; but charity never is without justice which prompts us to give to the other that what is 'his' " (CiV 6).

4. The Churches claim the specific responsibility of the (civil) community in the context of business activity!

In CiV the market is equally appreciated as in *CENTESIMUS ANNUS*, the last social Encyclical of Pope John Paul II of 1991. Both Popes acknowledge the market as constitutive for the deployment of relations of exchange and rights. But the market is not all and not all is the market. There are aims related to the common welfare beyond the market which surpass the possibilities of the market. Benedict XVI mentions here the distributive and the social justice which traditionally were considered as task of the state. With regard to *RERUM*

² S. hereto Nothelle-Wildfeuer, Steger 2006

NOVARUM and to *POPULORUM PROGRESSIO* Benedict XVI can qualify as innovative the redistribution to the state, but today, and this is equally important, this view proves "to be incomplete and cannot fulfil the claims to a completely human economy" (CiV 39). He naturally does not discharge the state from its responsibility, but he rather mentions the necessity of a constitutional and of a social political framework: "Without any doubt *business activity* needs *contracts* in order to exchange goods of equivalent value. As well as, however, required *just laws forms of redistribution* governed by politics" (CiV 37).

But let me stress a new accent of the social doctrine starting from *CARITAS IN VERITATE*: With regard to *CENTESIMUS ANNUS* the Pope accentuates that business activity has not only - as generally assumed - two subjects, but has three subjects: besides of the market and the state - thus besides of the two subjects whose "more" or "less" is actually again and again discussed - as third subject the civil community. The state be not able to assume alone the care of solidarity, but the civil community is needed - thus the Pope, and this is new in the social proclamation of the Church. Under the conditions of the present time the civil community is unalterable for realizing justice. In the opinion of Benedict XVI it introduces the dimension of gratuitousness, "the logic of the unconditional gift" (CiV 37). "In the epoch of globalization business activity cannot renounce to gratuitousness which disseminates and nourishes the solidarity and the conscience of responsibility for justice and of common welfare in its different subjects and actors". The Pope sees very clearly that most easily and worldwide trust in the logic of exchange and thus in the market exists but the logic of politics and above all the logic of giving prove also irrenounceable. The Pope is aware that such gratuitousness "just cannot be decreed, but that the market as well as politics need human beings prepared to practice such gratuitousness - peculiarly in times of globalization is accentuated in full

clearness. In this context he refers to the "civilization of the business area". Concretely spoken this means that on the market "can operate enterprises with different entrepreneurial aims, in freedom and under identical conditions. Besides of the profit-oriented private enterprises and the different types of public enterprises there must be room for commercial entities based on mutualist principles and pursuing social ends to take roots and express themselves" (CiV 38). The actual socio-ethical discussion uses in this context the notion "social entrepreneurship". With this reference to the civil community the Pope, in my opinion, gives quite differently to the actually rather narrow discussion an answer to the question in which direction is to be found a solution of the actual crisis. The Encyclical is not simply one vote more which is pleading for more or less market and for more or less state. With this third subject the Pope presents a bigger horizon. The civil community contributes the ethics required for bringing business activity to its original aim: to achieve a successful global development. Meant is social ethics implying legal and structural consequences. Thus he considers "*contracts* in order to regulate relations of exchange of goods of equivalent value", as *just laws*" (CiV 37), as the result of civil social efforts to be transformed, however, by the state in structures and laws. A responsible conduct of individually acting persons on the market, but also of groups and companies be unconditional for a successful global business activity in the meaning of a human development.

5. The Churches stress the necessary reciprocity of structural and virtuous ethics

Within the frame of the actual financial crisis once again it becomes clear: structures and frame conditions are absolutely necessary in order that business activity can also reach its proper target. Structures prove also as securing and promoting freedom; insofar the development of the frame conditions is

constitutive for the success of global business activities. Here the text of the paper of EKD is worded: "The European Union is the nearest political form of organization for the national states therein united. The EU must set a common economic-political framework, must limit competitive distortions by regulation and give impulsions for measures of confining the climate change and of strengthening the social security in the member states" 6.20).

But: how promotive structures and institutions are - they are not everything! The business-ethical approach of an institutional ethics / whose protagonist in Germany is Karl Homann, stresses once again the importance of the structures and of the institutions and this in a special manner. The framework just referred to is for Homann the systematic place of moral Expressed in terms of the game: the rules of game of the market are oriented towards ethical principles; here the striving for justice etc. is systematically and institutionally anchored, but the individual moves of the game are consequently free of moral or they can at least be free of moral (s. for instance Homann 2006 #1364). Here certainly is correct the accentuation of the importance of the structures and of the frame conditions, to which one cannot renounce in a social system which is extremely complex as our system is. At the same time however - and the financial crisis has shown this in all clarity - it is naive to assume that by structures and successful legislation alone market operations could be directed and organized in such a way that on this mechanistic path social justice and social balance are "automatically" created and necessarily achieved. Frame conditions rather and always leave margins of action which are to be filled by the individuals, so that also here moral fundamental convictions of the individuals are important, independent of the fact, if a financial advantage results thereof or not. *"Without honest human beings, without business experts and politicians, who persistently live in their conscience, the call for common welfare, for development is not possible" (71).*

Frame conditions can never be so close and consistent that there would be no chances for individuals to search loop-holes of personal advantage without respecting other people. The Christian human image is really aware of this also existing tendency of the human being to look, as an egoist; only on himself or herself; in theology this is called sin. Moreover, such regulations always need individual affirmation and support, and finally also individual moral convictions bringing about such rules and structures, but always accompanying and reviewing them critically. In a positive view this means with regard to business activity: In order that business activity can really fulfil its conception, namely to allow an existence in human dignity, are required - and this is always referred to in the traditional social teaching and with special clarity in the recent social Encyclical - legal regulation *and* morality, ethics of structures and personal ethics. Business activity therefore is *always* an activity under ethical responsibility and is faced with the claim of morality, embedded in a stringent framework fixed by law and secured by morality.