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THE CATHOLIC SOCIAL TEACHING

Its importance for our social order and its challenges

for today

Address at the annual memorial service of Joseph Cardinal Höffner

on 19th October 2008 in Cologne

The author has authorized ORDO SOCIALIS digital publication

To conserve the memory of Joseph Höffner, the great Catholic social philosopher and un-forgotten archbishop of Cologne and to let us inspire by his word and his example, is the concern of the Joseph-Höffner-Society, which in conjunction with the diocesan council of the arch episcopate of Cologne invites every year to this event. It is for me a great honour to speak to you this year. I thank you for the invitation.

The Christian Human Image: Starting Point and Basis

Joseph Höffner discovered his interest in the Catholic social teaching during his studies of philosophy and theology at the Papal University Gregoriana in Rome (1926-1934). It was the social Encyclical of Pope Pie XI QUADRAGESIMO ANNO (1931) which in extremely difficult times called for the reconstruction of the social order. The reason of such initiative was the worldwide economic crisis caused by the New York stock exchange crash in 1929. Not the market processes left to themselves and the unlimited competition were the regulative principles of the economy, but social justice and social charity. Economy is more of the economy, but social justice and social charity. Economy is more than solely the market where the streams of offer and demand are compensated. Economy is more than and some- thing different from the exchange of goods. It is a vital social process borne and formed by human beings and therefore determined by social principles. Höffner has been fascinated by the mission to bring these fundamental standards to respect in the economy and in the community. His theological doctor thesis dealt with the clarification of the conditions and the foundations of these principles and their anchorage in philosophical, theological and in ethical social thinking. In studying the relevant texts Höffner became aware of the characteristics of the Catholic social teaching or the Christian social teaching. Notwithstanding the earthly realities and the social areas of life and notwithstanding the global obligation which the State assumes for the common welfare, it is the task of the Church and of the Christian social teaching to transmit the Christian image of the human being and of the Christian community, and starting from this basis to ask and to ask again if the economic, the social, the cultural and the political structures and conditions conform with the standards of justice and charity, which every human being perceives in his conscience, and with regard to which politicians, scientists, entrepreneurs, workers, teachers, family fathers and mothers are aware that they are a particular challenge for themselves.

Catholic social teaching is not simply „social ethics“, as much as the recourse to the secured knowledge of the human and social sciences and the ethical dimension cannot be renounced to. The original nature of the Catholic social teaching is and remains its anchorage in the Christian image of the human being and the thereof growing knowledge for the structuring and regulation of the conditions of living together. Höffner was a master of watching the living conditions of human beings and people, he had a wide sense for the historical changes and developments in the community and in the Church. He was not at all a pedantic dogmatic, but he encouraged his students and the believers to risk and to prove new ways and starts, in order to tackle the tasks coming up in different areas and to search for efficient solutions thereof. Nevertheless, Höffner took the last orientation out of the human image as it is described in the scriptures of the Old Testaments and in the Evangel, and as it is taught by the Church always in a new form according to the situation. This distinguishes the Catholic social teaching, and also the Catholic social ethics science, from a social ethics of which one sometimes does not know on which ideology, religion or culture such knowledge is based. This was also the strength of Höffner, because his thinking as social philosopher was rooted in the Christian order of creation and people knew what they had to do with.

In the following are not dealt with the challenges with which the defeated Germany was confronted after the downfall of the National Socialism. After 1945 Höffner contributed in many ways to the socio-economic and cultural-religious reconstruction, on the fundamentals of the intangible human dignity and the rights and obligations conferred to the human being by the creator. With regard to the economy and the community the issue was a new order for the living together of the human beings. Not only the Christian politicians and the socialists, all political parties were at the time decided that the „capitalism“ was allowed to return. In the centre of the following considerations are the challenges with which are confronted today, but they are not comparable with the situation in 1949 when the German Federal Republic was founded. History does not repeat. Nevertheless there exist surprising parallels which must be taken into account in the analysis as well as in finding solutions.

The Social Market Economy

In the first place I like to deal with the problems of the social market economy. The economic and the social reconstruction of Western Germany were realized under the signal of the social market economy. For the architect Alfred Müller-Armack the signature of the social market economy was the link of freedom and social binding or - more shortly - of freedom and social safety. The politicians Ludwig Erhard who carried through the social market economy against hard opposition in the German Parliament and in the German community, chose the maxim understandable by every citizen: „Welfare for everyone“. In the beginning the great majority of the workers were sceptic and declining, because they regarded the social market economy rather as an empty word shell, as a social tranquilizer. Only when they became aware of the - in the beginning slow - rising of the real wages, and the therewith related increase of the production capacities and of the possibilities to improve the provision of victuals, clothes and housing, above all that the social safety systems became more stable, many workers changed their preference of a political party.

The German SPD (social democratic party), for a long time fighting against the market economy and convinced that the immense distress situation would not be altered by the market economy, had to update its position in the Godesberg Programme (1959). The „economic wonder“ alimented the waves of welfare since the end of the 1960s. People

became more and more aware the achieved welfare as well as its yearly growth be part of the normality of social market economy, the more as the economists of that theme defended the opinion that since John. M. Keynes we had at our disposal the resources and instruments to quickly fight at any time an economic regression with greater unemployment, even to be in a position to prevent it in time. It was not sufficiently thought over that the social market economy can only function so if people have the required comprehension and the corresponding behaviour.

The Challenge of Unemployment

Damped were the hopes, when after the first oil crisis with car-free Sundays (1973) the Federal government under Helmut Schmidt had to experience that contrary to the economic-political positions in the text-books governmental programmes for the provision of work were not in a position to reduce unemployment. This arch-evil of the industrial society increased up to 1982 to two millions of unemployed people. The trust in the social market economy was certainly not yet trembling, but touched. In 1989/90 the unification of the two German States was realized and many people thought, that the West-German economic in the new Federal States. Helmut Kohl, the federal chancellor, expresses this mood when he referred to „flourishing landscapes“.

Since the beginning of the millennium it has become more and more clear, how difficult and lengthy it would be to gradually increase the performing capacity of the economy in East-Germany which at the time of the unification reached only about 30 percent of the West-German productivity. It was realized that the massive transfer of money and finance did not automatically result in the necessary new orientation of people and their behaviour. When in winter 2005/06 unemployment was extremely high and the mass media discussed primarily the distance and contrasts of „poor“ and „rich“, many citizens changed their attitude with regard to the social market economy. Which is the reason that according to the inquiries of the last three years the social market economy has considerably lost in agreement? How is it possible that the critics and reservations against the social market economy, which in the former communist countries were everywhere part of the political programmes of the party officials, became again presentable and overlapped the desire for freedom broken up in 1989, and the former paroles even confused people in West-Germany? How is it possible that the leading representatives of the party „The left“, despite the experiences with the communist system have seats in almost all West-Germany parliaments of the Federal States without being ashamed, that the failure of the totalitarian economic system is interpreted as a privilege of equality of the population, but that the class of the party officials is the profiteer? And how is it possible that not few of the citizens in West-Germany believe this forgery?

The inward withdrawing of many citizens from the social market economy cannot be attributed solely to the mass unemployment. In the last two years no European country has been more successful in fighting unemployment than the Federal Republic of Germany. Even if other statistics are here and there presented, one cannot deny the reduction of unemployment from about five millions to three millions, this the more as the reduction has been achieved not only achieved not only in Southern German States, but in all German States, although in different degree. Due to the creation of almost two millions of jobs the payment of contributions to the Social Security increase so that also the budgetary deficits of the Federal Republic, of the Federal States and of the municipalities could be at least partially reduced. Moreover it must be kept here in mind that every additional job presumes an equipment of

capital provided by the firms or enterprises. All this was and is only possible because the German economy has increased in quantity and quality.

Neglect of the Broad Middle Class

However one thing has not been reached by the reduction of unemployment: The higher productivity and the rising revenues were only for a small part to the benefit of the staff of the enterprises. The gross wages increased, but the increase of taxes and duties was more important. In 2006 the great coalition was faced with the task to fight efficiently and under all circumstances against the annually constantly growing public indebtedness. Germany had infringed the EU contract; hard measures were threatening. The massive increase of the added value tax, the cancellation of the flat rate for car drivers, the abolishment of the promotion of housing, the reduction of the savers' tax-free rates, the increase of the duties, above all with the municipalities, the enormous price increases specially for energy: all this was paid in the first place by the broad productive middle class which includes the great majority of the employees. Within the reforms of Hartz IV the social performances were also matter of new regulations. But seen as a whole, also those who by their work provide production and productivity felt more and more that the economic progress had left them aside. In addition, the great coalition decided tax relief especially for the benefit of the big enterprises. Such steps are well founded, because also in future Germany is dependant upon foreign investors and cannot be interested that such investors operate more and more in countries of Eastern Europe and of Asia. But then arises the question of the bundle of measures mentioned was somewhat feasibly and balance applied to the different parties. Neglected was a tax reform leaving to employees „more not from gross“; the alterations of the adjustment of family charges went in the false direction too.

Here a further complex of problems has yet to be mentioned. That what made furious many employees and heavily impaired the reputation of the social market economy were the kind of conduct and the practices of members of the boards and of supervising committees of some big enterprises. Their earnings were brilliant and they were proud of their billions of profits; in a same breath they announced the reduction of staff - and this in a period when the unemployment and perhaps the loss of the job burdened many employees and their families. Thus has been generated a new caricature of an entrepreneur for whom only the profit and the quotation at the stock exchange are interesting, whilst the employees have the role of purely work forces. Much of the trust which people had had in the social market economy has been lost, such as that enterprises and entrepreneurs were not alone concerned by the financial success on the market, but in the first place by the human being - primarily by their own staff and their families, and thereafter by the suppliers and the clients. After the Second World War a long period of time was needed until the confidence in the economy was generated and the citizens' attitude thereto had developed positively. And nowadays? The term „locusts“ turned around and poisoned the social climate. Was it no longer the aim of the economy to provide goods and services to the people, but had pure monetary greed become the impetus of economy?

The Problem of Threshold Morality

Fortunately there are only some particular cases falling outside the social and ethical framework of the social market economy, even if in critical situations, referred to already in

the 1920s by Goetz Briefs, there is the growing danger that the „threshold morality“ determines more and more the thinking and the acting of firms and business enterprises, of managers and of speculators. Threshold morality means that the threshold of scruples regarding economic activity falls under the limit of that what ethically and morally, in the sense of justice and the common welfare, is just considered as still admissible. As the mass media usually do not differentiate but denounce monetary greed, there is the danger that the readers do not relate this to the so-called „black sheeps“ but to the managers and the entrepreneurs in general. In this way individual cases turn to flat condemnations, even if the great majority of the entrepreneurs, the merchants and gastronomes, the manager of especially the middle-sized and small enterprises and firms must sharply calculate. They know that without busy and skilled staff they cannot, at the long run, survive in the competition. Moreover: If the new party The Left stylises money greed and the failure of individual persons as an accusation of the social market economy and stigmatizes our liberal order as „capitalistic“ this is an obvious defamation. A national economy in which the expenses for social purposes and tasks amount nowadays as ever to more than two thirds of the gross social product cannot be pushed in such corner.

The importance of Competition

Joseph Höffner who during the Second World War had studied national economy and was conferred his doctor degree with Walter Eucken, the founder of the Freiburg School, has in the years of the reconstruction of Germany contributed to the recognition and the confirmation of the fundamental values by the Christian community, by his scriptures, his professorship at the university and by his activity as lecturer in social seminars, in the Catholic associations and in many local parishes. He has insisted that the competition is perceived to be important for the economic progress, but also as opposing force against the becoming too powerful of the economy and against the monopolization of the economy. Höffner has seldom used the term „social market economy“. Decisive for him were the two pillars of the economic system: of the one hand freedom and creativity, the personal work of the human being as the responsible subject of economic activity, and on the other hand the embedding of human beings in the social surroundings in which he deploys his forces and aptitudes and for which he is co-responsible.

The economic order perishes and economy loses its performance if persons are no longer in the centre and if their responsibility is replaced by the State or by collectivities which degrade the working human being possibly to a receiver of orders or to a small wheel of a soulless machinery. The comprehension of the human being as the origin and the aim of the economic procedures, this view of the Catholic social teaching can guard us against wrong collective technical rational concepts sooner or later will end in a deadlock. It seems to me that in politics and in the administration we are too much fixed unilaterally on structures and bureaucratic procedures and less on the creative and moral skills of human beings to recognize and to follow new possibilities and ways of solutions also in very unusual and difficult situations.

2. The entrepreneur

At the constitutional assembly of the Bund Katholischer Unternehmer (BKU) - Association of Catholic Entrepreneurs - on 27th March 1949 at Königswinter, thus yet before the foundation of the Federal Republic of Germany, Joseph Höffner, at the time spiritual counsellor, a function which he assumed until his nomination as bishop of Münster, described the three entrepreneurship-adversary parables which at the time determined the entrepreneurial image in public: „profit greed exploitation“, „esclavage by machinery and „unworthy determination by third parties“. He added: „A new social and economic order must and will come about, if not with the Christians, then without them and against them“. Höffner confronted the caricature of the entrepreneur as described in the scriptures of the socialists and especially of the communists with his own concept. However, the fathers of the classical national economy and their successors had ignored for a long time the „entrepreneur“. They normally had in view the owner of the productive resources who took to his service workers in order to get run the productive procedures. It was Joseph A. Schumpeter who after the First World War discovered the „entrepreneur“ who in reality came about with the formation of big enterprises.

The centre of the Economy is not the Capital but the Human Being

Also the social Encyclicals RERUM NOVARUM (1891) and QUADROGESIMO ANNO (1931) referred to the owners and not to the entrepreneurs. Höffner met the „entrepreneur“ for the first time during his studies of national economy at Freiburg. After the war he was concerned to elaborate the „true figure“ of the entrepreneur as compared with the distorted image. The core-phrase in his address of 1949 was worded: „The central point of the economy is neither the accumulation of capital nor the technocracy, but the 'cultural function of providing maintenance' (W. Sombart). Therefore the task of the entrepreneur is not fulfilled in serving the capital or the clients, for his eminent service is that for his workers. Thus the entrepreneur must take care that his workers and their families can live in human dignity.“

Höffner insisted on the counter-model of the class-community: the model of partnership of owner/entrepreneur and employees, because in the view of the Catholics both parties are dependant upon each other and they only can be successful if they are working together and not against each other. This idea agreed with the maxim of Ludwig Erhard that „we all are sitting in the same boat“. The idea of partnership is well convening with the concept that the regulation and the shaping of the world of labour are not only determined by adverse interests but that both parties act together as partners.

Höffner certainly had a fine feeling for upcoming changes. Seven years after the constitutional assembly of BKU he analysed the ethics in a differentiated way at the 8th annual meeting at Bad Neuenahr (1956). He was concerned by the idea to draft, similar to the formerly existing price reflector, an artisans' reflector, a farmers' reflector and a merchants' reflector, an „entrepreneurial reflector“. This seemed, however, too „ventured“ to Höffner, because it was often maintained that the type of entrepreneur belongs to an ending ere: „His in the past so sovereign and closed might by dissolved in a multitude of functions. His operating area be restricted, because especially the big enterprises were approaching public enterprises and showing a half-socialist, half-liberal double face. The directors of theses big enterprises be tanking more and more the figure of managers, of the „apparatis“ as the Russians use to say; they be faced with the not satisfying and obstructing dilemma not to be really autonomous and not completely independence and nevertheless being obliged to perform. All

this, thus one uses to say, has had as result that the modern entrepreneur had become somewhat uncertain of himself and of his right to exist, and that in addition the public opinion faces him with scepticism, lack of understanding and refusal".

Entrepreneur and Manager

Whoever now would presume that the separation of entrepreneur and manager would incite Höffner to a critical reflection, underestimates the sense of reality of this Catholic social philosopher. In all rationality Höffner states that the big enterprises are part of the industrial society: „It is impossible to construct oceanic motor ships in a small handicraft enterprise". But because a single owner cannot provide the required capital, the shareholders are the investors and owners. „The leading and planning functions are taken over by the directors, assisted by a big number of employees in leading positions. The operating work is entrusted to the paid workers and to the growing number of staff on the low and middle wage level". As regards the typical entrepreneurial function, Höffner states that this function is neither related to the operating work nor to the assuming of the ownership risk, but to leading the business enterprise. Executing creative entrepreneurial functions be no longer exclusive prerogative of the owner. Leading functions in the business community were today open to a much larger group of persons with entrepreneurial skills.

With regard to the ethical qualities of the new type of entrepreneur Höffner mentions four areas:

- Excellent professional competence as regards the creative talent of combination, the perception of in future successful developments, which require the talent of coordination and own energy;
- the willingness of serving the own staff, the suppliers and the clients, the human beings who are dependant upon the goods and services, the cooperation in forming the order of economy and of the community;
- the concern of the common welfare;
- the warning against the „total" entrepreneur lacking time for his spouse and his children as well as for beautiful things, for human beings in need, even for God.

The majority of the mentioned ethical qualities are challenges which Höffner has developed at first with regard to the owner/entrepreneur. During the decades of the reconstruction of the German Federal Republic and the high degree of economic growth, above all in the motor-car industry, the machinery-tools, the electro-technical and the chemical industries, and of course in the building industry, existed few problems which could be solved relatively quickly. Here should be remembered the reduction of exploration of coal, where many miners were engaged in other industrial branches or were accepting advance superannuation under favourable conditions negotiated with the relevant trade-unions. Advance superannuation was problematic in the sector of metallurgy which the enterprises used for a rejuvenation of their staff. Sufferers were the workers feeling to belong to the scrap. Problematic was also the partial transfer of the related cost to the pension pay offices.

After the governmental change in 1982 the high unemployment could be strongly reduced by a sensible strengthening of the market forces. The reduction of long-term unemployment and the loosening of the relatively rigid system of tariffs were, however, not successful. The trade-

unions could not be convinced to take into account the respective economic situation of the enterprises when negotiating the contracts of flatness tariffs. The idea of more flexible wage structures - such as in Japan - was not at all discussed, that about 80 % of the wage total are paid as fix wage as in the past, and 20 %, dependant upon the profit, are paid the end of the year. The question of participation of workers in the productive capital, in which form however, was rarely discussed and never ended in a solution having influenced the development of the world of labour and the relationship between the contracting partners in a positive sense.

Liability and Willingness of Risk

The separation of the functions of owner and manager, as watched by Höffner, has however accelerated in the 1980s. Whereas the owner/entrepreneur is liable as regards his fortune for his economic decisions, and therefore is more prudent as regards his valuation of risks and options, the manager as such interested in short-term profit chances and prepared to enter higher risks, because he is not liable for his failures by his fortune. Neither the boards of the big public limited companies, nor the supervising or controlling organs have taken up the problems hidden behind the very different functions and considered, if it is not necessary to create counterweights to the high willingness of managers to assume risks. These problematic developments have been recognized neither by the economists, nor by the State which has to take care of the common welfare. The interest of the responsible persons in business enterprises was more and more oriented towards the accountable success. Thinking in profits accrued in all economics sectors. Higher rates and higher interests were the general standard, even if they reached only tenths of percent.

After the downfall of the Berlin gate and of the communistic empire the process of globalisation started in the Nineties. The multinational business used the new options and began to transfer complete production sectors in countries with low wage cost. They took care that their profits were taxed there where taxes are low and are accounted for where the subsidies are important. This approach was regarded as „in accordance with the market" by the business community without questioning the therewith the therewith related charges. And for the State the balance sheets are important too.

The introduction of the Euro, certainly one of the great achievements, has contributed, substantially, to stabilize the currency and finance systems in the European Union and also worldwide. One thought to be on the right way of progress on which it could still go upstairs. When the first tokens of speculative financial corruption in a high style were perceived - I remember the broker of a big British bank who in Singapore set aground more than six billions dollars - responsible entrepreneurs and managers, bankers and stock exchange experts should have sounded alarm. But nothing like this happened. The immense increase of the credit volume and the international tricks of speculators also caused certain discomfort temporarily, but did not result in inquiries of conscience. There were voices drawing quite early the attention on the problems of financing the American real estate market, but German banks also did not restrain - as we have now experienced - from investing there where highest profits tempted.

The Social Regulative Function of the Private Property

In the meantime has broken out a financial crisis which nobody had expected. Its origin was the real estate crises in the USA, which seized the whole financial and banking system in North America and in Europe and deeply affected the whole world. Nobody knows yet how fiercely the financial crisis will enlarge to a crises of economy. The actual financial crisis can only, with certain restrictions, be compared with the crisis following the crash of the New York stock exchange in 1929 which ended the *laisser-faire* economy. Actually the provision of money of money and credits to the business community, which is to guaranty by the banks, the saving-banks and the financial institutes, has collapsed. In the modern business community the enterprises and firms producing goods and providing services are extremely dependant upon capital of third parties. The credits are paid back when the goods have been to the consumer. The monetary and the financial cycle is a condition *sine qua no* for the business community. The cycle reached a standstill because some big banks should no longer fulfil the engagements entered. The other banks, and this on the national and international level, were no longer prepared to lend money, because they feared that the credits possibly could not be paid back to them and they therefore could be drawn in the vortex of insolvency. Even the measures of the central banks to pump billions of money in the financial cycle in order to secure solvency were not sufficient. There were first sign that a growing number of citizens were concerned by the question: How safe is my money? They began to withdraw their money from the banks. In order to avoid a catastrophe the governments in the industrial States had to intervene and to give guarantees for the savings of their clients. Moreover they had to take steps for the rebuilding of the reciprocal confidence of the banks and the financial institutes. The rescue plan of the German Parliament (Bundestag) adopted by the majority of the members in an express procedure - excepted the „Greens and the Left Party - shall in view of the great uncertainties bring back to the market confidence and restart the flow of capital.

The Loss of Confidence

The reason for the loss of confidence amongst banks and financial institutes is related to the tremendous increase of - let us call it - „virtuous money". The banks, especially the investment banks, the hedge fonds and the financial investors became more and more ingenious by which forms be enlarged the credit volume and could be increased the rotation speed of credits. They earned splendidly and the revenue expectations of the enterprises, especially of banks and big enterprises have steeply ascended. A giant bubble was generated, a world of imagination. Here are to mention the multiple written acknowledgements by which the credits were bundled and sold to other banks. These include the so-called „derivates" which can also be matter of bets if the rates at the stock exchange are going up or falling; the „short-sales" where one speculates that the shares of an enterprise will fall; or the „certificates", namely debentures of banks, even if they are not „secured". The heavy quotation losses at the stock exchange caused primarily by the regression of the business activity indicate the severe situation of our financial system.

Meanwhile has started the search as regards the causes and the responsible persons of the crisis of the financial market. Up to now our community has scarcely been concerned by the question under which premises and conditions monetary transactions on the national and international level can be operated without any friction and that the providing of money and credits to the business enterprises takes its normal course. Even the experts in economic and financial science have been surprised by the financial crisis. Prior tot the introduction of the

Euro existed many analysis and discussions on the monetary stability, on the causes of inflationary processes, on the revaluation and devaluation of currencies. The new credit options, recently developed, have been conceived and interpreted by the mass media and in the scientific literature, in most cases as a welcome extension on the hitherto prevailing financial margins. The question whether also dangers and problems and which risks are related thereto has sometimes been taken up. Even responsible bankers and presidents of issuing banks were concerned by the billions of amounts circulating every day at the world stock exchange, but they did not sound alarm. Everyone thought to master the situation and to be in a position to take the required steps, if necessary.

The Monetary Greed

Certainly the financial crisis has moral aspects too. It is often related to „monetary greed", which seems to have been generated especially by bankers and brokers. The Wall Street becomes the symbol of the greed more and more higher profits, for growing income and rising benefits. In this context it is ignored that not only brokers and speculators were seized by monetary greed; the bargaining for tenth percent points behind the comma became modern and was presented daily in the mass media. Involuntarily one remembers the numerous passages and parables in the Evangel where Jesus condemns the striving for richness and warns: „What is the benefit for a human being if he gains the entire world, but if he loses himself and is injured?" (Lc 9,25). In the Sublimate Scholastic Thomas von Aquin criticises the extreme striving for profit, „which does not end, but tends to the endless" („deservit cupiditati lucri, quae terminum nescit, sed in infinitum tendit"; Summa theologica, II.II. qu. 77 a. 4c).¹ In the proclamation of Jesus the charity is the counter-weight which keeps the human being remote of becoming an egoist. From its beginning the Church has fought against monetary greed. Under this basic the ancient agrarian community, within which economic growth was unknown, was generated the prohibition of interest, which today is still alive in the „usury interests". When the agrarian community began to change and the commercial relations increased the levy of interests was discussed in Italy and Spain in the late scholastic. Prevailing was the opinion that a „moderate interest" was permitted.

On the other hand, the financial crisis has again induced the reservations and critics of private property, in particular of productive resources which came up in the context of the „social question" within the socialistic tendencies. Karl Marx thought that the private property is the original sin of humanity and that the social evils can only be removed by the abolition of private property. Otherwise the proclamation of the Church. How much however the Church fought against monetary greed, the Church admitted that the Seventh Commandment „you shall not steal" is also valid in the modern industrial society.

¹ Quoted with Joseph Höffner, *Wirtschaftsordnung und Wirtschaftsethik*, Direktives of the Catholic Social Teaching, inaugural address at the autumn plenary session of DBK 1985. In: Series „Der Vorsitzende der Deutschen Bischofskonferenz", no. 12 edited by DBK Sekretariat, Bonn 1985, p. 27

Calling to Mind the Value Basis is Needed

Without dealing here with the Christian teaching on property and its development, the calling to mind of the regulating function of private property can contribute to the solution of the financial crisis.

1. In the first place must be mentioned here the problem, that in the modern business the original relation of property and liability for the consequences of business activity was relaxed and partially destroyed. The private property permits human beings to take financial decisions in freedom and with responsibility. Normally such decisions are linked with risks. It is the uncertainty, if a certain measure, as expected, is successful or not. If for instance an investment fails, the financial damage must be borne by the owner. The liability reflects the regulating social function of private property. It has for consequence that the owner carefully considers the risks of his business activity and usually enters only those risks which are acceptable for his financial and work position. The social regulating function of private property is that the owner acts in „responsibility" and fears high risks which could bring his downfall. The liability keeps him away from acting as a gambler. The fewer the number of gamblers and the lower the gambling mentality are existing in a society the more solid will be the business activity.
2. In an article for FAZ (Frankfurter Allgemeine Zeitung) Wolfgang Schulhoff has analyzed a structural weakness of our economic system.² It is related to the fact that the owner/ entrepreneur bears the full risk of his entrepreneurial acting is liable with his property. Quite different is the situation with the manager employed: success is rewarded, whilst failures are not linked with the liability for the damages caused but often are yet honoured by „a golden hand shaking". The financial sector is dominated by employed managers free from liability. The combined monetary greed, growing revenue expectations and the steadily increasing willingness to risks to a disastrous connection. The elimination of the social function of regulating the private property, including the liability of the owners, has allowed that the willingness to risks increased. The separation of property and liability has resulted in the privatization of profits and the socialization of losses. All those who have contributed to this development have failed and heavily infringed the common welfare.
3. Moreover, the investment policy of the big enterprises and the banks has in view the short-term result, whereas the middle-sized and small enterprises, the majority of which are family enterprises, are oriented towards long term. Monetary profit at the stock exchange is not decisive for them. The risks are accordingly shaped too. The vulnerability of the modern economy is related to the fact that the production of goods and services is structured in such a way that the maximum top demand can be covered at any moment and that thereby profits are increased. A longer-term orientation, taking into account also alterations and shifting of demand or of the international structures would be less susceptible for crises and could react more flexibly.
4. A special chapter is the control of the business enterprises, of the banks, of the financial institutes and of the financial markets. All agree that in the interest of

² Wolfgang Schulhoff, Mehr Markt für Manager. In FAZ of 10th April 2008, no. 84/15 D 3.

common welfare are created measures and legal rules which exclude a reiteration of the actual financial crisis or of similar developments. But the question points off: How can and shall this aim be reached? Already today it has been proved that many members of supervisory boards have difficulties to evaluate the risks of the new credit options and the consequence thereof. In many cases the rating agencies have also produced evaluations. Do we have after all at our disposal a sufficient number of expert people able to perceive the always new risks of financial brokers and speculators, experts who are in the position to entlarve their problems. Even the best legal rules are only worth to the extent to which they are transformed in practice.

5. That the State and the international community of States cannot tolerate that financial crises possibly enlarge to a catastrophe was clear to all interested parties. In such situations the State must intervene as guarantor of the common welfare. The social market economy, based on the „framework conditions" created by the State, is also dependant upon such acting by the State. Important is such regulation of the economy which does not only include the market tendencies of offer and demand, but also the monetary and the credit business. Regulation does not only extend to the external conditions, the „framework", regulation concern the core of the economy is ill, the State must take that it phase of industrialization agreed wages for workers did not exist; payment was often so low that the worker and his family could not live thereof. The difficult question of the „fair wage" came up, to find a satisfying required about a century. At the same time this was the question of the „wage according to the performance" which is not part of the „framework conditions" but part of the core of the economy, especially of the social market economy. In the present financial crisis the confidence between the banks and the credit institutes has volatized: The basic confidence is also part of the core of the economy. Whilst the performance wage is primarily a matter of tariff partners, the State must intervene in the financial crises in order to reestablish the basis of confidence of the monetary and credit business.
6. Does the intervention of the State include the removal of the crucial point as regard the relations of the State to the business community? There are political tendencies which like to use the financial crisis for their ideological purposes. Not only the framework shall be restored, but the influence of the State on the business community shall take a new weight. In order to prepare such change the first inquiries have been effected in order to know if the banks shall be nationalized and the big business groups of certain sectors shall be partially nationalized. In this context the interested parties hope that people's memory is short. For also the State institutes like the Kreditanstalt für Wiederaufbau (Bank of Reconstruction), the State banks in Saxony and in Bavaria, in West- and North-Germany are not in a better situation than the private banks. And as to the stability of the currency, politic has always failed. Foremost the independence of the issuing banks from politics became the premise that currency stability is not subordinated to or sacrifices for political interests. Let us remember the statement by Pope John XXIII in the Social Encyclical MATER OF MAGRISTA (1961): „In the business community the priority of private initiatives is with individual persons who either alone for themselves or in multiple communications with others pursue common interests" (item 51). Paul John II who under the communism has experienced State economic dirigisme warns in the Social Encyclical CENTESIMUS ANNUS (1991): „The economy, especially the social market economy cannot operate in a space free of institutions, of law and of politics: To the contrary, it presupposes the securing of the individual and of property, as well a stable currency and efficient

public services. It therefore is the main task of the State to guaranty this safety, so that the people who are working and producing can enjoy the fruits of their work and feel induced to achieve their work efficiently and honestly. The lack of safety, accompanied by the corruption of the public authorities and the growing enrichment out of illegal sources and light profits on account of illegal and purely speculative intrigues is one of the main obstacles to the development and the regulation of the economy" (item 48).