

## THE PROCESS OF 'CREATIVE DESTRUCTION' AND SUBSIDIARITY: A RESPONSE TO PROFESSORS ARCHER AND DONATI

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The papers by Archer and Donati invite us to consider once again the principle of subsidiarity. Although we considered this principle only two years ago, let us see what other lessons we can learn from the current economic crisis.

Along with virtually all of the other members of this Academy, I argued at our plenary session two years ago that subsidiarity cannot be properly understood apart from solidarity, provided that one means by solidarity some kind of social union.<sup>1</sup> This admonition was echoed last year in Benedict's encyclical.<sup>2</sup> For my part, I contended that the *principle* of subsidiarity should not be equated with devolution, namely, that subsidiarity requires responsible action at the lowest possible level, or most efficient level. When a government devolves, or defers to actions initiated at the lowest or more efficient levels, its *policies* may be guided by the principle of subsidiarity. Strictly speaking, however, the *principle* of subsidiarity is not a matter of quantity or size. Indeed, the quantitative approach is quite compatible with the premise of methodological individualism – namely, that social unities and relations among members can be reduced to nonsocial properties of members or composites thereof. Margaret Archer's paper brings this out quite nicely.

<sup>1</sup> 'The Coherence of the Four Basic Principles of Catholic Social Doctrine: An Interpretation'. Keynote Address Pontifical Academy of Social Sciences, XIV Plenary Session. Margaret S. Archer and Pierpaolo Donati, eds., *Pursuing the Common Good*. Pontifical Academy of Social Sciences, Acta 14 (Città del Vaticano, 2008), 75-123.

<sup>2</sup> *Caritas in veritate* (2009), §57.

On the neo-Epicurean premise that so often prevails in the social sciences,<sup>3</sup> subsidiarity can only mean the demand to achieve efficient aggregations of choice and power. Individual agents, ends, and choices are bundled and unbundled as suit the purpose of a very abstract modeling of economic life. Economic phenomena are depicted in a way completely indifferent to social realities. On this model, if the term means anything, subsidiarity means lowest possible level.

Rather, subsidiarity presupposes a plurality of group-persons having their own ends and forms of union: spouses, families, colleges, churches, cooperatives, municipalities. All such entities engage in exchanges, distributions, and consumption. But if they have their own social principle, they possess at least one thing that cannot be exchanged, distributed, or consumed: viz. the common good. The *praxis* of participating as a member in a common good is different than the *praxis* of making decisions for one's private good.

In Catholic social thought, subsidiarity does not posit or create diverse modes of solidarity; it rather presupposes them. The *principle* is simply stated. First, that societies within the commonwealth deserve assistance from the state. Ordinarily, this means legal recognition of their unions, and the state's unique role of harmonizing relations between the subsidiary societies. In an emergency, help can include a temporary, substitutional role of the state in providing material resources. Second, that in rendering this assistance, the state must not subvert the sociality of the societies being helped.

These two prongs of subsidiarity – *subsidium* and *sub sedeo* – are underscored in *Caritas in veritate*, where Benedict refers to organization that is 'subsidiary and stratified'.<sup>4</sup>

The concept of subsidiarity first made its appearance in the first two books of the *Politics*, where Aristotle gives something like a sociological

<sup>3</sup> [It is] the outcome of a purposeful utilization of a universal law determining cosmic becoming, viz., the higher productivity of the division of labor... [It] consisted in the complete demolition of all metaphysical doctrines concerning the origin and operation of social cooperation. It consummated the spiritual, moral and intellectual emancipation of mankind inaugurated by the philosophy of Epicureanism'. Ludwig von Mises, *Human Action*, 4th rev. edition (San Francisco: Fox & Wilkes), 147.

<sup>4</sup> *Id.*, §57. The typical Latin edition reads, *haec tamen auctoritas subsidiario modo et polyarchico est ordinanda*. The notion of polyarchic is appropriate in the context of this paragraph, which recommends effective international authority. Unless there exist societies completely bereft of authority, to erect international authority that erases other authorities virtually denies the existence of other societies. Such would homogenize social realities from the top down as markets are wont to do from the bottom up. In any case, this is precisely what the principle of subsidiarity forbids.

account of the diversity of societies pre-existing the *polis*. (I remind the reader that the title page of Durkheim's 1893 *De La Division Du Travail Social* quotes Aristotle's Pol. I 1261a 24, that the real unity of the *polis* must include diversity of social elements). The account was both descriptive and normative, for Aristotle intended to counter Plato's conception of an ideal polity that enjoys a socially homogeneous common good. This ideal order, he contended, would destroy marriage, family, and village, along with the other associations which cluster around these social units. Aristotle's sociological observations were turned into a much sharper set of philosophical tools in Thomas Aquinas's *Sententia libri Politicorum*.<sup>5</sup> Here, Thomas did not explicitly use the term subsidiarity, but he does make the bevy of distinctions which will be used by Catholic thinkers in the 19th and 20th centuries: (1) that although polity has a divine-like dignity, it is not socially homogeneous;<sup>6</sup> (2) that the diversity contained in polity cannot be reduced to quantity;<sup>7</sup> (3) that the social components are themselves complex, for even the household consists not merely of distinct functions but distinct modes of union, e.g. spouses, children, servants;<sup>8</sup> (4) that it is necessary to distinguish between a common good (*bonum commune*) and goods commonly pooled (*bona communia*);<sup>9</sup> (5) that a progressive series of unifications within the body politic would produce another individual rather than a society, and in so doing polity would be destroyed;<sup>10</sup> (6) in conclusion of which, we can understand that a polity should *not* have maximum unity.<sup>11</sup>

Aristotle's thinking on social pluralism had far reaching consequences for Thomas. I will mention only two. In his much celebrated treatment of the first precepts of the natural law, Thomas stratifies the precepts in such a way that they reflect man as a rational animal, man as a matrimonial and domestic animal, and man as a political animal.<sup>12</sup> Thus, in microcosm, the

<sup>5</sup> Sancti Thomae de Aquino, *Sententia libri Politicorum*. Textum Leoninum Romae 1971 editum emendatum ac translatum a Roberto Busa S.J. in taenias magneticas denuo recognovit Enrique Alarcón atque instruxit.

<sup>6</sup> *Includit omnes alia communitates*, [79076] *Sententia Pol.*, lib. 1 1.1 n. 3.

<sup>7</sup> *Quia differentia quae est secundum magis et minus no diversificat speciem*, [79079] *Sententia Pol.*, lib. 1.1.1 n. 6.

<sup>8</sup> *Id.*, [79082, et seq. 79097], nos. 9, 11, 17, 19, 24.

<sup>9</sup> *Id.*, [79243] lib. 2.1 n. 10. The point being that a common pool, *bona communia*, is more like an aggregation than a true society. But this does not suggest that true societies having a common good will not have *bona communia* as well.

<sup>10</sup> *Id.*, [79244] lib. 2.1 n. 11.

<sup>11</sup> *Unde patet falsum esse quod Socrates dixit optimum esse in civitate quod sit maxime una*, *Id.*, [79249] lib 2.1 1 n. 16.

<sup>12</sup> S.t. I-II, 94.2.

soul is already poised to participate in various kinds of social membership included in a polity, which is itself a union of social unions. (From a theological perspective, we find here a trace of the Trinity: to be, to live, and to know). This in turn is paralleled by Thomas's threefold scheme of prudence: individual, domestic, and regnative.<sup>13</sup> In effect, Thomas builds the scheme of subsidiarity into the natural law and into the chief practical virtues of human agency.

To make a long story short, these philosophical resources were recovered in the 19th century by Leo XIII and his successors in order to respond to the revolutionary states which aspired to do precisely what Aristotle and Thomas said couldn't be done without destroying both the state and social order. Namely, the ambition to impose a socially homogeneous political order. This is exactly where Leo XIII picked up the argument in his first encyclical *Quod apostolici muneris* (1878). Written against Socialism, Leo was not so much interested in markets or economics as he was in the destruction of social diversity by the state, operating under a certain ideology. Although he does not explicitly use the term subsidiarity, he certainly deployed it in the sense familiar to us. In his first encyclical as well as in his famous *Rerum novarum* (1891) he contended that the State should give assistance to societies formed within the commonwealth, *and* that it must protect their specific modes of union. That it was the myth of the autonomous market that constituted the main problem was only peripherally on Leo's horizon. For the most part, it was the myth of the sovereign state that most worried him.

It was Leo's student, Pius XI, who not only used the exact term subsidiarity, but who also made the principle work with regard both to states and markets. This was a crucial moment that is often overlooked. We recall that it was an economic crisis that triggered the encyclical *Quadragesimo anno* (1931) in which subsidiarity is first explicitly defined in the social magisterium. Here, a very terse summary must suffice. The laissez-faire economy did not regulate itself, but fell into a crisis that threatened to destroy society. The State therefore owes *subsidium*. And this 'assistance' includes more than a safety net; it also involves a duty to rebalance and re-situate the relationship between markets and society. The subtitle, *De ordine sociali christiano instaurando*, is translated misleadingly as 'reconstruction of...'. The verb *instaurare* means to renew (or to restore). This is not an insignificant issue

<sup>13</sup> S.t. II-II, 47.11.

when we turn to the second prong of subsidiarity. Assistance, Pius insists, should not subvert the diversity and sociality of society. Pius was not calling for reconstructing so much as rebalancing or recovering or rehabilitating a plurified social order that is under a twofold threat: on one hand, from the market, on the other from the heavy hand of the State's reaction to the destructive effects of the laissez-faire economic policies. So far as I can determine, this is the first time that the Aristotelian-Thomistic philosophy is used for the purpose of identifying something like a destructive dialectic of market and polity. Neither Thomas nor Aristotle had to worry very much about markets disembedded from social and political orders.

I believe that this double function of the principle – facing both markets and states – is very similar to what Professor Donati means by the lib-lab cycle in the political life of contemporary societies. It also shows an affinity for Karl Polanyi's prophetic and magisterial study, *The Great Transformation* (1944). His thesis is elegantly stated at the beginning of the book:

Our thesis is that the idea of a self-adjusting market implied stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably, society took measures to protect itself, but whatever measures it took it impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way.<sup>14</sup>

If I correctly understand Polanyi (and my colleague Donati) it is precisely this twofold threat that summons the principle of subsidiarity post 1929. While earlier generations of Catholic thinkers focused upon the problem of the State imposing its monopoly over social order – the post 1789 moment, so to speak – by the time of the pontificate of Pius XI it was clear that the myth of the self-regulated market is also utopian and destructive of social order. Social order includes an economic principle that is distinct from a market. Economic thinking is an aspect of human practical reason that aims to promote and maintain the material well being of the family and other societies. As a deliberate skill, economy requires a ranking of ends and means. Whatever we might make of an 'invisible hand' in a market, there is no such thing as an indeliberate mind in economy, at least not in

<sup>14</sup> Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time*, forward by Joseph E. Stiglitz (Boston: Beacon Press, 1957, 2001), at 4.

the strict sense. This must be underscored lest we confuse the critique of self-regulated markets with economies. The latter are, by definition, self-regulated and cannot be anything other. Hayek himself is quick to make this point. A market might be blissfully ignorant of the moral demands of distribution, but not an economy.

Seemingly anarchical markets tend to trigger administrative responses which might curb the market but which also crowd out the initiatives and resources of non-governmental agents. During the 20th century, governmental responses to bubbles, booms, and busts lead in some nations to totalitarian regimes; but even when governments took a more moderate approach, the social order was never truly restored in the Pisan sense of *instaurare*. The social order was saved, but diminished nonetheless.<sup>15</sup>

Today, we are more familiar with the nanny state which colludes with the market even while trying to regulate it. The main point is that Joseph Schumpeter's notion of the 'creative destruction' of Capitalism – the Shiva like competition that assigns all things under the demon of ignorance – includes more than the economic sphere.<sup>16</sup> Inevitably, it includes the state and the societies within it. The social equilibrium is constantly destroyed or at least impaired – not once, but several times in a generation. In our case, twice within a single decade. Hence, having to appeal to both prongs of the principle of subsidiarity seems to be a permanent state of affairs. We are thrown far beyond the ancient and medieval formulations of the principle.

The two prongs used in tandem indicate that the Catholic understanding of subsidiarity is not designed to assist only one political party or ideology. It cuts both ways precisely because of reality on the ground (what Donati calls *lib-lab*, and Polanyi calls the 'double movement'). It does not favor either right-wing liberal 'efficiency' nor left-wing liberal 'autonomy'. Rather, it favors social pluralism, continually caught in the whiplash of anarchical markets and heavy-handed administrative response. As Benedict observes in his encyclical: 'The exclusively binary model of market-plus-State is corrosive of society, while economic forms based on solidarity, which find their natural home in civil society without being restricted to it, build up society'.<sup>17</sup>

<sup>15</sup> From this point of view, it is not enough to say that the government must protect the market from itself; it's also necessary to say that society must be protected from the steps that government must (or does) take in order to protect society from the market.

<sup>16</sup> Joseph Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper, 1942 and 1957), Ch. VII.

<sup>17</sup> *Caritas*, §38.

What dismays is the fact that despite an enormous body of literature on the principle of subsidiarity, it has to be explained and re-explained every time there is a crisis. At the Committee for Social Thought at the University of Chicago, Yves Simon took a stab at enunciating the concept very simply in this way: 'To ask this question is like asking whether there is more perfection in life than in lifelessness, in activity rather than in mere instrumentality, in plenitude rather than emptiness. Clearly, a whole is better off if its parts are full of initiative than if they are merely traversed by an energy which never becomes their own'.<sup>18</sup> Simon's rendition of the principle might strike us as a piece of common sense. But it is common sense only within the perspective of being a member in one or more social entities. Take away the view *sub specie societatis*, however, and the principle is apt to look very different. At best, it will be interpreted as the cooperation necessary for maintaining a common pool – to be sure, common pooling is nothing to sniff at, but it is not the same thing as a society.

Later in this session, Professor Zamagni will speak about economic enterprises that no longer see themselves as corporate realities, which is to say as bodies (at least partially) possessing a social end or union transcending commodities being prepared for sale on a market. On this view of the corporation, it may exchange, divide, indeed consume itself because its identity never amounted to anything other than an aggregation intended for private yield. Perhaps we shouldn't be surprised, for corporations of this kind have always been located awkwardly between association for the sake of gain and association for the sake of use and enjoyment. It is more sobering, however, when we find true societies erasing the distinction between gain and use. Marriages, families, colleges, hospitals, charitable organizations, small municipalities, and cooperatives make decisions about things that are exchangeable, distributable, and divisible, but these decisions depend upon a superordinate principle of a common good that cannot be cashed out. To be sure, this good can be lost. When members no longer have the trust or the heart to pursue common ends through a common form or union, the social principle is *lost*. But it is logically and ontologically impossible to divide it.

The current crisis suggests that true societies, having (analogously) a common good, speak one way but act just as though (to paraphrase Donati)

<sup>18</sup> Yves R. Simon, 'Common Good and Common Action', *Review of Politics* 122, n. 2 (April 1960), 202-44; reprinted *The Crisis of Modern Times*, Ed. A. James McAdams (Notre Dame: University of Notre Dame Press, 2007), 419.

they were an adjunct to 'the stock market'. They suppose that their existence depends intrinsically and not only accidentally on divisible things. We only need to follow the trail of the housing bubble and the aggregated pension funds to see that real societies had stretched tinsel-thin the distinction between action for profit and action for membership. In the United States, even our most revered not-for-profit institutions risked everything in market, and when disaster ensued, were willing to cut anyone and anything (including its own ends) to preserve the institution. This is the double movement studied by Polanyi two generations ago, albeit chiefly with regard to the state and the market rather than American universities.

I conclude by coming back around to Professor Archer's observation that in recent social encyclicals, the popes have addressed not only issues of justice but also the question of 'social love'. This is surely right. For although subsidiarity is a principle of harmony and balance, and hence of justice in a 'stratified' society, the common good motif is best considered under the principle of love. Let us consider ourselves as lovers of various things and persons, and let us consider what are the relations of justice. Since this is strongly noted in Benedict XVI's recent contribution to social doctrine, it will not be inappropriate to quote St. Augustine: 'Everything that is not lessened by being imparted, is not, if it be possessed without being communicated, possessed as it ought to be possessed'.<sup>19</sup> The beginning of wisdom, says Augustine, is the ability to distinguish between what is to be used and what can only be enjoyed in the manner of usufruct. The common good is something to be enjoyed; the more shareable, the more common, and therefore the more enjoyable. The principle of subsidiarity fits rather well in this Augustinian notion of *communicationes*, which are nothing other than social bonds.<sup>20</sup>

The principle can be explained from this angle or from other angles. It can be defined sociologically, philosophically, or theologically. I suspect that the problem is not an absence of good thinking and crisp definitions. It is embedded rather in a way of life that chronically obscures in the eyes of the heart (to use a scriptural metaphor) the distinction that Aristotle, Augustine, Thomas, and virtually the entire modern social magisterium thought was pretty clear. Namely, the distinction between an aggregated good, a pooled good that is quasi common but intended ultimately for private yield, and a society.

<sup>19</sup> *De Doctrina Christiana* 1.1.

<sup>20</sup> In Thomas's work, every analogous use of the word *societas* is mirrored by uses of the word *communicatio*: *communicatio oeconomica*, *communicatio spiritualis*, *communi-*

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*catio civilis*, and so forth. The word *communicatio* simply means making something common, one rational agent participating in the life of another. Society, for Thomas, is not a thing, but a communication. Indeed, he quotes Augustine's *De Doctrina Christiana*: 'Everything that is not lessened by being imparted...' in defense of a diversity of religious congregations. *Contra Impugnantes*, I.4. §14 [Leonine] A83 1265-70.