

THE COMMON GOOD ‘IN TERRIS’ – OR ONLY ‘IN EXCELSIS’?

THE CORNERSTONE OF SOCIAL BUILDING DETHRONED ON THE WAY TO GLOBAL ECONOMY

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“No era will ever succeed in destroying the unity of the human family, for it consists of men who are all equal by virtue of their natural dignity. Hence there will always be an imperative need ... to promote in sufficient measure the universal common good, that is, of the whole human family”.

John XXIII: Pacem in terris (132)

“Once profit becomes the exclusive goal, if it is produced by improper means and without the common good as its ultimate end, it risks destroying wealth and creating poverty”.
“Globalization certainly requires authority, insofar it poses the problem of a global common good that needs to be pursued”.

Benedict XVI: Caritas in veritate (21, 57)

“The special function of this universal authority must be to evaluate and find a solution to economic, social, political and cultural problems which affect the universal common good”.

John XXIII: Pacem in terris quoted in Compendium 95

1. A few preliminary remarks and one great apology

Excellences, dear colleagues, dear guests, I know that my topic of common good was chosen as a central theme of the Plenary Session of the PASS only recently (2008); nevertheless I believe that the approaching anniversary of *Pacem in terris* justifies my decision to return to this point. I also realize that speaking about a global dimension of common good should be based on a wider experience than that of one small country.

Nevertheless, our experience, and that of other Central and East European countries, of two totalitarian systems, that both tried to establish a *sui generis* common good through terror – this historical experience forms a specific ground to re-thinking the concept of common good in an open developed society and within global space. Because a risk of the terror of the social determination of goals by one group as the alternative to competition in advanced societies is still present in our time (see also Koslowski 1996, p. 51). Both idolatries of the “common good” – that of Nazism based

on the ideology of the natural superiority of one race, and that of Marxist communism arguing the historical predestination of one social class – resulted in a collective invocation of terror. Gaston Fessard, writing on both idolatries of common good (“de la nature race” and “de l’histoire de classe” – see Fessard 1944), clearly recognized the danger of a historical substitution of the former by the latter at the time of the collapse of the Nazi regime in Paris (January 1945). My generation celebrated the fall of the second totalitarianism in Prague in 1989, more than 40 years later, nevertheless we still learned about the Nazi terror from the stories told by our parents...

The Czech “velvet revolution” opened the door to the transition from “really existent socialism” to capitalism, and euphoria prevailed in the West. Professor Peter Koslowski was one of very few who wrote in November 1990: “This development is no reason for triumph, but for a re-thinking of the foundations of capitalism. The question of the ethics of capitalism gains new urgency” (Koslowski, o.c., p. 6). An additional satisfaction for Peter Koslowski came from an observation of Benedict XVI in *Caritas in veritate* (article 23) that after the collapse of communism “a complete reexamination of development was needed ... also in the West ...” and a regret that “this has been achieved only in part”.

In 1963 I began my studies of the Marxist political economy in Prague; at that time other schools of economic thought were not officially permitted to be taught. My knowledge of “Western” economics is still more a result of self-education than of regular university studies. Moreover, Catholic social teaching is rather a “hobby” for me as I have no formal education in moral theology. All this is enough to be silent... Nevertheless I take my courage to go further.

The fall of communism in my country had been closely associated with the name of Václav Havel who died several months ago. His “velvet revolution” signified a revolution “in pacem”. To better explain what this historical task of the time meant, I would like to mention my teacher from Prague Economic University, Luděk Rychetník – a well known expert in mathematical economics in years preceding the Prague Spring of 1968 – who after decades is still my teacher and friend. I am grateful to Luděk for many things, including a second reading of my English. One of Luděk’s thoughts, illuminating our Czech situation after decades of wandering through both totalitarians regimes, is his concept of “disrupted order” (Rychetník 2003). In the same monographic number of *Finance & Common Good* I gave the title (Mlčoch 2003 b) to my ideas about our institutional transformation as a way from an institutionalized irresponsibility of real socialism to the “institutionalized responsibility” of a “standard capitalism”.

One and two decades later we have to remember that we Czechs provided the international vocabulary not only with the notion of “velvet revolution”, but also of “tunneling” as a synonym for “stripping assets” and other fraudulent practices eroding the common good. Nevertheless “tunneling” does not seem to be limited to the Czech Republic and symptoms of “disrupted order” are visible even in the most developed and, till recently, entirely “standard” capitalist countries. “The institutionalization of responsibility” in my country has not been too successful till now. What is worse, I am afraid that a growing irresponsibility “latet et floret”. It appears to be an illness of our time of falling morality and weakened authority also in various countries, some of them seemingly well ordered till recently. (“The Europe of Benedict of Nursia is in a cultural crisis”, Joseph Ratzinger).

These are reasons for worries but also obligation to act for the best – to prevent further advance in “disrupted order”. Common good is an enormous ambition not only “in terris”, but in our cities as well. It is the ideal of common good that has given me the courage to express my thoughts in spite of my full understanding that I “non sum dignus”. I apologize to everybody who might consider my paper as an act of daring. Please do believe that my effort is perhaps too ambitious but sincere. I use my heavily tested country as an unintended and involuntary social laboratory, and as a source of understanding more universal problems of common good. Czechs are dominantly secularized and inclined to put the abstract and rather utopian concept of common good into the heavens, which we do not believe in.

2. Common Good – 50 years ago the first time in a global sense

Approaching the 50th anniversary of the publication of the Encyclical letter *Pacem in terris*, we remember, that here, for the first time in the history of modern catholic social teaching, the old principle of the “common good” was used in its “universal” dimension. This first principle of modern social doctrine of the church – having been used to be used within the frontiers of a political community of one state or one nation from the very beginning – is now understood in a global context, as a common good for the whole human family, “bonum commune in terris”. As the first, the universal church discovered the signs of times, that a global era had arrived upon humankind, and as a consequence – on us all – our generation – we urgently needed new thinking in new dimensions. If “Opus iustitiae pax” (Pius XII) and “Opus solidaritatis pax” (John Paul II), then for a “pax in terris” we are called to think, study and work for “iustitiam et solidaritatem in terris”.

At the level of the Magisterium of the Church, this challenge of our times has been taken very seriously, and a sequence of principal documents

have followed: *Mater et Magistra* by the same author as *Pacem in terris*, John XXIII, *Gaudium et spes* (Second Vatican Council), *Populorum progressio* (Paul VI), *Sollicitudo rei socialis* (John Paul II, twenty years later), and *Caritas in veritate* (Benedict XVI, another twenty-two years later). This fundamental line and the evolution of thinking underlines the global dimension of the social question and the thesis of Paul VI that “development is the new name for peace”. Finally, as a last word of Magisterium in this sense, Benedict XVI confirms that only “integral development – in charity and truth – is the way to the universal common good and peace for the whole humankind”.

Professor and catholic priest Patrick de Laubier in his last excellent book about the evolution of modern catholic social thought (de Laubier 2011) stressed this new dimension of the old concept of the common good in the special chapter under the sub-title “Jean XXIII et la concorde dans le monde”. According to de Laubier *Pacem in terris* has its axis around three closely tied points, i.e. human rights, political authority and global common good (“le Bien commun mondial”) – all these points “au niveau universel”. It would need a special analysis to compare this chapter of Patrick de Laubier with the paper of Professor Hittinger about the coherence of four basic principles of the catholic social doctrine (see Hittinger 2008).

“La pensée sociale de l’église catholique” is based on an “ideal orientation from Leo XIII to Benedict XVI”, and presents the deep line of catholic social thought. The cornerstone of common good remains a ground for modern social building: Patrick de Laubier argues convincingly that Leo XIII had already formulated a Christian vision for the new society, in an ideal but sufficiently pragmatic way – no “chiméras”. Also the common good for the industrial era was not a reproduction of the medieval model and no nostalgia for “régime ancien”. De Laubier found a Christian inspiration in *Rerum novarum*, that is the idea of fraternity leading from Leo XIII to Benedict XVI’s *Caritas in veritate*, receiving just a new global dimension (mondialisation) from *Pacem of terris*. If history has its sense (de Laubier 2009), then Patrick de Laubier discovered this sense in a time long preparation of the “civilisation de l’amour”.

The Pontifical Academy of Social Sciences has focused on the phenomenon of globalization several times. Professor Juan José Llach formulated the main outcomes from several plenary sessions and workshops in his *Summary on Globalization* (Llach 2008). Both topics – the cornerstone of common good and globalization – were considered together at the PASS Plenary Session of the same year, just before the start of the financial and, later, economic crisis with global consequences (*Pursuing the common good:*

How Solidarity and Subsidiarity Can Work Together, Archer, M.S., Donati, P. eds., PASS, Acta 14, Vatican City 2008).

Nevertheless, in the time between *Pacem in terris* and *Caritas in veritate*, another series of pastoral documents was published – at the level of national bishops' conferences in different countries and continents. This line of more pragmatic, more country- and time-specific thought was still based – quite naturally – on the old concept of common good in the original sense, i.e. common good of the political community within the frontiers of individual states. For example “Economic Justice for All” is meant as justice first of all for US citizens, or “L’avenir ensemble” surely means the future of the Swiss citizens. To be fair, it is necessary to add in both cases that these documents also include special chapters about “international relations” – which is esp. important due to the exceptional role of the US and Switzerland in global financial markets. The fact that the concept of common good is still felt as a “cornerstone of social building”, and that bishops still understand their role as “guardians” of this principal goal of every community, is clear just from the titles of some documents: “Common Wealth for the Common Good” (Australia 1992), “Common Good” (Anglia and Wales 1996). In the Czech case – Peace and Good (2000) – “Peace” means “Pax Christi” and “Good” then the common good for the Czech national community. Finally, the Polish Bishops' Conference published the first document of this kind only recently, and the title also includes “dobro wspólné” – the common good (Warszawa 2012).

The lower level of abstraction in these pastoral social letters, and their application character, closely tied to the national political community and its interests, as a consequence involve the danger of achieving only partial truths biased by an ideology of national or even group “vested interests”. It is nothing new. Christian Watrin who was first interested in the role of organized (and un-organized) interest groups in the German social market economy noticed that the “common good argument” was frequently used in reasoning about controversial questions of economic policy. Another example from the Swiss social letter “L’avenir ensemble” touches the problem of “monolateralism” (“les Etats les plus puissants continuent d’imposer leurs propres intérêts”, o.c., p. 82). The letter “Common Good” entered the public debate before the general elections in Great Britain (1996) and the media speculated that the arguments about an erosion of social cohesion and undermined common good in the country helped the victory of the Labour Party. In the Czech case, the pastoral social letter “Peace and Good” opened the public debate about the moral aspects of the Czech way of privatization and transition in general, and possibly encouraged critical views among the public in the country. And it

was – and still is – the very concept of “common good” that evoked strong reactions. (The Czech Bishops’ Conference published after two years, in 2002, a new letter, “Harvest” of the public debate about “Peace and Good” in Czech, and also in the German translation).

In spite of the danger of getting involved in ideological disputes, the experience with pastoral social letters is convincing in the sense that the old concept of the common good is still alive and fecund not only within churches, but also in the public sphere. On the other hand, the “common good” is suspect and or even rejected by two different groups of “heretics”: by economic theorists – and by some thinkers from inside the church itself. How did it happen that some of the “last guarantors” of the cornerstone church principle merged with the “guardians of economic rationality”? Is common good really in conflict with modern economics, as a “religion of our times”? We will deal with two sources of scepticism with regard to the concept of common good separately in two subchapters. In both cases I find the inspiration in the public debate about the letter “Peace and Good” in the Czech Republic. Surprisingly – the common good is perceived – esp. for those without personal totalitarian experience – also as a threat, a new danger to the new form of totalitarianism. In this sense, I use the Czech case as a social laboratory to the test both economic theory, and catholic social teaching in the very heart of these disciplines.

3. The Divine Common Good rejected by secular economists

The ideology of a return from “real socialism” to the market economy in the Czech Republic – i.e. a restoration of capitalism – was grounded upon the authority of great economists. We returned to the very beginning of modern political economy: Adam Smith provided his famous “invisible hand” and his idea of “self-interest” for the culture of self. From Friedrich von Hayek two kinds of order (COSMOS and TAXIS) had been borrowed; a swing of the pendulum in public opinion caused the spontaneous order to be accepted as a self-evident good, and “social engineering” as an example of social evil! Ronald Coase served by his “theorem” and his world with zero transaction costs justified unscrupulous privatization. Within such “paradigm” the room for the “common good” is relatively limited. It is not accidental in this context that Czech catholic thinker Professor Tomáš Halik called this “philosophy of transition” a “Marxism upside down”, the prominent Czech sociologist Miloslav Petrussek spoke about the “Marxist vulgarization of Friedrich Hayek”, and finally one of Czech dissident leaders, Jan Sokol (defeated by Václav Klaus in the presidential elections) even went so far as to use the brutal accusation that we are faced with a form of “gang-

ster's liberalism" (see Mlčoch 1998). From the Catholic social understanding it might be clear that a success of wild privatization is paid at the price of disrupting social cohesion, social capital and mutual trust. Nevertheless, the proponents of this ideology are still ready to argue that every private distribution of wealth – no matter how "spontaneous" or even how "wild" – is the straight way that liberates the engine of self-interest, and this self-interest itself is a guarantor of market efficiency. "Upside down" Marxist historical materialism is only a different "school" of a materialistic economic philosophy with no room for the greater, more divine, perfect and noble common good as compared to individual goods (Aristotle). Professor P.H. Dembinski in his recent paper does not even hesitate to make parallels between two "utopias", that of Marxist communism, and its "upside down" form – "a liberal utopia" (see Dembinski 2012).

We can leave a rather primitive world of vulgarization with the help of "three great economists" at this point. The facility of this vulgarization was perhaps not accidental, the nature of the mainstream economic theory itself made it possible. P.A. Samuelson once said that the strength and weakness of every theory is best recognized in its vulgarization. This proposition, pronounced on the occasion of the 100 anniversary of the publication of Karl Marx's *Capital*, that is in 1964, just one year after *Pacem in terris*, seems to be valid not only for Marxism whose weakness for vulgarization I had the chance to experience personally. "A test of vulgarization" is possibly applicable even on the very core of mainstream economics, that is the mathematical theory of competitive equilibrium.

Economic theory after WWII – during the pre-globalization period – received an important underpinning on behalf of mathematics. I remember Dorfman-Samuelson-Solow's "Linear programming and economic analysis" that I met at the end of my studies thanks to Luděk Rychetník: my astonishment at and my admiration of the Fundamental theorem of welfare economics were sincere. Nevertheless, the beauty of mathematical formulation and proofs of the existence of a competitive equilibrium also had an adverse side of the coin: a temptation to understand economics as a value-free theory with ambitions to become like a "physics among social sciences". Peter Koslowski – arguing for the need of business ethics – refuses an automatism of competition (in the case of William Baumol's world of "merciless market") as a case of fallacy of the mechanistic model, and supports his criticism even with the help of Kenneth Arrow who accepts that "moral codes can lower transaction costs and thus leave everyone better off" (Koslowski, o.c., pp. 39–41).

No matter how restricted sets of heroic assumptions are needed for the mathematical formulation of the market equilibrium – and no matter that

the famous author of this formulation himself clearly recognizes a relative validity of this mathematical model – an illusion was born: in the hard science of economics, there is no room for “good” and “bad”, and “new mathematical economics” could definitely leave a child’s shoes of moral philosophy. Writing about P.A. Samuelson – and among theorists of this group also about Kenneth Arrow and Gerard Debreu – de Soto says “using mathematical language ... he made a number of simplifying assumptions that excluded from his models most of the richness and complexity of real market processes. In this way, bit by bit, the medium of analysis (mathematical formalism) was confused with the message, and syntactic clarity was achieved at the expense of the semantic content of the different economic analyses, even to the point that the scientific status of the most realistic theories and of literary economics was denied” (De Soto – referring to Boettke – 2008, p. 95).

The old concept of common good seems to be useless: the competitive market is a common good in itself: thanks to its Pareto efficiency, the market itself looks like a guarantor of the common good and a safeguard of the maximum welfare. Or, in other words, in this abstract model, just self-interest of individual market participants seems to be enough to reach the “common good”. In my book *The Economics of Trust and Common Good* (in Czech *Ekonomie důvěry a společného dobra*, Mlčoch 2006) I list a number of simplifying assumptions of the Fundamental theorem of welfare economics like the original distribution of assets, pure and perfect competition, homogeneity of assets, zero transaction costs, no specific role of money, no organizations, no “visible hand” of the state, no business courts and so on. The “Arrow-Debreu world” is not financialized at all, so no financial crisis is possible there by definition. As soon as we turn these assumptions into game and into amore comprehensive economic analysis, good and bad is here again, and an illusion of “economics-physics” remains just in appearances. (Kenneth Arrow’s abovementioned argument of in favour of moral codes that lower transaction costs is just one example: in the Arrow-Debreu world with zero transaction costs – as in Ronald Coase’s “theorem” – all moral codes are irrelevant and useless).

Jesús Huerta de Soto (o.c.) is criticizing this line of “mathematical economics” contrasting it to the Austrian school, namely to the economics of Friedrich von Hayek, and his criticism seems justified. Hayek’s concept of market-COSMOS is open to the global space and also includes corporations-organizations in an organic way. The latter, like the “coagulations” within the global market, represent a different type of order-TAXIS. Nevertheless, also in this world of Hayek, there are problems with the accept-

ance of the “common good” (in this context I refer first of all to Hayek’s “Law, Legislation and Liberty”). On the one hand, other than common good which of Hayek’s general abstract rules are accepted and enforced in an open society; in this sense, Hayek’s deep analysis is compatible with the notion of common good in Leo XIII or in *Gaudium et spes*. On the other hand, Hayek strictly rejected “social justice” – he accepts only commutative justice; distributive justice is only a “fata morgana” for him. What is interesting, agnostic Hayek never – as far as I know – openly criticized catholic social doctrine in spite of the fact, that esp. in this context of justice it is hardly compatible with his view. I find one explanation: Hayek understands social justice as a quasi-religious superstition, nevertheless he is willing to respect this kind of faith in social justice as long as the moral and religious convictions of the most venerable leaders – sometimes even “saintly persons” – as Hayek with evident irony says – do not lead to coercion of people. And this condition of Hayek is fulfilled in the case of the catholic social doctrine-coercion, far less terrorising are our means to achieve common good (Hayek 1973, esp. chapter IX).

In spite of many deep differences between “Austrians”, and “mathematical formalists”, one important similarity is striking: both the “subjectivism” of a “creative entrepreneur” in the Austrian school, and a stereotype of “objectivist” methodological individualism in the neoclassical school, leave no room for the respect of the “common good”. The theory of entrepreneurial “human action”, and the theory of an economic man as a “decision maker” are self-centred, and both actors are led by self-interest. Economic freedom and the concept of competition are central for a belief in the competitive forces of rivalry or competition. Economics in both streams is based on individualism, utilitarianism and consequentiality.

The global dimension and interdependence of the world recognized in *Pacem in terris* only strengthened this “teleology” of entrepreneurial human action, and broadened the “feasible region” for “decision makers”. David Hollenbach tried to adapt Aristotle’s language to this completely new situation of “global common good”, saying that “to secure the good for an interdependent world is a nobler and more divine task than doing so for a single neighbourhood, city or nation-state” (Hollenbach 2002, p. 220). He is also convinced that “The idea of the common good is an idea whose time has once again come”. Nevertheless, as a precondition “we need both a renewed understanding of the common good and a revitalized social commitment to it” (Hollenbach, o.c., p. 243).

Almost sixty years before Hollenbach this belief in the principle of common good was expressed by the French theologian Gaston Fessard: “Long-

temps ... la notion de Bien commun apparut comme la clef de voute de tout édifice social. Puis, lorsque le citoyen eut pris conscience des drops qui sont l'apanage de la nature humaine, elle fut détrônée et rentra dans l'ombre. Aujourd'hui elle commence à sortir de l'oubli ou elle était tombée" (Fessard 1944, p. 8). Gaston Fessard was convinced that "bonum commune" has "eternal youth" (jeunesse éternelle). But he also clearly saw that a return of the common good will be endangered by an idolatry of the market and egoism ("économie égarée"). Forty-nine years later, another French theologian Émile Poulat – at the 1993 Fribourg conference "Éthique, économie et développement" – expressed a moral obligation of the Catholic social teaching "to enter into the economy". Nevertheless, even before the Church opened a "new frontier" esp. in the pastoral social letter of American bishops "Economic Justice for All", neoliberal economic thought attempted to enter into the doctrine of the church.

4. Mutual understanding between economics and catholic social teaching

While "bonum commune" is still an argument for sociologists and masters of political science, professional economists understand "public goods", "public choice" and now even global public goods, but a "common good" is a strange notion for them, just recalling the "tragedy of commons". The semantic problems with mutual understanding start with the fact – and a source of not easily reconcilable conflict – that Catholic social teaching insists on the firm conviction that every economic decision has not only pecuniary but also moral consequences.

This line of thought, and this conflict between "science" and "church teaching" is visibly present in our time. According to USCCB News Releases (September 26, 2008) "Bishops Urge ... to Find Moral Response to Financial Crisis". On the other hand, professionally educated economists might be inclined to the proposition that the crisis has nothing in common with morality because it is just a consequence of a miscalculation of risks in the financial sector. After exclusion of morality from economics, only deficits in economic rationality remain as an explanatory variable.

The post-war mixed economy focused the interest of economists also on "political markets". It happens that our colleague and Academician, one of the most respected economists of our times, Professor Kenneth Arrow, influenced not only the general equilibrium theory I mentioned above (Arrow-Debreu world), but also the theory of social choices. His paradox-impossibility theorem – proving the existence of the logical weakness of every voting system in our parliamentary democracy – has also been used to undermine the concept of common good. When we accept different in-

dividual values and civic and political rights of citizens, democratic “rules of the game”, we are unable to convert these individual values into one consistent social choice; hence “common good” is a “*contradictio in adiecto*”. Here again, a controversy between the theory of public choice and Catholic social teaching seems inevitable.

The “group interest society” – governed by “compact interest groups” of business and political lobbies – is inclined to understand just economic forces, and believes in the ethical relativism of individual and group truths. The Church, on the other hand, has to insist on ultimate truth and this truth is not determined by the majority, and also not undermined by the “impossibility theorem”; democracy is “a system”, a means, not an end (John Paul II, CA 46, *Compendium* 407). This is a substance of the Magisterium: the common good is not just the result of a “natural equilibrium” of the competitive market, and in the same way the common good is not annulled by an evitable logical weakness of every voting system even in political competitive markets. Money is not the source of truth, as well as political power is not the source of the truth: in God we trust, not in Gold or in a Prince of this world. “As history demonstrates, a democracy without values easily turns into open or thinly disguised totalitarianism ... Its moral value is not automatic, but depends on conformity to the moral law ... to which it must be subject” (*Compendium* 407).

The attempt to exclude values from the economic analysis led to marvellous mathematical models; and as a by-product resulted in an externalization of the most important features of both market and political democracy, such as trust and the common good. Kenneth Arrow is well known not only for his excellent findings in economic theory, but also for his sapient proposition about trust “as an invisible institutional factor”; nevertheless it has been said out of the mathematical economics paradigm, where just “*ceteris paribus*” matters. Similarly, P.A. Samuelson in one of his last interviews expressed the impression that scissors of income and wealth distribution in the US financial sector opened during his professional life in an almost arbitrary and morally problematic way; but this proposition was also said out of the economic theory paradigm where he still holds that individual utilities cannot be compared.

Ronald Coase – who certainly is not a mathematical economist – in his Nobel Prize lecture appealed for the study of economic systems with non-zero transaction costs; nevertheless his intellectual challenge could not withstand a brutal political abuse of his theorem in the ideology of Czech privatization which took place under almost prohibitive transaction cost barriers. They had been established by the common effort of compact in-

terest groups of merged winners on both political and economic markets; inevitably at the price of damaging the common good of the Czech Republic. Today we are facing a crisis of our parliamentary democracy “without values”.

These various remarks have one point: to show that an interface between catholic social teaching and economic theory is “fuzzy” and sometimes even misleading.

Allow me, please, to present just one case of this unclear situation. Jesús Huerta de Soto not only compares the Austrian, the neoclassical and Hayek’s schools of economics. De Soto also tried to support the importance of the Hayek’s concept of spontaneous market order – which is indisputable – also with the help of John Paul II’s Encyclical letter *Centesimus annus* and with quotations from Professor Michael Novak in this context (de Soto, o.c., p. 78). Undoubtedly in chapters 31 and 32 of *Centesimus annus* we can find certain ideas recalling Hayek’s thoughts – no matter whether it is or not the result of a personal conversation between the Pope and the Nobel Prize-winner. On the other hand, it is certain that Hayek’s scepticism about the “fata morgana of social justice” and even his refusal of the adjective “social” itself are difficult to reconcile with catholic “social” doctrine, and the Pontifical Council for Justice and Peace responsible for this doctrine.

This is the great merit of F.A. Hayek’s warning as to the “fatal conceit” of totalitarian socialism; his position in this aspect is fully consistent with catholic social teaching. Also his analysis of government failures and temptations to revolt against the discipline of abstract rules in the open society is very important. The whole of Hayek’s enormous work is an implicit criticism of the simplifications and reductionism of mathematical formalism in the economics we have discussed above (in this context I would not hesitate to use Hayek’s term of “fatal conceit” also for the supercilious ambition of economics–physics among the social sciences). Nevertheless, it seems to me that Hayek underestimates the spontaneous evolution of his “coagulations” – corporations within the global order of market COSMOS.

Colin Crouch in his recent criticism of the neoliberal doctrine speaks about “the corporate takeover of the market” (Crouch 2011), and quoting from G. Amato he reminds us that our polity is split between two sides: “the side that fears private power more, and in order to fight it is ready to give more room to power of government; and the side that fears the expansion of government power more, and is therefore more prepared to tolerate private power” (o.c., p. 49). Hayek certainly feared much more the power of the government, even to the degree that his scientific analysis suffers from an ideological bias.

The phenomenon of “private power” in the market (and political market) and an insufficiency of the scientific interest in this aspect of economic life is typical both for neo-liberalism and the Austrian school. It is possible to measure the role and influences of “giants” (Very Big Enterprises) in the global economy with statistical methods such as in the UN publication *Global Economy and Finance – What the Numbers Say* (see Dembinski 2003). Nevertheless perhaps more convincing are the scandalous “cases” such as ENRON, the British Petroleum oilrig disaster in the Gulf of Mexico, and Halliburton as the main US government contractor in the Iraq war (all used in Colin Crouch’s argumentation about “the corporate takeover of the market”). The concentration of power – based on “market structure”, more or less hidden conflict of interests and ownership structures in such “sectors” with global influence as rating agencies, auditing companies and “derivative industries” – is enormous, and the moral consequences of institutional irresponsibility endanger the stability of the whole system. Colin Crouch does not hesitate to use such strong expressions as “parasitical system” and “general complicity” (Crouch, o.c., p. 109). Stefano Zamagni – combining the moral aspects of “hybris” with the concept of “bounded rationality” – has used even more penetrating and more emotional words in this context (Zamagni 2009).

The common good has first been dethroned from its position as a cornerstone of social building in economic theory; the process of globalization thus only opened the door for malefactors “in terris”. And it is not by accident that it was just the financial “industry” that became a “leader of revolt” against the common good. As far as I know, Professor Paul H. Dembinski was the first to name our world: “le monde financialisé” (the financialized world), and founded the private research group “Observatoire de la finance” (Geneva 1996) and later his bilingual magazine *Finance&Bien Commun/Common Good*, which provides a platform for dialogue on the moral dimension of economics and finance from the Christian ethics perspective. In March 2008 a “Manifesto of Observatoire de la finance” – “For finance that serves the common good” was published, and also the title of Dembinski’s magazine itself prophetically pointed to a weakness of finance without ethics that resulted in a form of financial cancer. I refer esp. to two monographic numbers of the magazine, about “Ethics of taxation and banking secrecy” (12/2002), and “Ethical underpinnings of financial theory” (24/2006). In the first one I found these “keywords”: abuses (shaking public faith in fairness), financial capitalism (which almost ruined the US), ethics of taxation (the efficiency of collecting and the blurry line between tax avoidance and tax evasion), offshore financial centres (locations of lucrative financial services and erosion

of tax bases), banking secrecy (as a source of competitive advantage), international transfer pricing (with “a desideratum” of “the arm’s length principle”). As to solving these illnesses, other words are pinpointed: discreet negotiations (policymakers-lobbyist), “a huge dose of hypocrisy” (tolerating “third world kleptocrats”), “recommendations quickly evaporated”, “UK domestic self-interest”, “political will” (and torpedoes the exercise), and naked self-interest as a principle... To summarize, we are facing structures of sin with “the all-consuming desire for profit” and “the thirst for power” (*Compendium* 119).

The authors in second monographic number of *Finance&Common Good* touch upon the questions I am interested in this paper: from the perspective of “positive science” they try to understand why ethics is “peripheral” or even “ignored” in modern economics and finance (Professor H.J. Blomenstein), and in the normative sense the immense task is raised: how to change education in finance in order to “think ethics while learning finance” (Francis P. McHugh).

I appreciate the whole fifteen-year tradition of the “meeting point” in the pages of *Finance&Common Good*, this meeting of economic and financial professionalism and Christian social teaching. If we accept the capacity to produce correct expectations about the state of events as a test of validity of every theory, Dembinski’s magazine has passed muster better than many prominent and famous scientific journals based on false “value free” economics. As to a summary of argumentation in this sense I refer to Professor Dembinski’s book *Finance Servant or Deceiver? Financialization at the Crossroad* (Palgrave, London 2010; with French 2008, Spanish 2010 and Polish 2011 versions).

This “puzzle” caused by a long-lasting “divorce” between the worlds of the social sciences (and economics) on the one side, and Christian anthropology and social ethics on the other, this “fuzzy” situation and a relativity of truths, is surely not in the interest of catholic social teaching, and likely neither in favour of the economic theory. In order to better understand these “fuzzy” relations between economic “science” and church “teaching” it is necessary to say a few words about the key concept of both disciplines: “freedom” of economic man, and freedom of man – “*imago Dei*”.

5. Authority of Church Teaching and common good banished to heavens

Thomas Cardinal Spidlik (Tomáš Špidlík) was born in Czechoslovakia. During the decades of communism he lived in Rome and taught at the Pontifical Oriental Institute, “Gregoriana”, and later continued his research at “Centro Alletti”. Professor Špidlík, a friend of John Paul II, was a Jesuit

who became famous as an expert on the theology and spirituality of the Christian East. His erudition inspired my understanding of western “economic man”, deluded by his “universal hunger for freedom”, unfortunately even to the extent that moral questions are to be excluded from his “belief structures” (“forbidden prohibitions” in the expression of Renato Raffaele Cardinal Martino).

Professor Špidlík (see Špidlík 2009) subjected the concept of “rational man” to profound criticism and, as economics declares itself a “guardian of rationality”, this criticism aims precisely at economic science. The sovereignty of the consumer, the freedom of the entrepreneur, even the “corporate amorality doctrine”, all belong to the paradigm of economics. According to Špidlík, man – in the face of God – is a mystery in himself. Freedom is surely an attribute of man: nevertheless what does it mean? How is freedom understood? Proper freedom is freedom in “agapé” (agapica). External restrictions for the freedom of man in the sense of Dostoevski’s “Great Inquisitor” intentions are problematic. On the other hand, the freedom of man is meta-logical (meta-logico), and men who were eager to reach an enlightened freedom ended – as Ivan Karamazov – in mania. Apparently, the freedom of man might even have demonic features (*libertà demoniaca*).

It is the case of freedom understood exclusively as freedom of choice (see Koslowski, o.c., p. 53). The point of departure in the theory of the rational choice of economic man is not “value free” in itself, and “unlimited pursuit of profits and benefits leads to a change-over into greed, miserliness and a loss in the wealth of human purposes” (see Koslowski, o.c., pp. 53–55). Psychologists in economics (such as B.S. Frey) speak about the “crowding-out effect” and the theory of marketing communication has as its main subject precisely a transformation of the “sovereign consumer” into an obsessed maniac. It is perhaps no exaggeration to say that the concept of “economic man” in the theory of market communication is closer to Clive Staples Lewis’ famous fantasy in his *The Screwtape Letters* (as written by the higher ranking demon to his less experienced nephew Wormwood) than to the “rational man” in the economic paradigm. And demonic advice on how to go about tempting man in a sense resulted in James Twitchell’s blasphemous “economic philosophy” of *Lead Us Into Temptation* (see Twitchell 1999). It is no surprise that the subtitle of Twitchell’s book, i.e. “the triumph of American materialism”, has in a few years been penalized by the outbreak of the financial crisis in the US (Pride will have a fall).

And the pride in thinking of some contemporary economists “touched the heavens”. What is perhaps even more striking is that this way of “imperial economics” and a conviction about the dominance of material forces

also infiltrated Catholic social thought. Robert Nisbet writing about the “twilight of authority” in the US (and in a broader sense in the West) only several years after the publication of *Pacem in terris*, appreciates the Roman Catholic Church which, as “the last real stronghold of the kind of authority”, “to an astonishing degree resisted the acids of modernity” – in a contrast with Protestantism (and the Jewish area) that – according to Nisbet – “had virtually destroyed the sense of visible community in religion and that had driven more and more of their members either out of religion altogether or to the work of further secularizing these faiths in the interests of either politics or Mammon” (Nisbet 1975, p. 79). Is it still the truth?

The concept of common good is an example, the importance of which is extraordinary due to its key position of “cornerstone of social building”. The principles of the Catholic social doctrine are of a general and fundamental character, they have a profoundly moral significance (*Compendium*, chapter 4). These principles “must be appreciated in their unity, interrelatedness and articulation”. Also the principle of common good “cannot avoid a question of freedom and of meaning of life in society” (*ibid.*, article 162). The social doctrine of the Catholic Church is not a part of the church “dogma”. Nevertheless, the Pontifical Council for Justice and Peace is the responsible authority in the theology of terrestrial facts, and most important principles of the Magisterium have been included even in the Catechism (No. 1897–1912 in cases of “authority” and “common good”). Hence I am convinced that all good reasons for debates about the meaning of the concept of common good do not justify a complete refusal of this fundamental concept in the name of “free persons”. And it is – unfortunately – the case in some “schools” within the Catholic Church.

In our Czech milieu there are teachers of the social doctrine in university departments of theology, Christian “think tanks”, advisers to VIPs at the top of political power, all of them Catholics who do not believe in an “old fashioned” principle of common good. The views of some of them stem from the authority and ideas of Professor Michael Novak (Míčka 2009), others find a source of their scepticism about the common good in economic science, as discussed above in this paper. A young assistant professor at Charles University and adviser to the Czech president Marek Loužek is convinced that common good can be useful “in political and church rhetoric, its sense in science is of limited or even zero importance” (Loužek 2010 – my own translation).

A “twilight of Church authority” is not just an incident of the Czech atheistic republic. In the UK (with the pastoral social letter “Common Good” published by the Catholic bishops of England and Wales!), we even

find an open expression of distance from the Catholic social doctrine. Philip Booth in his role as editor writes: “Catholic Social Teaching is provisional and it is accepted that Catholics can agree to disagree about it. In disagreeing with teaching on economic and social matters the authors are not, in any sense, undermining the teaching authority of the Church in those areas of morals and theology where She claims special insights of truth” (Booth 2007, p. 29). Robert G. Kennedy in this book (Kennedy 2007) uses this freedom to distance himself from the Catholic social teaching and writes about common good from the perspective of business and prevailing business ethics: “In the world we really live, we often make choices that are so much self-interested as selfish. We prefer the good for ourselves even when our actions deny the goods to others, and we often prefer our private goods to the common good”. This proposition is surely true in the “positive science” perspective. It is true again when Kennedy writes: “The world in which we live is not the Kingdom of Heaven: it is populated by men and women who are not only sinners but whose perceptions and inclinations are damaged by original sin. Economic relationships and behavior are shaped by this reality” (Kennedy, o.c., pp. 186-187). The “disagreeing” and open controversies with bishops and pontifical documents on the principle of the common good also belong to this reality; and in the area of the Church’s social teaching inevitably damage the common good and authority.

At least from *Gaudium et spes* the Church accepted the legitimacy of different sciences and the scientific freedom to carry out research within their own paradigms. Economics is not an exception. On the other hand, Catholic social teaching indispensably has its own normative “ideal perspective”. A “Catholic social teaching for sinners” is nonsense. And this misunderstanding of Philip Booth, Robert Kennedy and others co-authors of the quoted book is the same as that of Michael Novak and his “school in Catholic social teaching”. The book *Catholic Social Teaching and the Market Economy* written from neo-liberal positions was published in Great Britain just before the preferences of selfish sinners in the financial business damaged the common good in the US, UK, and consequently in the global space.

6. Towards a New Economic Man

The book of the influential American social scientist Amitai Etzioni, *The Moral Dimension* (Etzioni 1990) has as its subtitle a great ambition, a dream “towards a new economics”. The message of this book is similar to that of Peter Koslowski: precisely at the time of the fall of communism it was necessary to re-think the moral grounds of capitalism. In the Czech Republic the book was translated and published by Victoria Publishing –

the publishing house of Victor Kozeny, an ill-fated “pirate from Prague” – with some irony of time when malefactors were calling “thieves are wanted”. Nevertheless this paradox is not a reason for putting Etzioni’s book aside. At the very end of his book, as the last proposition from a “propositional inventory”, Etzioni affirms: “The more people accept the neoclassical paradigm as a guide for their behavior, the more their ability to sustain a market economy is undermined”.

Some eighteen years later Professor Stiglitz, summarizing the results of experimental economics, not only confirms Etzioni’s proposition, but even shows that it is a scientific truth in the sense of “positive science”, i.e. proof even for the neoliberals themselves (Joseph Stiglitz comments on the paper of Professor Partha Dasgupta, *Pursuing the Common Good: How Solidarity and Subsidiarity Can Work Together*, PASS, Acta 14, pp. 563–568). What a surprise: “value free” economics is an indoctrination of selfish behaviour! We are victims of a “vicious circle”: by educating our students in neoliberal economics, we help them become more selfish. Indoctrinating them, we contribute to the self-fulfilment of our normative models, and models become a better description. And with more selfish behaviour we undermine market economy. How to step out of this “circulus vitiosus”?

One possibility is that of Vittorio Hösle, to ask ourselves “how much egoism does modern capitalism need” (Hösle, *Universal Rights in a World of Diversity – The Case of Religious Freedom*, PASS, Acta 17). Another way seems to me more hopeful: taking a turn for the better by simply starting to educate in a different “less selfish” economics! In fact, this turn towards a “new economics” is implicitly present in the proceedings of the 14th Plenary Session of the PASS: *Pursuing the Common Good: How Solidarity and Subsidiarity Can Work Together*, esp. in the third session on “Economy and Civil Society”. The papers of Stefano Zamagni, Luigino Bruni, Partha Dasgupta – and comments of José T. Raga and Joseph Stiglitz, mentioned above – are lessons in the new economics “de facto”, the economics pursuing common good (no matter that, for example, in Stefano Zamagni’s paper “common good” is explicitly present only in the title itself).

As a pre-condition for this “peaceful revolutionary change” in the curricula of economics, we need a conversion in understanding the principle of freedom in economics. Frank Knight – six years before *Pacem in terris* and in Chicago! – wrote, “Now we have found not only that mere individual freedom is not enough but that its excess can have disastrous consequences” (“The Role of Principles in Economics and Politics”, quotation from P. Koslowski). Knight as a teacher in Chicago – for years – also experienced the fact that some of his very varied famous students seemed to re-

main untouched by his lectures. Apparently, even the best “indoctrination” has its limits and even theoretical economists are not spared from the temptation of “self-interest”.

Now, allow me, please, to return to my introduction, to our Czech historical experience and to Václav Havel as a person who is broadly appreciated not only in our small country. Václav Havel with his typical modesty used to confess that he did not have any personal business skills. Nevertheless, he came from a business family and his childhood memory was from the times before the communist takeover – and before the neoliberal doctrine made a “guru” of self-interest by Adam Smith (A. Sen 1987), so his personal belief, “produced” in his family, led him to a deep understanding of the grounds of capitalism. “Every competition can become a game provided that it has certain rules. Nonetheless, even the best and the most ingenious rules prepared by economists and lawyers are not useful for us if they are not generally respected”; “... after 1989 ... often, speed had priority in the process, with thorough legislative work taking second place. ... but problems we put off then are getting back to us now. ... material damage caused by fraudulent practices ... does much less harm than the moral damage resulting from such doings: The fruit of later amounts to doubts cast on free market economy as such, and, indeed, on democracy as a political system”; “I am placing these thoughts to emphasize that just as freedom cannot be separated from order, and democracy from law, it is equally inadmissible to separate free market economy and business competition from morality” (Havel 1998, “Success Together” 2001).

John Paul II in his Encyclical letter *Sollicitudo rei socialis* (*Concern for the Social Order*, SRS), just at time when Amitai Etzioni and Peter Koslowski were speaking of ethics, repeatedly stressed Paul VI’s idea that the “social question had assumed a worldwide dimension”, and that “the option or love of preference for the poor” is “an option, or special form of primacy in the exercise of Christian charity, to which the whole tradition of the Church bears witness” (SRS, 9 and 42). Nevertheless, at that time “anti-ethicalism” (Amartya Sen) dominated in economics, “as interpersonal comparisons of utility were eschewed” (A. Sen, o.c., p. 30–31). If “interpersonal comparisons of utility make no sense and are indeed totally meaningless” (Sen, *ibid.*), “preference for the poor” also lost a scientific basis in such “positive economics”.

I am convinced that “a dogma” about the impossibility of interpersonal comparisons of utility – also accepted by some Christians, who are interested in the Catholic social teaching – and, on the other hand, the same dogma “hard to defend” for Amartya Sen (Sen, o.c., p. 30), is a core source of mis-

understanding and of the existence of “fuzzy” frontiers between the perspectives of “science” and “faith”. This dogma has – as an inevitable consequence – the exclusion of the “common good” principle from economics “as a hard science”. Other doubtful concepts and positions are just a consequence: “the doctrine of corporate amorality”, the “fata morgana” of social justice, the superstition of “value free” economics as well. Unfortunately, without “justice”, and without “solidarity”, peace is impossible. We Christians know that Jesus – the Prince of Peace – with the sovereignty of the Lord does not hesitate to compare the poor widow’s offering with that of all of those who “contribute out of their abundance” (Lk, 21). And we economists could go back to the father of modern economics, to Adam Smith, and to reconcile economics with the Revealed Truth of the “New Adam”. This is the only way to open a perspective in view of the common good “in terris”.

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