BUILT UPON SAND: NEOLIBERALISM, ITS MISSING FOUNDATION AND THE PRINCIPLE OF GRATUITY IN POPE BENEDICT XVI'S ENCYCLICAL

CARITAS IN VERITATE

By

David Michael Laville

A thesis submitted to the Faculty of the College of Registration and the Department of Theology of the Toronto School of Theology in partial fulfillment of requirements for the degree of Master of Arts in Theology awarded by the University of St. Michael’s College

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I hope, in some small way, that this thesis can contribute to a better future for the human family. The journey to its completion has been a long and rewarding one, and I owe a debt of deep gratitude to many individuals.

To begin with, I would like to thank Gordon Rixon and Peter Bisson for giving me the opportunity to delve into this topic area, and for their continued guidance and patience in seeing it through to completion.

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Much peace and many blessings to all who seek to build a better, more loving and just world!!

David Laville
ABSTRACT

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David Michael Laville
Department of Theology of the Toronto School of Theology
University of St. Michael’s College

In light of the relationship between love, truth, and charity that is elucidated for the human family in Caritas in Veritate: On Integral Human Development in Charity and Truth, the neoliberal form of globalization, especially as exemplified in Milton Friedman’s Capitalism and Freedom, is soteriologically deficient in that it is divisive and does not promote the welfare of the whole human family.
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INTRODUCTION

The global economic crisis that began in the fall of 2008 provides a timely opportunity to evaluate the morality of the ethic which has dictated how globalization unfolds. The recognition that much of the world’s population in both ‘developed’ and ‘underdeveloped’ countries go without basic needs cannot be denied. Likewise, each passing day reinforces the fact that the human family becomes more closely interconnected with the advent of new communication, information and transportation technologies. These two facts belie a simple, but profound, recognition: humanity is increasingly becoming interconnected, but, unfortunately, this process has been based partly upon values that have not fostered whole and authentic development for all members of the human family.

The neoliberal ethic - which has been globalization’s driving force - has as its foundation the underlying belief that self-interest and personal choice are the only values capable of maximizing the common good through the efficient distribution of labour, goods, and services. John Paul II noted that these values place human welfare secondary to economic profitability as “based on a purely economic conception of man, this system considers profit and the law of the market as its only parameters, to the detriment of the dignity of and respect due to individuals and peoples.”

On June 29, 2009, Pope Benedict XVI released the social encyclical, Caritas in Veritate: On Integral Human Development in Charity and Truth. In this encyclical, Benedict echoes John Paul II’s warnings about how an over-emphasis on profit and market rules, the bottom line, so to speak, can be harmful to human well-being. He argues that both development and economic exchange needs to shift

1. John Paul II asserted that a further consequence of neoliberalism is that “[a]t times this system has become the ideological justification for certain attitudes and behaviour in the social and political spheres leading to the neglect of the weaker members of society. Indeed, the poor are becoming ever more numerous, victims of specific policies and structures which are often unjust.” See Catholic Church, The Church in America: Post-Synodal Apostolic Exhortation, Ecclesia in America of the Holy Father John Paul II (Mexico City, January 22, 1999), 56.
from values that focus solely on the bottom line to values rooted in “charity in truth.” It is in this way that God’s transcendent love can spread from person-to-person on a global level.

**Caritas in Veritate as a Theological Lens**

_Caritas in Veritate_ follows the Catholic Social Teaching (CST) tradition of applying gospel values to current social issues. In this instance, Benedict addresses the state of the human family in relation to the global economic system. It is a document most fruitfully viewed in the broader context of both CST’s tradition and engagement with the economic world.

In _Caritas in Veritate_, an authentic charity - one fused with justice – is used as the theological lens for a critique of our global society. Moored to the pilings of truth and justice, the values of gratuity and communion brought to light in _Caritas in Veritate_ provide a compelling and invigorating foundation from which to address the many shortcomings of humanity’s growing state of global interdependence.

**Neoliberalism and Its Influence on Globalization**

For the purposes of this thesis, _globalization_ is understood to be the increasingly free flow of capital, goods, and information throughout the world and is, simply, an interconnecting process. However, many people view globalization as synonymous with corporate greed and exploitation. This need not be the case, as how humanity comes together as a family need not be dictated exclusively by a specific force of economic policy. Thus, it is important to separate the idea and reality of a ‘global world’ from the values that have largely, up to this point, determined how globalization has evolved.

_Neoliberalism_ can be defined as the belief that the interests of the population are best served through self-interest and the welfare of the free market. It is an economic philosophy that traces its lineage back to classical economics and stresses the alleged efficiency of the free market in dictating economic and social policy. This neoliberal philosophy thus has a broad influence on the structure of society:

The practice is the continuing application of this doctrine to an ever expanding area of life in the real world, through privatisation of state companies and public services, loosened regulation of private economic activity, the elimination of ‘dependency cultures’ through the reform of welfare programmes and taxation systems, and the introduction of market-mimicking arrangements to those areas where genuine markets are inappropriate.\(^3\)

Succinctly, “[t]he ideology is that all, or virtually all, economic and social problems have a market solution, or a solution in which market processes will figure prominently.”\(^4\) In terms of neoliberalism’s ability to dictate globalization, Perry Anderson stated:

The novelty of this present situation stands out in historical review. It can be put like this. For the first time since the Reformation, there are no longer any significant oppositions – that is, systematic rival outlooks – within the thought-world of the West; and scarcely any on a world scale either…[w]hatever limitations persist to its practice, neoliberalism as a set of principles rules undivided across the globe: the most successful ideology in world history.\(^5\)

Although Anderson’s assertion that neoliberalism is the most successful ideology in history may oversimplify the history of thought, it does not understate how influential neoliberal policies have been. In articulating when a market is indeed free, neoliberal thinkers stress the importance of individuals acting free from coercion and in their own self-interest. This understanding is based largely upon the thinking of Adam Smith “who saw that, in the absence of external coercion, two parties enter into exchanges because it will be mutually beneficial for them to do so.”\(^6\) Free market thinkers, such as the influential Milton Friedman, believed that these mutual exchanges would take place “provided the transaction is bi-laterally voluntary and informed.”\(^7\) The neoliberal understanding is that when economic transactions are mutually beneficial, voluntary, and informed, then it is possible to coordinate a near infinite number of exchanges


\(^4\) Ibid.


\(^7\) Milton Friedman and Rose D. Friedman, *Free to Choose: A Personal Statement* (San Diego: Harcourt Brace Jovanovich, 1990), xv-xvi.
without central or government regulation.

The role of government or state authority within a free market system is to insure that law and order are maintained, that civilians are protected from foreign forces, and that voluntarily entered contracts are enforced. Any other government involvement is unneeded and an interference that neoliberal thinkers view as impinging on human freedom. An example of this view is promoted by Robert Nozick who states that “only a minimal state, limited to enforcing contracts and protecting people against force, theft, and fraud, is justified. Any more extensive state violates persons’ rights not to be forced to do certain things, and is unjustified.”

Philosophically there is very little to argue with in the neoliberal concept of a free market where transactions are voluntary and informed. The appeals to personal responsibility, liberty and freedom do seem to promote human well-being. However, further analysis will illustrate that the free market concept as championed by its architects and erected by its builders has resulted in a tilted edifice deficient in its human and fraternal dimensions.

**Neoliberalism as a Deficient Soteriology**

*Soteriology* is the study of doctrines of salvation. Religious studies scholars often study the similarities and differences between the soteriologies of different religions, such as Buddhism, Hinduism and Christianity. Although it may appear unusual to look at neoliberal thought as a type of soteriology, it is important to note the neoliberal rhetoric includes phrases like the “magic of the free market”, the advent of “economic miracles” and the wonder of the “invisible hand” in the market place.

The neoliberal utopian ideal is a globalized world controlled by as pure and perfect market forces as possible. Thus, if there is starvation, unemployment, and high poverty, it is not “the consequence of the deficiencies or limits of the laws of the market; it results from the fact that such laws have not yet been fully

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applied.” In effect, pursuit of a neoliberal utopian vision is akin to driving down an ever narrowing one-way street. Problems and hiccups are not actual problems that need to be addressed on a human level; rather, these problems are evidence that neoliberalism’s ideals have not been pushed far enough, or implemented on a broad enough scale. Neoliberalism’s implicit soteriology promotes human salvation through the machinations and miracles of the free market. In reality, however, the neoliberal ethic has been a divisive social force leading to inequality, individualism and economic insecurity.

**Caritas in Veritate - Answer to Neoliberalism’s Failure**

In contrast to the neoliberal utopian ideal, *Caritas in Veritate* asks humanity to make economic decisions that reflect humankind’s inherent dignity and the desire for the wholesome flourishing of the entire human family. This requires “[c]harity in truth, to which Jesus Christ bore witness” to be “the principal driving force behind the authentic development of every person and all of humanity.” The Catholic Church’s latest social encyclical has provided the opportunity, out of turmoil and confusion, to re-think the values that have driven globalization’s economic policies and to pursue a path that puts the welfare of the complete human person and the broader human family at the heart of global development.

**Organization**

This thesis will primarily compare the morality and values of two documents: Pope Benedict XVI’s *Caritas in Veritate* and Milton Friedman’s *Capitalism and Freedom*. *Caritas in Veritate*, being the Catholic Church’s most recent social encyclical, is concerned with global development shortcomings and inequalities. This encyclical builds upon the tradition of CST and proposes an alternative development
model for humanity.

As mentioned earlier, the values behind humanity’s global intertwining process have been heavily influenced by the neoliberal ethic. The “Chicago School of Thought”\textsuperscript{12} was a key contributor in the dissemination of neoliberal policies dictating global development and Milton Friedman was arguably this school’s most formative and influential voice.\textsuperscript{13} Due to Friedman’s influence in popularizing and promoting implementation of free-market economic reforms, his popular and influential book, *Capitalism and Freedom*, holds a revered status in the development of neoliberal thought.

Upon his death in 2006, *The Economist* labelled Friedman “the most influential economist of the second half of the 20\textsuperscript{th} century...possibly all of it.”\textsuperscript{14} Much of Friedman’s influence came from his ability to clearly articulate his ideas in a broad and diverse way. He was known to few outside of academia until *Capitalism and Freedom* was published in 1962 and sold over half a million copies. This book made him a household name, and he went on to write approximately 300 columns for *Newsweek* magazine and created the *Free to Choose* television series.

This thesis’ analytical framework will be based upon an application of *Caritas in Veritate’s* ‘explicit’ soteriology in comparison to neoliberalism’s ‘implicit’ soteriology, as illustrated by *Capitalism and Freedom*. This analysis will show that neoliberalism’s implicit soteriology is one of human salvation – both individually and collectively – achieved through personal choice, self-interest, and the wonders of the free-market. *Caritas in Veritate*, in contrast, has a soteriology whereby *charity in truth* is a means by

\textsuperscript{12} The biographer Lanny Ebenstein gives Milton Friedman a decisive role in creating the identity of the Economics Department at the University of Chicago into a singular economic school of thought centered around the free market. See Lanny Ebenstein, *Milton Friedman: A Biography* (New York: Palgrave Macmillan, 2007), 129–33.

\textsuperscript{13} An example of Friedman’s purported influence on the development of the Chicago School of Thought is found in an obituary written shortly after his death in 2006, which stated that Friedman was “the twentieth century’s most outstanding contributor to what has become known as the Chicago School of Economics.” See Richard Ebeling, “Milton Friedman and the Chicago School of Economics,” *The Freeman: Ideas on Liberty* 56, No. 10 (December 10, 2006).

which God’s love can manifest itself in the world. This analysis is also meant to inspire discourse about how the inclusion of charity, love and gratuity into economic exchange would be beneficial and should, perhaps, be seen as “living water” for the human family.

In large part due to its recent publication date, scholarship on this most recent CST encyclical is still in its infancy. To date, much of the literature on Caritas in Veritate is primarily concerned with its individual components, such as the call for the creation of a world body with real influence and power rather than engaging in a more comprehensive discussion about what the inclusion of charity, love, and gratuity into economic exchange means for the human family. Indeed, Caritas in Veritate uses pedantic religious and philosophical language. The end result is an encyclical that is, in the words of Drew Christiansen, S.J., “both long and unwieldy,” while “the document’s language is alternately highly abstract and surprisingly concrete.”15 This has led to some commentators16 voicing a deep concern with the encyclical’s style and language versus commenting upon the issues discussed. Additionally, there has been no concentrated attempt to situate Benedict’s work explicitly against the backdrop of the prevailing neoliberal economic paradigm.

**Implications**

The implication that this thesis will draw forth most concretely is that CST’s tradition is an important and necessary voice in dialogue about the human family, and in particular, the role economic theory plays in dictating human welfare. The attention this thesis gives to neoliberalism and Milton Friedman’s Capitalism and Freedom serves a more important purpose than simply giving the neoliberal philosophy an appropriate context: it illustrates Caritas in Veritate’s assertion of love’s necessity in economic exchange if we truly desire to build the cornerstone for a healthy, flourishing human family. Caritas in Veritate emphasizes the need for action to be based on moral values versus strict technical


16. For example, see Peter Steinfels, “From the Vatican, A Tough Read” New York Times, July 17, 2009; additionally, see Kirk O. Hanson, “What’s the Business Plan?” America 201.16 (November 30, 2009), 14-15.
solutions, such as the easing or tightening of regulations, or the raising and lowering of interest rates. The importance of Benedict’s moral model and its radical nature is more fully appreciated when viewed against the framework of neoliberalism’s false soteriology.
CHAPTER ONE  
CARITAS IN VERITATE

To fully understand and appreciate *Caritas in Veritate*, one must not review it in isolation; rather, one must look at its spiritual genealogy – its theological DNA. As with neoliberalism, it is necessary to study its development from birth and early childhood to properly grasp its perspective and prescription for the modern world. The background for this encyclical lays in the industrialization of western society and the accompanying social/political outcomes. In analyzing how neoliberalism and *Caritas in Veritate* emerged, one will see that the application of economic theories and policies from the mid-nineteenth century onward were the catalyst for the development of both.

**Historical Antecedents of Caritas in Veritate**

**Adam Smith and the Birth of Laissez-Faire**

Adam Smith published *An Inquiry into the Nature and Causes of the Wealth of Nations*, commonly referred to as *The Wealth of Nations*, in 1776. This work, published before the rapid growth stage of the Industrial Revolution, is broadly regarded to have laid the groundwork for modern economic theory. In contemporary circles, *The Wealth of Nations* is “viewed as the bible of limited-government free-market economics.”

A deeper exploration of Smith’s economic thought will be looked at in the next chapter. At this point, it is simply necessary to note that Smith’s denunciation of the “parasite mercantilist state that derived its revenues from the restriction of trade” had far-reaching effects. His works are broadly


interpreted to support liberal economic reforms and have been used to promote the belief that the common
good is best pursued through economic self-interest and that a free market would engender economic
prosperity. As such, Smith is regarded as “the intellectual forefather of today’s neo-liberals,”\textsuperscript{20} even if
that label is not entirely accurate. His works have thus been used to both develop and justify the values
underlying neoliberal globalization.

**The Great Transformation – Laissez Faire in Action**

In the aftermath of Adam Smith, mid-nineteenth century England became the first free-market experiment. The implementation of the free market economy in the Victorian Era was made possible by
the combination of two mutually supporting factors – the loosening of government restrictions protecting
commoners and a corresponding industrialized social structure.\textsuperscript{21}

Although the implementation of England’s free-market will be looked at in more depth in Chapter
Two, for now it is necessary to note that it was accomplished by removing the economy from the society in
which it had been imbedded.\textsuperscript{22} The outcome was that responsibility for human well-being was shifted
from the community to the individual. In the changing economic landscape large percentages of the
population were left to the mercy of market forces in order to provide for themselves and their families, a


\textsuperscript{21} Giovanni Arrighi and Beverly J. Silver stated that although the first free-market experiment started “in

\textsuperscript{22} John Gray stated that the objective of the “far-reaching social experiment in social engineering” was “to
free economic life from social and political control and it did so by constructing a new institution, the free market, and

Furthermore, the deregulation that facilitated the free market was largely accomplished through three steps. The first was the removal of agricultural protection and the implementation of free trade, the second was the reform of poor laws that effectively forced the poor to accept whatever work they were offered, and thirdly, any controls on wages were removed. See Gray, *False Dawn*, 11.
situation that forced them to often take dangerous and demeaning work in factories. The factories were kept well-stocked with workers who had lost their ability to subsist on their own due to the common land closures, factory underselling and the subsequent destruction of cottage industry. The ethos of the market being left to its own devices was summed up well by David Ricardo when he stated that “[w]ages should be left to fair and free competition of the market, and should never be controlled by the interference of the legislature.”23 The end result was that the working wage was divorced from, and did not take into consideration, what was necessary to provide basic goods and services for both individuals and families. Concerns for the environment were essentially non-existent. It was a process whereby “the creation of separate institutions, the institutions of the economic process as a distinct system with its own laws of motion, severed these organic links and the economy came to dominate both society and nature.”24

The newfound ethos of the Industrial Revolution’s unfettered deregulation placed economic commerce ahead of basic human needs and dignity. Often, artists and writers are blessed with the ability to clearly describe conditions in society. In his tenth book, *Hard Times*, Charles Dickens had one of his characters ask whether in the newfound capitalism of the Industrial Revolution, “the Good Samaritan was a Bad Economist?”25 This question foretold what Ronald Wright labeled the “new religion of the bottom line,”26 a religion embraced by Mr. Thomas Gradgrind, the headmaster in *Hard Times*, who dedicated himself to the pursuit of profit:

> It was a fundamental principle of the Gradgrind philosophy that everything was to be paid for. Nobody was ever on any account to give anybody anything, or render anybody help without purchase. Gratitude was to be abolished, and the virtues springing from it were not to be. Every


inch of the existence of mankind, from birth to death, was to be a bargain across a counter. And if we didn't get to Heaven that way, it was not a politico-economical place, and we had no business being there.\textsuperscript{27}

The Gradgrind philosophy is an apt introduction to Benedict’s encyclical. In it, Benedict appeals to gratuity’s necessity, a value the Gradgrind philosophy insisted should be eliminated. The Gradgrind philosophy also speaks to the ability of the bottom line philosophy to take precedence over many pursuits: happiness, solidarity, even getting to heaven. The ethos of the bottom line being more important than humanity contributed to debilitating working conditions. Workers had to work long hours in unsafe and unhealthy factory settings. Child labour was widespread; London was covered in pollution\textsuperscript{28} and unhappiness amongst the working classes was rampant.

As noted by John Gray, England’s free market experiment was a short-lived endeavour as “[f]rom the 1870s onwards it was gradually legislated out of existence.”\textsuperscript{29} Many of the Industrial Revolution’s more inhumane elements were not to last as the free market did not adequately provide for human security.

In nineteenth-century England the damage done by the free market to other social institutions and to human well-being triggered political counter-movements that changed it radically. A spate of legislation, provoked by different aspects of the free market in action, re-regulated it so that its impact on other social institutions and on human needs was tempered. Mid-Victorian \textit{laissez-faire} showed that social stability and the free market cannot be compatible for long.\textsuperscript{30}

Free trade, one of the last vestiges of this era, lasted until the Great Depression and “Britain continued to have a highly individualistic variety of capitalism.”\textsuperscript{31} However, the market had largely been

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\textsuperscript{27} Dickens, \textit{Hard Times}, 276.
\textsuperscript{28} An interesting depiction of the pollution that spilled across England is found in the classic Victorian hymn “Jerusalem.” In this song, “England’s green and pleasant land” has been beset by “clouded hills” and “dark satanic mills.” Some of the lines from this song paraphrased J.B. Priestley’s line that the nineteenth century “had found a green and pleasant land and left a wilderness of dirty bricks.” See Martin Weiner, \textit{English Culture and the Decline of the Industrial Spirit, 1850-1980} (Cambridge: Cambridge University Press, 1981), 124.
\textsuperscript{29} Gray, \textit{False Dawn}, 212.
\textsuperscript{30} Ibid., 5.
\textsuperscript{31} Ibid, 212.
\end{flushright}
re-regulated in order to promote public well-being and provide a host of essential public services. An example was the “patently interventionist” Public Education Act of 1870.

The harsh working conditions which accompanied the Industrial Revolution also signalled the beginning of a new relationship between the Church and society. In fact, it was these issues that brought about the formative initial development of CST and the modern papal encyclicals preceding Caritas in Veritate.

The Modern Church and Catholic Social Teaching

Importantly, England’s experiment demonstrated that a laissez faire free market was incapable of providing security – in terms of working conditions, wages and access to basic health and educational services - to the masses. As the working classes sought a better life, the Church found itself in a new position with regards to the faithful. In the words of Judith Merkle, the Industrial Revolution “placed the Church in a new world of human relationships and human problems.”

Due partly to the fact that the eighteenth-century church was seen to be aligned with many of the unjust or elite structures of the Industrial Revolution, it found itself with a diminished role and influence in Europe’s public life. Merkle summarizes the Church’s lessened influence:

Anti-clericalism, the identification of the Church with the Old Regime in a climate of revolution, and the fact that intellectual life was centered in secular universities and no longer under the control of the Church, served to marginalize the Church in public life.

32. In his book The Great Transformation, Karl Polanyi argued that a ‘double movement’ took place when the economy became divorced from both society and nature through laissez faire deregulation. As society and nature became increasingly separated from the economy, a separate movement occurred that sought to re-imbed the economy. Close to the beginning of his book he stated: “Our thesis is that the idea of a self-adjusting market implied a 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 impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way.” See Karl Polanyi, The Great Transformation: The Political and Economic Origins of Our Time (Boston, MA: Beacon Press, 2001), 3.


35. Ibid., 88.
This marginalization was further compounded by the use of Latin in liturgy and church administration as well as the church’s yearning to return to premodern conventions. An example of the Church’s anti-modernist ethos can be seen in Pius IX’s 1864 Syllabus of Errors which robustly denounced secular and scholarly trends of the time, including the idea that “the Roman pontiff can and should reconcile himself to and agree with progress, liberalism, and modern civilization.”

In its unsparing rejection of modern trends, the Church had seemingly neglected to respond to the human suffering that arose with modern industrialism. The response it did give increased the Church’s marginalization from the working class as it did not address the underlying system that brought about impoverishing working conditions, but argued merely that those in position of abundance should give to the needy. Judith Merkle stated:

> In the church’s eyes, social concern was a matter of charity extended to those outside one’s family circle. In this manner, charitable action would restore harmony with society. Only church-based advocacy and private activity would respond to the problems of the Industrial Revolution.

An example of this approach to providing for the poor was reflected in the actions of Albert de Mun. In 1871, de Mun founded the Committee of Catholic Clubs in France on the premise that the upper class elites had an obligation to help the marginalized of the working class. Although noble, the church’s ‘traditional’ approach to social injustice was about to change.

In his early years as a priest, Wilhelm Emmanuel Von Ketteler of Germany (1811-1877) advocated a response similar to that of de Mun, believing that personal charity was the appropriate response to the


37. See Pius IX, *Syllabus of Errors* (1864) [http://www.papalencyclicals.net/Pius09/p9syl.htm](http://www.papalencyclicals.net/Pius09/p9syl.htm) [accessed May 10, 2011].

38. Ibid., 80.


40. Ibid., 91.
plight of the Industrial Revolution’s working class. His views, however, changed after being instilled bishop of Mainz in 1850. As bishop, Von Ketteler “inspired others to look at poverty with new eyes.”\textsuperscript{41} He accomplished this not just through the pulpit, but by directly involving himself in workers’ lives, publishing books, and giving public speeches. He encouraged his followers to view poverty not as punishment for sin or laziness, but as the inevitable outcome of systemic injustice.\textsuperscript{42} Von Ketteler argued that the machinations of this injustice kept wages ruthlessly low and severely limited an individual’s ability to better both their personal and family’s economic position. The linking of poverty to broader societal injustice led Von Ketteler to support the ambitions of various labour movements, including the implementation of labour standards through government legislation.\textsuperscript{43} Furthermore, he “encouraged Catholics to organize in labor unions and other church-based lay associations to protect their rights and promote the common good.”\textsuperscript{44}

Von Ketteler’s influence was formative to CST’s development in three ways. First, by dissecting the relationship between social structure and “its underlying philosophical and ideological presupposition,”\textsuperscript{45} he was undertaking what is now commonly referred to as social analysis. Secondly, Von Ketteler reinforced through his words and actions that living a life of Christian commitment entailed more than obtaining personal virtue; rather, the Christian life was “social in nature and should influence, and contribute to, society.”\textsuperscript{46} Lastly, he combined social analysis with Christian life and “insisted that the Christian must address social problems and Christian faith must influence how those problems are

\begin{footnotes}
\item[41.] Massaro, \textit{Living Social Teaching}, 68.
\item[42.] Ibid.
\item[43.] Merkle, \textit{From the Heart of the Church}, 91.
\item[44.] Massaro, \textit{Living Social Teaching}, 68.
\item[45.] Merkle, \textit{From the Heart of the Church}, 92.
\item[46.] Ibid.
\end{footnotes}
In addition, Von Ketteler’s motivations came not just from empathy for the working class and an assertion that it was the Christian duty to take an interest in its plight, but on scripture and other theological sources, such as the writings of Thomas Aquinas. In the words of Thomas Massaro, Von Ketteler’s knowledge of the Catholic tradition convinced [him] that it was his duty as a church leader to denounce extreme inequality, unbridled competition, and misguided notions of unlimited property rights that sacrificed the legitimate needs of the community to the interests and ever greater profits of a few elite captains of industry.48

Von Ketteler’s words and actions demonstrated that the core of Christian faith included both a love for society’s marginalized and an awareness of how they were faring. Furthermore, this awareness could not be kept separate from living one’s Christian life. Action, analysis, awareness and belief needed to be melded together. Due to their efforts and formative places in CST’s history, Massaro labeled Albert de Mun and Von Ketteler “pioneers of social concern.”49 Due to their concern and influence, Massaro stated:

The Church’s position on economic and political matters gradually evolved from an embattled reactionary defensiveness to a more progressive, open-minded stance that looked upon the struggles of the least advantaged workers and families with genuine concern and an eye for the structural dimensions of advancing the cause of social justice.50

Von Ketteler’s pioneering approach to the Industrial Revolution’s social problems and his concern for the poor and working classes, and more importantly, for the structures that impoverished and exploited these individuals, manifested itself in the papacy of Leo XIII. However, it should be noted that although Leo XIII’s pontificate marks the “beginning of an official effort to link the social tradition of the Church to

47. Ibid.


49. Other individuals who should not go without mention are Frederick Ozanam (1813-1853), Charles de Montalembert (1810-1870), and Cardinal Henry Edward Manning (1808-1892). Frederick Ozanam was the founder of the St. Vincent de Paul Society, a charitable organization still operational in an estimated 300 000 Catholic parishes. Charles de Montalembert was an influential French aristocrat, writer, and politician. He argued that the well-being of the poor must be of integral concern to the Church. Cardinal Manning worked to bring Catholics out of what he viewed as apathy toward the poor and working classes. He cancelled plans to construct a new Westminster cathedral in order to use the funds to build more than twenty schools for impoverished children. Ibid., 67–71.

50. Ibid., 66.
the problems of modern industrialism, it did not initiate the movement.”

The social encyclical tradition that began with Leo XIII was the outcome of the efforts of both lay and clerical Catholics concerned with industrialization’s human effects. In the words of David McCarthy, the conditions behind the writing of *Rerum Novarum* had “been developing in Europe for almost a century, since the French Revolution.”

Thus, it is important to see CST as a movement that emerged out of faith. However, it marked the first time that this developing thought came from the highest position of authority in the Catholic Church.

**Leo XIII: *Rerum Novarum* and the Industrial Revolution**

Leo XIII’s 1891 encyclical, *Rerum Novarum*, written near the end of the Industrial Revolution, addressed questions emerging from a world that was increasingly urban, capitalistic, and industrialized. Furthermore, the world was seemingly advancing under the spell of the new religion of the bottom line, a spell that was weighing heavily on society’s working and lower classes.

**Working Class Misery**

Leo XIII did not downplay the working class plight, stating that he sought to address “the misery and wretchedness pressing so unjustly on the majority of the working class.” The blame was to be laid, largely, at the feet of a societal structure that had left the working class mostly defenceless in its ability to better its working and life positions. Leo XIII stated:

> Hence, by degrees it has come to pass that working men have been surrendered, isolated and helpless, to the hardheartedness of employers and the greed of unchecked competition. The mischief has been increased by rapacious usury, which, although more than once condemned

51. Merkle, *From the Heart of the Church*, 92.


53. Bernard Laurent posited what can perhaps be viewed as a more cynical approach to CST’s germination. He argued that *Rerum Novarum* was an offspring of the church’s resistance to modernity, specifically enlightenment thought and economic liberalism. He stated that Leo’s “interest in economic and social issues was in some ways a pretext for rendering the Enlightenment’s intellectual system and its associated values responsible for the violence of social interaction.” See Bernard Laurent, “Catholicism and Liberalism: Two Ideologies in Confrontation” *Theological Studies* 68 (2007), 811.

by the Church, is nevertheless, under a different guise, but with like injustice, still practiced by covetous and grasping men. To this must be added that the hiring of labor and the conduct of trade are concentrated in the hands of comparatively few; so that a small number of very rich men have been able to lay upon the teeming masses of the laboring poor a yoke little better than that of slavery itself.\(^5^5\)

The picture that Leo XIII painted of the contemporary social reality was a bleak, but accurate one.\(^5^6\) Leo XIII saw factory workers being denied the type of life the 19\(^{th}\) century had the capacity to provide them under a more humane approach to humanity’s place within the economy. From a religious perspective, the Industrial Revolution’s ethos was preventing individuals from reaching a level of fulfillment that each person, by their nature of being a child of God, was entitled to. In response to these societal ills, Leo XIII believed that “some opportune remedy must be found quickly.”\(^5^7\) The social reality of the time was one where essentially all individuals who did not own property had to work. Thus, Leo XIII sought to change the general attitude towards labour so that entering into the workforce entitled a worker to their “natural right to procure what is required to live.”\(^5^8\) One of Leo’s ideas for facilitating an environment that gave workers a full and healthy life was to promote the creation of “societies or boards” which addressed questions of wages, worker health and safety, and hours of work.\(^5^9\) In doing so, solutions would include both workers and employees.

He also strongly defended workers’ right to belong to unions, “which are the most important of all” types of organizations or associations and afforded “not only many advantages to the workmen, but in no small degree of promoting the advancement of art, as numerous monuments remain to bear witness.”\(^6^0\)

\(^{55}\) Ibid.


\(^{57}\) Catholic Church, *Rerum Novarum*, 3.

\(^{58}\) Ibid., 44

\(^{59}\) Ibid., 45.

\(^{60}\) Ibid., 49.
Leo, unions contributed mightily to the well-being of societies in more ways than just advancing the rights of workers. As such, he stated that “It is gratifying to know that there are actually in existence not a few associations of this nature, consisting either of workmen alone, or of workmen and employers together, but it were greatly to be desired that they should become more numerous and more efficient.” Furthermore, the working class should have work that did not endanger their health and working hours suitable as to allow the time necessary to belong to civic associations and attend religious functions.

Socialism and Private Property

At this point, it is necessary to discuss Leo’s approach to socialism and private property. He was writing at a time when socialism, for perhaps obvious reasons when keeping in mind the miserable and wretched state of the working class, was increasingly gaining popularity as an alternative to the progressively more exploitive nature of capitalism.

Although critical of unfettered capitalism, Leo XIII did not see a possible solution to these social problems in the emergence of socialism. He feared that a socialist state’s powers could grow to a point where personal duties and freedoms could be extinguished. Indeed, he asserted most clearly the right to private property by stating that the “first and most fundamental principle, therefore, if one would undertake to alleviate the condition of the masses, must be the inviolability of private property.” However, he placed moral conditions on private property and quoted Thomas Aquinas who, drawing on the church’s earliest traditions, stated that “man should not consider his material possessions as his own, but as common to all, so as to share them without hesitation when others are in need.” Thus, although Leo XIII stood behind the right to private property in no uncertain terms, he insisted that it be used to promote society’s

61. Ibid.

62. For a discussion of these principles in *Rerum Novarum*, see McCarthy, “Moral Economy and the Social Order,” 130.


64. Ibid., 22.
welfare, especially when people were in need. However, Leo XIII insisted that private property ownership carried social obligations as well. The Church’s corollary to private property - the right use of private property - is often forgotten or omitted in discourse about the Church’s approach to private ownership.\textsuperscript{65} This teaching is an interesting one to ponder during the current economic recession where a relatively small number of individuals have made billions while millions continue to suffer from the effects of poverty and unemployment.

**Defence of Humanity before Ideology**

One can easily see how Leo XIII’s insistence on the right of private property or the right use of private property can be cited in defence of a number of ideological, political and economic positions. *Rerum Novarum* recognized the danger of wading into socio-economic matters, but insisted that the dire “condition of the working class” demanded that the Church enter into this dialogue:

> The discussion is not easy, nor is it void of danger. It is no easy matter to define the relative rights and mutual duties of the rich and of the poor, of capital and of labor. And the danger lies in this, that crafty agitators are intent on making use of these differences of opinion to pervert men’s judgments and to stir up the people to revolt.\textsuperscript{66}

Although difficult, it is important to remove this encyclical from overly polemical interpretations that have often plagued analysis of CST, for example, as happened during the Cold War era. However, as noted by Leo XIII, despite the inherent danger of wading into economic and political matters, the plight of much of the world’s working classes and the social discord this created demanded honest attempts to find a better path.\textsuperscript{67} Such a path should make its way through all of society and include both rich and poor. As Leo XII noted, both compose the fabric of society and are in mutual need of each other:

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\textsuperscript{65} Another undercurrent of Leo’s encyclical that does not receive much attention was his insistence that the wealthy were obligated to give heavily to the poor. Leo based his convictions on Jesus’ words in scripture. For example, he stated that “[t]herefore, those whom fortune favors are warned that riches do not bring freedom from sorrow and are of no avail for eternal happiness, but rather are obstacles; that the rich should tremble at the threatenings of Jesus Christ - threatenings so unwonted in the mouth of our Lord - and that a most strict account must be given to the Supreme Judge for all we possess.” See Catholic Church, *Rerum Novarum*, 22.

\textsuperscript{66} Ibid., 2.

\textsuperscript{67} Michael P. Hornsby-Smith states that that “Catholic social thought for the past century and a half has sought to articulate a path between statist socialism and liberal capitalism and has insisted that the economy is to serve
The great mistake made in regard to the matter now under consideration is to take up with the notion that class is naturally hostile to class, and that the wealthy and the working men are intended by nature to live in mutual conflict. So irrational and so false is this view that the direct contrary is the truth. Just as the symmetry of the human frame is the result of the suitable arrangement of the different parts of the body, so in a State is it ordained by nature that these two classes should dwell in harmony and agreement, so as to maintain the balance of the body politic. Each needs the other: capital cannot do without labor, nor labor without capital. Mutual agreement results in the beauty of good order, while perpetual conflict necessarily produces confusion and savage barbarity.\(^{68}\)

Thus, a better way forward included all classes of society, and the understanding that humanity was fated to live in class conflict needed to be dispelled in order for proper harmony and balance to be achieved.

Perhaps \textit{Rerum Novarum}'s greatest legacy was its attempts to cut through much of the political and economic rhetoric of the time and bring to light the importance of making human well-being the integral barometer in gauging human progress. In \textit{Rerum Novarum}, the "Catholic Church pointed to the troubles engendered by the industrial revolution to challenge the rosy picture painted by liberal rhetoric and its theory of the natural harmony of interests, and advocated a subordination of economic structures to criteria of justice."\(^{69}\)

\textbf{CST and the Economic View of Humanity}

David McCarthy stated that "[a] good reference point (particularly in terms of Leo XIII) is Adam Smith's \textit{Wealth of Nations}, published in 1776."\(^{70}\) McCarthy also pointed out that "Smith treats the market as having a life of its own, as a mechanism that transcends the meaning of our personal intentions and actions."\(^{71}\) Such a dehumanized market is in sharp contrast to Leo XIII's staunch advocacy that economic forces be subordinate to social needs. An over-emphasis on the market in terms of it operating

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71. Ibid.
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independently of human morality diminished the moral role and actions of human beings and in effect made humans subservient to the market’s welfare. This view was further articulated by Pius XI in his 1931 social encyclical, Quadragesimo Anno, written on the fortieth anniversary of Rerum Novarum and shortly after the onset of the Great Depression. Pius XI stated:

Just as the unity of human society cannot be founded on an opposition of classes, so also the right ordering of economic life cannot be left to a free competition of forces. For from this source, as from a poisoned spring, have originated and spread all the errors of individualistic economic teaching. Destroying through forgetfulness or ignorance the social and moral character of economic life, it held that economic life must be considered and treated as altogether free from and independent of public authority, because in the market, i.e., in the free struggle of competitors, it would have a principle of self direction which governs it much more perfectly than would the intervention of any created intellect. But free competition, while justified and certainly useful provided it is kept within certain limits, clearly cannot direct economic life – a truth which the outcome of the application in practice of the tenets of this evil individualistic spirit has more than sufficiently demonstrated. Therefore, it is most necessary that economic life be again subjected to and governed by a true and effective directing principle.72

In this lengthy passage, Pius XI clearly articulated the human harm that unbridled economic forces caused. He also affirmed that the Church was not against economic life in the market, but that the market needed to be subverted to morally proper guiding principles. The ambitions of CST sought to promote an approach to economics that kept economic transactions embedded in the reality that economics should serve and promote human welfare. As David McCarthy affirms:

The human being has a natural fulfillment which includes basic needs of life, food and shelter, health, intellectual and spiritual development, and putting one’s mind and freedom to creating things and shaping a way of life - all of which are social activities - are set within relationships like family, economic institutions, religious bodies, and civic associations.73

Essentially, CST argued that economic transactions needed to be set against broader social well-being, whereby individual members of society fulfilled their societal duties and in exchange were given what was necessary to live a healthy and well-balanced life. McCarthy stated that “Smith, in contrast to CST, treated the individual as separate from the social whole. The primary agents of his Wealth

72. Catholic Church, Quadragesimo Anno, Encyclical of Pope Pius XI on Reconstruction of the Social Order (1931), 88.
of Nations were the self-interested individual and the mechanisms of the economy.”

Although Smith and how he is interpreted will be looked at in greater detail later, it is helpful to keep his appeals to self-interest in mind when looking at the evolution of CST beginning with *Rerum Novarum* and culminating in *Caritas in Veritate*.

In hindsight, it is encouraging to take a step back from some of the details of *Rerum Novarum* and subsequent church teachings to see them as the engaging of systemic, societal injustice in light of the teachings and ministry of Jesus. Since Leo XIII’s encyclical, the Church and wider Catholic community have increasingly attempted to address worldly issues by relying upon principles rooted in the gospel message. Thus, there is now a moral template for discussing and acting upon current conditions of economic injustice and global division. In short, “much of the ‘homework’ and ‘legwork’ has already been done on our behalf.”

**Benedict XV: *Ad Beatissimi Apostolorum***

In addition to CST’s history, the seeds of *Caritas in Veritate* can be found before Benedict XVI’s pontificate when the future pope chose his papal name after Benedict XV and Benedict of Nursia. While the latter was the founder of Western monastic communities with a common rule of life, Pope Benedict XV presided during the divisive and costly years that encompassed World War I. Benedict XV released the encyclical *Ad Beatissimi Apostolorum* on the Feast of All Saints, November 1, 1914 at the beginning of World War I, a tragedy he labelled the “suicide of civilized Europe.” In this encyclical, Benedict XV recognized that the war’s combatants were from the world’s wealthier nations and had the most destructive

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74. Ibid., 131.

75. Massaro, *Living Social Teaching*, 54.


weapons yet devised. As such, he stated that “[t]here is no limit to the measure of ruin and of slaughter; day by day the earth is drenched with newly-shed blood, and is covered with the bodies of the wounded and of the slain. Who would imagine as we see them thus filled with hatred of one another, that they are all of one common stock, all of the same nature, all members of the same human society?” Recognizing the senseless nature of World War I’s slaughter, Benedict XV pleaded for its stakeholders to find a way to restore peace, insisting that “surely there are other ways and means whereby violated rights can be rectified.” Thus, Benedict XV appealed to individuals and nations to see themselves not in opposition to others, but as part of a broader whole, of one human society. At the time, however, such a view was barely recognizable as human division was rampant. Of this division, Benedict XV stated:

But in reality never was there less brotherly activity amongst men than at the present moment. Race hatred has reached its climax; peoples are more divided by jealousies than by frontiers; within one and the same nation, within the same city there rages the burning envy of class against class; and amongst individuals it is self-love which is the supreme law over-ruling everything.

For the purposes of this thesis, it is necessary to recognize Benedict XV’s understanding of the war’s bloodshed, hate and division. In light of the overwhelming enmity, Benedict XV implored his Venerable Brethren to understand how “necessary it is to strive in every possible way that the charity of Jesus Christ should once more rule supreme amongst men.” Thus, in returning to the pontificate of Benedict XVI, it should come as no surprise that after choosing his new name, Benedict XVI stated that he

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79. Ibid.
80. Ibid., 4.
81. Ibid., 7.
82. Ibid., 8. Interestingly, Benedict did acknowledge that although “manifold philanthropic institutions” of the time were ‘noble’ and “praiseworthy,” it was “when they contribute to stimulate true love of God and of our neighbours in the hearts of men, that they are found to confer a lasting advantage; if they do not do so, they are of no real value, for ‘he that loveth not, abideth in death.’ (I John iii. 14).” Ibid. Benedict XV’s words about philanthropic institutions are a compelling parallel to Benedict XVI’s understanding of charity and how it needs to be rooted in truth, as revealed by Christ’s life in order to authentically contribute to human development.
wanted to enable “reconciliation and harmony between persons and peoples.” The ruinous divisions that Benedict XV sought to overcome and his prescription in the form of love and charity provide a hopeful example for our presently economically divided world.

**Paul VI: Populorum Progressio**

In a series of speeches given for CBC radio in 1965, the economist John Kenneth Galbraith stated that “[i]f one had to settle on the distinction between nations of greatest descriptive importance in our time it would certainly be the difference between the rich and the poor.” Galbraith’s words were stated just two years before Paul VI’s formative encyclical *Populorum Progressio* (*The Progress of Peoples*) and spoke to the highly unequal nature of the world division at the time. Benedict XVI considers *Populorum Progressio* “the Rerum Novarum of our present age” and uses it as the basis for his own analysis of the progress of the human family. Furthermore, *Populorum Progressio* and its basic themes form much of the groundwork for Benedict’s *Caritas in Veritate*. To this end, Benedict XVI states that “[a]t a distance of over forty years from the Encyclical’s publication, I intend to pay tribute and to honour the memory of the great pope Paul VI, revisiting his teachings on integral human development…to apply them to the present moment.” Indeed, out of *Caritas in Veritate’s* 159 endnotes, *Populorum Progressio* is cited 59 times.


84. During the war, Benedict XV used the Vatican’s influence to ameliorate the conditions of Prisoners of War (POWs) and to promote an earnest search for an end to the bloodshed. His efforts were publicly recognized. For example, a monument was erected in Istanbul, a Muslim city, honouring him as a “great pope of the world tragedy...the benefactor of all people, irrespective of nationality or religion.” See John W. O’Malley, S.J. *A History of the Popes: From Peter to the Present* (Lanham, MD: Sheed & Ward, 2010), 273.


87. Ibid. Drew Christiansen has observed that it “can hardly be a slip of the pen that Benedict applies the honorific ‘great’ to Paul VI, a title many, including Benedict XVI, applied to John Paul II immediately following his death.” See Christiansen, “Metaphysics and Society,” 5. Christiansen, however, found it surprising that Benedict uses *Populorum Progressio* as the basis for *Caritas in Veritate* as it is “often seen as the fullest expression of liberal postconsiliar activism.” Ibid. As such, it is common for *Populorum Progressio* to be omitted from the ‘canon’ of CST. For example, George Weigel states that “in the long line of papal social teaching running from *Rerum Novarum*
Paul VI began his formative encyclical with the following statement:

The progressive development of peoples is an object of deep interest and concern to the Church. This is particularly true in the case of those peoples who are trying to escape the ravages of hunger, poverty, endemic disease and ignorance; of those who are seeking a larger share in the benefits of civilization and a more active improvement of their human qualities; of those who are consciously striving for fuller growth.  

Thus, for Paul VI, those individuals living on the outskirts of the world’s wealth are of primary concern to the Church. This concern was reinforced when Paul VI imparted:

The hungry nations of the world cry out to the peoples blessed with abundance. And the Church, cut to the quick by this cry, asks each and every man to hear his brother's plea and answer it lovingly.

Paul VI’s language of the “ravages of hunger, poverty, endemic disease, and ignorance” invoke memories of Leo XIII’s words of the misery and wretchedness of the working class. However, Paul VI’s scope is much broader than Leo’s relatively focused encyclical as he was reflecting on the progress of humanity on a global level. Paul VI’s words reflected the changing global reality and spoke to the need for action, compassion and an awareness that actions in one country affected human beings in others and that the wealthy were obligated to help those on the periphery. In a theme that should sound familiar after looking at Benedict XV’s Ad Beatissimi Apostolorum, Paul VI also addressed disparity and division extending beyond the gap separating rich and poor nations. For example, during this time, the world was divided along lines dictated by the Cold War, leading to “proxy” wars in developing countries. Additionally, the United States was embroiled in the deep divisions of its civil rights movement, and many African nations were overthrowing their colonial governments and asserting - often in a bloody and corrupt


89. Ibid., 3.

90. Ibid., 1.
process - their independence. These were but a few of the turbulent and destructive waters that Paul VI’s 1967 *Populorum Progressio* encyclical sought to calm. Much like the deeply divided and warfaring Europe that Benedict XV addressed at World War I’s beginning, the sad reality was that the shrinking world was, in many unfortunate circumstances, turning newfound neighbours into enemies.

In looking at how burgeoning globalization left many nations and people behind, and how much of the world was divided along Cold War lines, Paul VI turned to an unlikely avenue in which to pursue peace – he turned to human-centered development. In defining his vision of development for all of humanity, Paul VI stated that “[t]he development We speak of here cannot be restricted to economic growth alone. To be authentic, it must be well rounded; it must foster the development of each man and of the whole man.”

He then quoted J. Lebret’s words that “[w]e cannot allow economics to be separated from human realities, nor development from the civilization in which it takes place. What counts for us is man - each individual man, each human group, and humanity as a whole.” Thus, Paul VI saw each individual, regardless of background, wealth, sex, or race, as “born to seek fulfillment, for every human life is called to some task by God.” In working forward from this belief in the value of every human life, Paul VI outlined a view of global development focused not just on economic development dictates, but on “integral human development” as “a challenge facing everyone’s conscience and as the necessary path to world peace.” Thus, for Paul VI, an answer to a violently divided world lay not in treaties or trade agreements but in authentic human development which had human, not monetary, measures as its focal point.

91. Ibid., 14.


95. Paul VI’s economic criticisms are similar in tone to the previously quoted sections of Pius XI’s *Quadragesimo Anno* and pointed to an overzealous focus on monetary measures as a major culprit in the propagation of uneven and inhumane development.
The inclusion of peace into dialogue about global development cannot be overemphasized. For Paul VI, peace and integral development went hand-in-hand; indeed, he labeled one section of his encyclical “Development, the New Name for Peace.” For Paul VI, “peace is not simply the absence of warfare, based on a precarious balance of power; it is fashioned by efforts directed day after day toward the establishment of the ordered universe willed by God, with a more perfect form of justice among men.” Thus, the working toward peace required more than technical treaties and a brokering of power, but also a global justice that had at its base the inherent value and dignity of every person.

**Benedict XVI: Caritas in Veritate**

**Human Freedom: Christ’s Witness and the Empowering Love of God**

For Benedict XVI, *Populorum Progressio* “illuminated the great theme of the development of peoples with the splendour of truth and the gentle light of Christ’s charity.” The document also demonstrated “that life in Christ is the first and principal factor of development and he entrusted us with the task of traveling the path of development with all our heart and all our intelligence, that is to say with the ardour of charity and the wisdom of truth.”

In a section labelled “Unbridled Liberalism,” Paul VI directly criticised the profit-driven ethic which had insinuated itself “into the fabric of human society” and “present[ed] profit as the chief spur to economic progress, free competition as the guiding norm of economics, and private ownership of the means of production as an absolute right, having no limits nor concomitant social obligations.” Catholic Church, *Populorum Progressio*, 26.

Paul VI did not mince his critical words, stating that “[s]uch improper manipulations of economic forces can never be condemned enough; let it be said once again that economics is supposed to be in the service of man.” Ibid.

Furthermore, Paul VI warned that if humanity became subservient to the economy, then a new type of evil could emerge. Left unchecked, “unbridled liberalism paves the way for a particular type of tyranny” that had previously been highlighted and denounced by Pius XI as it could result in “the international imperialism of money.” Catholic Church: *Quadragesimo Anno*, 212. Both Pius XI and Paul VI saw the need to unmask the development practices which neglected the well-being of people on the grounds that they adhered to economic doctrine. They believed economic welfare should lift up and serve the common good versus the common good being sacrificed at the economic altar.

96. Catholic Church, *Populorum Progressio*, 76.

97. Ibid.


99. Ibid.
gressio in such high regard is that it addressed human development under the twin auspices of Christ’s truth and charity. Furthermore, we are called to follow Paul VI’s example in our own time, a task Benedict firmly asserts he is going to undertake in Caritas in Veritate’s first sentence:

Charity in truth, to which Jesus Christ bore witness by his earthly life and especially by his death and resurrection, is the principal driving force behind the authentic development of every person and of all humanity.100

This sentence succinctly outlines Benedict’s core argument that charity in truth was revealed to humanity through the life, death and resurrection of Jesus Christ, and that it needs to infuse human development in order for it to be authentic. The means by which charity in truth can be implemented, or fuelled in a sense, is through love: “Love - caritas - is an extraordinary force which leads people to opt for courageous and generous engagement in the field of justice and peace.”101

It is worth pausing to ponder these opening sentences and note that in the midst of the noise, strife and present moral imbalances, Benedict believes the answer must be centered in Christ’s love. Importantly, this love, to which Jesus’ life bore witness, is more than just an illuminating example or abstract ideal; rather, it is a “force” that empowers both individuals and the broader human family to act for justice and peace. It is also a force that is not fleeting or temporal but “has its origin in God, Eternal Love and Absolute Truth.”102 This love, acted upon and adhered to, is the love that guides each member of the human family to know God’s plan. Ultimately, it is in uncovering and following this plan that an individual “becomes free.”103 By extension, humanity’s hope for living in freedom is found in uncovering and adhering to God’s plan of love for the human family.

100. Ibid., 1.
101. Ibid.
102. Ibid.
103. Ibid.
Caritas in Veritate: The Source of the Church’s Social Teaching

Benedict cements charity in truth as the basis of the Church’s social doctrine by stating that “[e]very responsibility and every commitment spelt out by that doctrine is derived from charity which, according to the teachings of Jesus, is the synthesis of the entire Law (cf. Mt 22: 36-40).”\(^\text{104}\) As such, charity should form the basis of all human relationships – from friends and families to “social, economic and political”\(^\text{105}\) relationships. The centrality of charity to Benedict’s worldview cannot be underestimated, with him clearly stating “[f]or the Church, instructed by the Gospel, charity is everything…”\(^\text{106}\) Benedict’s conviction arises from his understanding of God’s fundamental nature, a nature elaborated in his first encyclical Deus Caritas Est (God is Love). Thus, due to the creator’s fundamental nature, “every-thing has its origin in God's love, everything is shaped by it, everything is directed towards it.”\(^\text{107}\) For humanity, this is a joyful revelation, one that can infuse our relationships and guide our actions in the collective world we are building. As created beings, “Love is God's greatest gift to humanity, it is his promise and our hope.”\(^\text{108}\)

In placing charity as the cornerstone of his encyclical, and as a fundamental expression of God’s nature, Benedict is careful to note that charity is often misconstrued and cheapened. In order for false understandings and expressions of charity to be avoided, it needs to be linked to truth, with each reaffirming the other.\(^\text{109}\) Properly informed, charity can be lived out in real and concrete ways.

\(^\text{104}\) Ibid., 2.
\(^\text{105}\) Ibid.
\(^\text{106}\) Ibid.
\(^\text{107}\) Ibid.
\(^\text{108}\) Ibid.
\(^\text{109}\) Benedict states that “[t]ruth needs to be sought, found and expressed within the “economy” of charity, but charity in its turn needs to be understood, confirmed and practised in the light of truth.” Ibid.
A Necessary Weave in the Fabric of Society

Charity in truth needs to be recognized and received before it can be comprehended by human reason and expressed in human relations. When properly infused by truth, charity “can be recognized as an authentic expression of humanity and as an element of fundamental importance in human relations, including those of a public nature.”[^110] Thus, an authentic charity is not just a lofty ideal to be preached, but is something that can be woven into the fabric of society - “it can be shared and communicated.”[^111] Through this interaction, charity in truth can help reveal God’s love and plan for the human family. By its very nature, by its very act of being pursued, charity in truth helps facilitate authentic human development. Thus, charity in truth is the basis and the reason that the Church’s social doctrine exists. As God is love, and “[e]harity is love received and given,” CST is “the proclamation of the truth of Christ’s love in society.”[^112] For Benedict, the recognition of God’s nature and the fact that this nature can be grasped by humanity, then expressed in human interaction, and shared with the world, holds profound meaning in addressing many of the problems the world faces. He states:

> Development, social well-being, the search for a satisfactory solution to the grave socio-economic problems besetting humanity, all need this truth. What they need even more is that this truth should be loved and demonstrated. Without truth, without trust and love for what is true, there is no social conscience and responsibility, and social action ends up serving private interests and the logic of power, resulting in social fragmentation, especially in a globalized society at difficult times like the present.^[113]

To resolve the socio-economic challenges of our time and reach towards authentic human development, humanity needs to accept the gift of God’s love so its eyes can be opened to see truth. Failure to recognize this gift has the potential to foment continued division and abuses of power. It is thus imperative that charity and truth are expressed in concrete ways. Benedict emphasizes two such ways: justice and the

[^110]: Ibid., 3.
[^111]: Ibid., 4.
[^112]: Ibid., 5.
[^113]: Ibid.
common good. Both are expressions of charity in truth, and thus go hand-in-hand with charity and further augment its expression. Benedict explains:

*Charity goes beyond justice*, because to love is to give, to offer what is “mine” to the other; but it never lacks justice, which prompts us to give the other what is “his”, what is due to him by reason of his being or his acting. I cannot “give” what is mine to the other, without first giving him what pertains to him in justice. If we love others with charity, then first of all we are just towards them. Not only is justice not extraneous to charity, not only is it not an alternative or parallel path to charity: justice is inseparable from charity, and intrinsic to it.114

Thus, charity entails insuring that recipients are first given what is justly theirs by nature of their being. Benedict’s words also demonstrate that blind charity, where awareness of unjust social structures goes unnoticed, is not a full and true charity.115 This awareness has a profound effect on how we should look at human development, especially when many poor countries are integrated in the world economy in terms of manufacturing goods, but their citizens are largely living in poverty.

The basis of the second dimension, the common good, is found in wanting to see the best for others. In this regard, Benedict states that “[t]o love someone is to desire that person's good and to take effective steps to secure it.”116 However, this desire does not stop with those in one’s immediate circle of family and acquaintances, but extends to desiring the good of all those around us – the common good. This common good “is the good of ‘all of us’, made up of individuals, families and intermediate groups who together constitute society.”117 Our striving to attain the common good for all is a reflection of God’s love for creation, itself an expression of God’s nature. Thus, to desire “the common good and strive towards it is a

114. Ibid., 6.

115. There is little room for ambiguity as to the importance of justice in Benedict’s understanding of charity. Of the Pope’s first encyclical, *Deus Caritas Est*, Thomas Massaro stated that individuals “may come away from this text so impressed with the exalted place of charitable activity that they may de-emphasize those efforts that are more properly described as work for justice.” See Thomas Massaro, “Don’t Forget Justice” in America Magazine. March 13, 2006. [http://www.americamagazine.org/content/article.cfm?article_id=4669&comments=1](http://www.americamagazine.org/content/article.cfm?article_id=4669&comments=1).


117. Ibid.
requirement of justice and charity."¹¹⁸ As the pursuit of the common good is then God’s plan for humanity, it is also a requirement of the Christian faith and a goal Christians should pursue in all avenues of their daily lives. In an increasingly interconnected global society, decisions in one part of the world can have widespread, far-reaching influence. Thus, the pursuit of the common good is perhaps a more timely need than ever before. Finding ways to advance the common good is a loving response that can be carried out as a way of showing God’s love for humankind.

Seeking the common good also means participating and contributing in the affairs of governance with the goal of bringing Christ’s charity into the decision making process. Thus, “[t]o take a stand for the common good is on the one hand to be solicitous for, and on the other hand to avail of, that complex of institutions that give structure to the life of society, juridically, civilly, politically and culturally, making it the polis, or ‘city’.”¹¹⁹ To work for the common good is to bring God’s love into the many institutions and practical workings of organized society. This includes all humans of myriad backgrounds – of every age, ethnicity, religious belief, income strata and type of education. This diversity has implications for how globalization develops as well, where differing cultures, values and customs are coming into increased contact with each other. In this vein of thought Benedict notes that in “an increasingly globalized society, the common good and the effort to obtain it cannot fail to assume the dimensions of the whole human family, that is to say, the community of peoples and nations, in such a way as to shape the earthly city in unity and peace, rendering it to some degree an anticipation and a pre-configuration of the undivided city of God.”¹²⁰

Charity in truth, as human development’s guiding influence, can be known and implemented through the pursuit of justice and the common good. At its base, the Church and its members are invited by Christ to shed this light on human development so that humanity can collectively see and take part in the

¹¹⁸. Ibid.
¹¹⁹. Ibid.
¹²⁰. Ibid.
truth of God’s plan for humanity. It is for these reasons that the “Church searches for truth, proclaims it tirelessly and recognizes it wherever it is manifested.” Furthermore:

This mission of truth is something that the Church can never renounce. Her social doctrine is a particular dimension of this proclamation: it is a service to the truth which sets us free. Open to the truth, from whichever branch of knowledge it comes, the Church’s social doctrine receives it, assembles into a unity the fragments in which it is often found, and mediates it within the constantly changing life-patterns of the society of peoples and nations.

Simply, the Church’s mission is to continuously attempt to discern the divine truth that God wants the human family to live. For Benedict, this divine truth is revealed through charity in truth and as an extension of God’s nature, “charity in truth becomes the Face of his Person.” Thus, by discerning, articulating and sharing its social doctrine, the Church is helping to show the face of God to the world. It is not an easy task - the challenge is great. Every branch of human knowledge, in continuously growing and developing, brings perplexing and difficult ethical and moral dilemmas. Whether of a medical, financial, social or economic nature – the light of Christ, through charity in truth, can guide humanity to a solution that brings about the betterment of all people. Much in the same way that Paul VI believed authentic development and peace could not be found solely through a brokering of power and treaties, but needed recognition of the full integrity of each human person, so too does Benedict believe the ills of our time need more than just technical solutions. These solutions, whether they be trade agreements, fiscal or monetary policies or any other of a thousand laws or regulations, are incomplete in themselves if they are not informed by God’s love, the light of Christ. To be complete and achieve their end, the makeup of these solutions must include the elements of justice and the common good.

Thus, the church’s role is to serve humanity through communicating and living its social doctrine so men and women of all backgrounds and social status can use the bounty God has provided for the benefit

121. Ibid., 9.
122. Ibid.
123. Ibid., 1.
of all. As Benedict states, the “Church does not have technical solutions to offer…She does, however, have a mission of truth to accomplish, in every time and circumstance, for a society that is attuned to man, to his dignity, to his vocation.”124 For our time – a time of rapidly increasing global interconnectedness – Benedict turns both to Populorum Progressio and his own thorough exegesis of charity in truth for guidance.

**Lessons of Populorum Progressio: Progress as Vocation**

In looking back at Populorum Progressio, Benedict emphasizes Paul’s assertion that progress, “in its origin and essence, is first and foremost a vocation.”125 In fact, it is in the recognition of development as a vocation that the Church is given its mission to address human development. The reasoning is that if “development were concerned with merely technical aspects of human life, and not with the meaning of man’s pilgrimage through history in company with his fellow human beings, nor with identifying the goal of that journey, then the Church would not be entitled to speak on it.”126 As a vocation, development must recognize “that it derives from a transcendent call.”127 The challenge becomes the proper and faithful discernment of the call. For Benedict, the proper discerning means are found in the facets of God’s revelation of Love and Truth to humanity. Benedict states:

> The vocation to development on the part of individuals and peoples is not based simply on human choice, but is an intrinsic part of a plan that is prior to us and constitutes for all of us a duty to be freely accepted. That which is prior to us and constitutes us – subsistent Love and Truth – shows us what goodness is, and in what our true happiness consists. It shows us the road to true development.128

As Benedict notes, the recognition of development as a vocation entails looking outside of personal choice and turning to God’s plan for guidance. Importantly, if the vocation to development is authentically

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124. Ibid., 9.
125. Ibid., 15.
126. Ibid., 16.
127. Ibid.
128. Ibid., 52.
found in a transcendent call, then it is a call that must be received by both individuals and the broader whole. The question of development then needs to be seen in light of humanity’s openness to God’s plan, a question that leads Benedict to ask “to what extent Paul VI’s expectations have been fulfilled by the model of development adopted in recent decades.”

The critical barometer that Benedict uses to determine if Paul VI’s expectations have been fulfilled is **authentic** and **integral development**. Like Paul VI, Benedict insists that “progress of a merely economic and technological kind is insufficient. Development needs above all to be true and integral.”

Thus, development must address the welfare of the whole human person, concern the whole human family, and not “be separated from human realities.” Benedict affirms that development is a vocation that involves the whole human person and stretches back beyond *Populorum Progressio* and *Rerum Novarum* to the “Tradition of the apostolic faith.”

However, as much as Benedict XVI built upon the history and tradition of CST, especially *Populorum Progressio* and as demonstrated by his thorough exegesis of charity’s importance to human relations, his vision for how the human family should move forward is unique to our current situation and reflects the Church’s understanding of CST in addressing present social difficulties. For example, Benedict believes that the end of the Cold War - “the end of the so-called opposing Blocs” - necessitates “a complete

129. Ibid., 21.

130. Ibid., 23.


132. Catholic Church and Benedict, *Caritas in Veritate*, 10. Benedict asserts the “Social doctrine is built on the foundation handed on by the Apostles to the Fathers of the Church, and then received and further explored by the great Christian doctors.” Ibid., 12.

133. The *Compendium of the Social Doctrine of the Church* states that the “Church’s social doctrine was not initially thought of as an organic system, but was formed over the course of time through the numerous interventions of the Magisterium on social issues.” The *Compendium* quotes the encyclical *Sollicitudo Rei Socialis*’ clarification that the social doctrine of the Church “belongs to the field, not of ideology, but of theology and particularly of moral theology.” As such, CST is “not an ideological or pragmatic system intended to define and generate economic, political and social relationships, but is a category unto itself.” See Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church* (Vatican: Libreria Editrice Vaticana, 2004), 72.
Benedict also recognizes the omnipresent global reality of modern living, a reality which is reinforced every time we search Google or stroll through the aisles of a grocery or mass merchandise outlet stocked with goods offered by transnational corporate entities. The human family is, simply, becoming ever more interconnected. This brings both opportunity and risk to humanity if not pursued properly. As Benedict states:

The risk for our time is that the de facto interdependence of people and nations is not matched by ethical interaction of consciences and minds that would give rise to truly human development. Only in charity, illumined by the light of reason and faith, is it possible to pursue development goals that possess a more humane and humanizing value.¹³⁵

Increasing human interconnectivity brings new challenges and considerations. Caritas in Veritate is an attempt to address the current world’s development and economic state that, although unique to the pontificate of Benedict XVI, reflects the Church’s history and tradition.

**Challenges and the Failings of Modern Development**

Globalization has made it much easier to transfer goods and services between different regions. Our ever-more integrated status has changed profoundly from the time when “[e]conomic activity and the political process were both largely conducted within the same geographical area, and could therefore feed off one another.”¹³⁶ Indeed, today’s reality is very different. The deregulation of trade and finance, the free flow of capital, goods and information, and the outsourcing of manufacturing and services to countries with cheaper wages have left governments with less capacity to direct development within their own borders. Benedict notes that this new landscape has led to a “downsizing of social security systems as the price to be paid for seeking greater competitive advantage in the global market, with consequent grave danger for the rights of workers, for fundamental human rights and for the solidarity associated with the

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¹³⁵ Ibid., 9.

¹³⁶ Ibid., 24.
traditional forms of the social state.”

As a result, one of the spinoffs of globalization has been the diminished influence of workers’ associations. In response to the challenge facing organized labour, Benedict states that “the promotion of workers’ associations that can defend their rights must therefore be honoured today even more than in the past, as a prompt and far-sighted response to the urgent need for new forms of cooperation at the international level, as well as the local level.”\textsuperscript{139} Drew Christiansen labels Benedict’s call “the strongest endorsement of workers’ right to organize since the start of the modern social teaching tradition in Leo XII’s \textit{Rerum Novarum}.”\textsuperscript{140} To many, it may seem a radical thought that Benedict so strongly affirms the rights of workers’ associations. However, in stepping into the sea of social organization, Benedict is not choosing sides, nor promoting ideologies. He is however recognizing that globalization has unleashed forces that have increasingly left workers more and more powerless to influence employment, wages and working conditions. As will be noted in Chapter Three, workers’ right and capacity to promote labour unions has been under strenuous attack since the trend setting anti-union administrations of Margaret Thatcher in Great Britain and Ronald Reagan in the U.S.

Benedict’s recognition of the need for worker’s associations can be understood more clearly when his call is placed in the context of the need for the economy to serve and enable each person the means for a full, balanced, and rewarding life. Realizing this goal of the common good for each human person requires the common will to provide a decent living wage, the opportunity for education or job training, access to health care, stable employment, healthy working conditions and time to engage in family, community and

\begin{itemize}
\item\textsuperscript{137} Ibid., 25.
\item\textsuperscript{138} Benedict states that “[t]hrough the combination of social and economic change, trade union organizations experience greater difficulty in carrying out their task of representing the interests of workers, partly because governments, for reasons of economic utility, often limit the freedom or the negotiating capacity of labour unions.” Ibid.
\item\textsuperscript{139} Ibid.
\item\textsuperscript{140} Christiansen, "Metaphysics and Society", 24.
\end{itemize}
religious activities. If these are legitimate aspirations for the family of man, and the church’s social
doctrine clearly states they are, then Benedict’s call for the voices of workers to be honoured becomes part
of the church’s role in salvation history to bring unity to the human family. Charity in truth, the call to
respond in love to God’s love, is always a radical call.

Perhaps the most overlooked word in Benedict’s statement regarding workers’ associations is
“cooperation.” Benedict is not attempting to create strife or take sides, but to encourage the adoption of
justice in charity so each may be given what is theirs by right. Cooperation means neither labour nor
employer is automatically right, but in charity the rights of all can be addressed. Benedict’s reference to
cooperation on a global level reflects the growing vulnerability of workers at the hands of a highly mobile
global labour market. The mobility of labour can be positive in that it can stimulate wealth creation but
can also have undesirable societal effects, among them psychological stresses. For example, “uncertainty
over working conditions caused by mobility and deregulation, when it becomes endemic, tends to create
new forms of psychological instability, giving rise to difficulty in forging coherent life-plans, including that
of marriage.”141 In response to the fact that much of the worker vulnerability is due to companies and
governments putting profit and a welcoming corporate environment ahead of working class welfare,
Benedict states:

I would like to remind everyone, especially governments engaged in boosting the world’s
economic and social assets, that the primary capital to be safeguarded and valued is man, the
human person in his or her integrity: “Man is the source, the focus and the aim of all economic
and social life”142

Thus, Benedict is pointing to the need for development to advance human interests and not just
corporate profit. Other shortcomings that Benedict unearths are the loss of culture that numerous societies
have experienced, world hunger, a lack of respect for life, and the denial of religious freedom. The defi-
ciencies of modern development point to the need for solutions to be found. In this regard, Benedict states

141. Catholic Church and Benedict, Caritas in Veritate, 25.
142. Ibid.
that “Paul VI had seen clearly that among the causes of underdevelopment there is a lack of wisdom and reflection, a lack of thinking capable of formulating a guiding synthesis, for which a ‘clear vision of all economic, social, cultural and spiritual aspects’ is required.” These words point to the shortcomings of ideologies, often short on wisdom and reflection, but unfortunately strong on execution. Benedict is clear on the causes of underdevelopment as the results are seen most clearly in two areas critical to living and fulfilling human life - inequality and employment. Addressing these challenges is made more difficult by economies being transnational phenomena, while political bodies have no matching jurisdiction. Benedict states that “the canons of justice must be respected from the outset, as the economic process unfolds, and not just afterwards or incidentally. Thus, the economic process must not be allowed to unfold in a vacuum, immune to the needs of authentic human development, with the responsibility of justice left to diminished and weakened governments. A proper response requires an effort to build a new synthesis arising from collective wisdom and reflection.

Thus, after noting some of the deficiencies of human development since Paul VI’s *Populorum Progressio*, Benedict seeks to articulate a new way forward for humanity that builds on the history of CST that is also finely attuned to present realities. Shaping the rapidly transforming global landscape is not an easy task, but one that the human family, in desiring to share God’s plan, is called to undertake. For Benedict, the journey is about “broadening the scope of reason and making it capable of knowing and directing these powerful new forces, animating them with the perspective of that ‘civilization of love’ whose seed God has planted in every people, in every culture.” As Paul VI turned to the surprising promotion of authentic human development to pursue peace, Benedict turns to a surprising ideal to address

143. Ibid., 31.

144. Ibid. Benedict states that “[t]he dignity of the individual and the demands of justice require, particularly today, that economic choices do not cause disparities in wealth to increase in an excessive and morally unacceptable manner, and that we continue to prioritize the goal of access to steady employment for everyone.” Ibid., 32.

145. Ibid., 37.
our socio-economic problems – the principal of gratuitousness.

**Gift and Gratuitousness**

Benedict begins the encyclical’s third chapter by stating that “*Charity in truth* places man before the astonishing experience of gift. Gratuitousness is present in our lives in many different forms, which often go unrecognized because of a purely consumerist and utilitarian view of life.”

He further says “[h]e human being is made for gift, which expresses and makes present his transcendent dimension.”

Thus it is in embracing the “astonishing experience of gift” that God’s presence and love is felt.

However, as is so often demonstrated in the stories of the Old Testament, humanity is quite adept at turning away from this astonishing gift. In Benedict’s words “sometimes modern man is wrongly convinced that he is the sole author of himself, his life and society. This is a presumption that follows from being selfishly closed in upon himself, and it is a consequence - express it in faith terms - of *original sin*.”

Thus, there is a need for humanity to collectively turn outside of itself for solutions to development problems, and to recognize that gift and gratuitousness do not spontaneously arise out of human decisions, but have their basis in the transcendent.

The starting point for sharing the gift of charity in truth with others is to recognize one’s self as gift. This understanding echoes paragraph 24 of the Vatican II constitution, *Gaudium et Spes*, which states that “[humanity], who is the only creature on earth which God willed for itself, cannot fully find [itself] except through a sincere gift of [itself].” If accepting itself as gift leads humanity to a deeper understanding of itself and its vocation, then this gift allows a more authentic human development. By extension, and as Benedict notes, authentic human development is the making of humanity more fully human. As a gift is

146. Ibid., 34.

147. Ibid.

148. Ibid.

not a gift until it is shared, or given, it is through our human relations that we become gift to each other. Thus, the process of becoming more human cannot be accomplished solely through institutions or on the back of social, economic and political policy. It is from within this understanding that Benedict states that “economic, social and political development if it is to be authentically human, needs to make room for the principle of gratuitousness as an expression of fraternity.”150 Thus, gratuitousness – the free acceptance and giving of gift – must be involved in exchange within the human family. In order for this to take place, gift and gratuity cannot be relegated to only one part of human exchange – it needs to become an integral component of economic exchange as well. Essentially, the economy should not be kept separate from what it means to be human.

According to Benedict, “the conviction that the economy must be autonomous, that it must be shielded from “influences” of a moral character, has led man to abuse the economic process in a thoroughly destructive way.”151 As gift is essential to authentic development, in its absence, human sin will inevitably retard or render incomplete this development. Thus, there is a need for the economy to be subordinated to morality since “every economic decision has a moral consequence.”152

Thus, it is fallacious to believe that the economy is capable of acting on its own, as a type of neutral, pure force separate from human morality. As a result, Benedict stresses that parties participating in the economic sphere respond and take part in the “logic of unconditional gift.”153 This means that room needs to be found within the economic sphere for “subjects who freely choose to act according to principles other than those of pure profit.”154 Importantly, the logic of gift cannot be reserved to certain, altruistic individuals and organizations: rather, “[s]olidarity is first and foremost a sense of responsibility on the part

150. Catholic Church and Benedict, Caritas in Veritate, 34.
151. Ibid.
152. Ibid, 37.
153. Ibid.
154. Ibid.
of everyone with regard to everyone, and it cannot therefore be merely delegated to the State.”

The extension of gratuity to the market has the goal of making economic exchange more human. As Benedict notes, “[i]n a climate of mutual trust, the *market* is the economic institution that permits encounter between persons.” Benedict seeks to broaden the depth of understanding within the market and points to the need for justice to ensure more than just the exchange of goods and services. He states:

> The market is subject to the principles of so-called *commutative justice*, which regulates the relations of giving and receiving between parties to a transaction. But the social doctrine of the Church has unceasingly highlighted the importance of *distributive justice* and *social justice* for the market economy, not only because it belongs within a broader social and political context, but also because of the wider network of relations within which it operates. In fact, if the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires in order to function well. *Without internal forms of solidarity and mutual trust, the market cannot completely fulfil its proper economic function.* And today it is this trust which has ceased to exist, and the loss of trust is a grave loss.

Benedict’s highlighting of the necessity for social and distributive justice to take place alongside commutative justice is an attempt to ensure that economic exchange is accountable to human needs. His words can also be seen as addressing the dichotomy that often arises in terms of approaching economic imbalance as one of either wealth creation or redistribution. Taken in a global context, the dichotomy can be broken down like this: should poorer and underdeveloped countries rise up through wealth creation, or should they be given the wealth of rich countries? Benedict believes that both are needed. He states that when “both the logic of the market and the logic of the State come to an agreement that each will continue to exercise a monopoly over its respective area of influence, in the long term much is lost.” There is thus the need for economic exchange and policy to be combined with both political and social policy and be geared towards promoting justice and the common good. For this reason, Benedict is quite clear in that “[t]he

155. Ibid., 38.
156. Ibid., 35.
157. Ibid.
158. Ibid., 39.
Church has always held that economic action is not to be regarded as something opposed to society.”

Transactions between individuals, companies and corporations should not be profitable at society’s expense. In recognizing that the market should not be opposed to society, Benedict sets an important criteria for how a market should not act, in that “[i]n and of itself, the market is not, and must not become, the place where the strong subdue the weak.” Quite simply, market players should not take advantage of individuals in weaker positions, and the market should not be allowed to do so.

**Market is Not Pure**

In ensuring that the market does not become a place where profit is gained at the expense of the vulnerable, Benedict insists that “the market does not exist in the pure state.” This assertion belies two points. The first is that the economic crisis cannot solely be blamed on the market as if it were a self-regulating entity – other contributing factors abound from individual motivations, to regulations which overly restrict or overly empower, to supporting social values that justify using the market to advance private interests while forgetting the common good. And, secondly, if the market is pure, then it is not a self-regulating mechanism. The market can be used for good, and it can also be used for harmful ends “because a certain ideology can make it so.” Steps thus need to be taken to infuse the market with an ideology of gratuity as a proper moral balance will not arise out of the market on its own. The same principle applies to other economic instruments:

Economy and finance, as instruments, can be used badly when those at the helm are motivated by purely selfish ends. Instruments that are good in themselves can thereby be transformed into harmful ones. But it is man's darkened reason that produces these consequences, not the instrument *per se*. Therefore it is not the instrument that must be called to account, but individuals, their moral conscience and their personal and social responsibility.

159. Ibid., 36.
160. Ibid.
161. Ibid.
162. Ibid.
163. Ibid.
Thus, Benedict asserts that the market, in and of itself, can be used as a tool that enhances human development or conversely, sows disunity. Importantly, Benedict is adamant that the market cannot exist in a vacuum outside of human relations, cultural influences, and values – the market itself can never be pure. Perhaps most important is the realization that the human beings who are responsible for the existence of any and all markets allow the principle of gratuity to make its way into their everyday decision making. To this end, Benedict states that “in commercial relationships the principle of gratuitousness and the logic of gift as an expression of fraternity can and must find their place within normal economic activity.” 164 Thus, gratuity is not something that, for example, a CEO of a company only embraces on the weekend when volunteering for a local charity. By extension, then, the same understanding needs to be embraced by companies as well – gratuity is not something to be relegated to not-for-profits and charitable organizations, but needs to become a part of how individuals in corporations view their vocation. Within this vein of understanding, Benedict states that “[i]n order to defeat underdevelopment, action is required not only on improving exchange-based transactions and implanting public welfare structures, but above all on gradually increasing openness, in a world context, to forms of economic activity marked by quotas of gratuitousness and communion.” 165 Benedict is trying to break down the barrier between the private sphere (often understood only to be about profit and wealth creation) and the public (other measures often by the government), to take care of individuals. Benedict is calling on all individuals, companies, corporations and government bodies to be increasingly open to gratuitousness and communion in the recognition, acceptance and sharing of gift, charity, and love within economic exchange. Furthermore, Benedict insists that this take place not only in face-to-face interactions, when it is perhaps easiest to display charity and love, but in a wider worldly context. The execution of gratuity on the part of businesses demands a “profoundly new way of understanding business enterprise.” 166

164 Ibid.
165 Ibid., 39.
166 Ibid., 40.
For example, globalization has made it possible for companies to grow their markets and contract production to companies in countries with low labour rates and relaxed environmental standards. In having this freedom, companies are at the risk of operating with little responsibility to a particular region – their only apparent mandate is to increase shareholder profits. In effect, these companies and those making the decisions are beholden to an ethic that cares little for affected stakeholders, ranging from employees to the environment to society in general. As a result, Benedict calls for an expanded sense of responsibility amongst the business community, stating that there is a “growing conviction that business management cannot concern itself only with the interests of the proprietors, but must also assume responsibility for all the other stakeholders who contribute to the life of the business: the workers, the clients, the suppliers of various elements of production, the community of reference.” Such an awareness entails a recognition of the consequences of business decisions on all stakeholders. For example, a decision to move production from a domestic to an overseas location puts many employees out of work with ensuing family and community hardships. This type of action may be deemed necessary to remain competitive or to maintain profits. Ensuring the common good requires the good will of a great many people, in all roles and walks of life – but it is a challenge and invitation full of hope and promise.

On a broader level, the call for gratuity to make its way into economic exchange means that our understanding of globalization needs to change as well. For example, Benedict notes that “sometimes globalization is viewed in fatalistic terms, as if the dynamics involved were the product of anonymous impersonal forces or structures independent of the human will.” However, similar to how Benedict understands that the market is not pure, so too is globalization the product of the decisions and values that humanity infuses it with. As Benedict notes, “globalization, a priori, is neither good nor bad. It will be

167. Ibid.
168. Ibid., 42.
what people make of it.”

Individuals have the capacity to choose love over hate. Companies have the capacity to pay their workers a living wage. Governments have the capacity to choose peace with a neighbour instead of war. Humanity, individually and collectively, can choose to be open to the gift of charity in truth, and to share this gift in economic, political, and social relations. For Benedict, “[i]n this way it will be possible to experience and to steer the globalization of humanity in relational terms, in terms of communion and the sharing of goods.”

Such a steering is not without its challenges, but lies at the heart of the human vocation.

**Gratuity as a New Criterion for Judging Globalization**

In an aptly worded summary of this challenge and Benedict’s prescription, Drew Christiansen states that “[t]he heart of the encyclical, however, is its bold affirmation of gratuity (gratuitousness) and communion as the heart of the contemporary Christian social vision and the special remedy that Christian love brings to the current needs of the world community, its institutions, and practices.” It is a radical statement, especially when viewed against neoliberalism’s backdrop.

An example of the challenges and confusion that the call to gratuity and communion can pose is articulated by George Weigel. He labels Benedict’s call for economic life to be open to gratuitousness and communion “simply incomprehensible.” His reasoning is that the call for gratuity “may mean something interesting; it may mean something naïve or dumb. But, on its face, it is virtually impossible to know what it means.” Indeed, against the backdrop of an economic system where, in returning for a moment to Dickens, “[e]very inch of the existence of mankind, from birth to death, was to be a bargain

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169. Ibid.
170. Ibid.
172. Weigel, “Caritas in Veritate in Gold and Red”.
173. Ibid.
across a counter,” Benedict’s call to bring gratuity and communion into economic exchange, since it comes outside the realm of economic thought, may cause difficulty to many. To begin with, gratuity cannot be quantified, it cannot be bought, and it cannot be sold. By its very nature, then, it should come as no surprise that many are surprised and confused by its inclusion. Even if its exact meaning is vague, Christiansen points to the fact that the “root concept, however, is clear: that the central moral posture commended to us is one of freely giving and freely sharing for the good of all.” In explaining Benedict’s call to gratuity, it is helpful to turn to Amelia Uelman’s application of Benedict’s words to our present time.

**Gratuity and Communion as Living Water**

From an intellectual perspective, it is easy to turn to ideologies and technical economic models in addressing the economic ills of the world. However, Benedict builds his argument not on technical solutions which he states the “Church does not have,” but on the “mission of truth to accomplish, in every time and circumstance, for a society that is attuned to man, to his dignity, to his vocation.” In what is often labeled as the competitive modern world, tension will undoubtedly exist between those calling for technical solutions, deemed practical, and Benedict’s call to go further by bringing charity and truth into all facets of human interactions.

Amelia Uelman approaches Benedict’s assertion that the Church does not have technical solutions to offer by looking at the account in John’s Gospel where Jesus offers a Samaritan woman “living water” (Jn 4:10). The woman is unable to initially grasp what type of water Jesus is offering her, instead turning her attention to the fact that Jesus cannot realistically withdraw water from the well, stating “You have nothing to draw with and the well is deep.” (Jn 4:11) According to Uelman, “[i]t was only when Jesus had told her the truth about her own life that she was able to enter into this different and deeper dimension.”

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Similarly, the “analysis in *Caritas* reflects a conviction that only if we answer the fundamental questions about our human vocation – only if we face the truth about ourselves – can we then begin to work through the questions of what we should do to foster integral human development.”

For Benedict, the answer to our fundamental question about our human vocation, and thus, the true meaning of globalization, is found in the unity of the human family. Benedict states that the “truth of globalization as a process and its fundamental ethical criterion are given by the unity of the human family and its development towards what is good. Hence a sustained commitment is needed so as to promote a person-based and community-oriented cultural process of world-wide integration that is open to transcendence.”

It is in being open to transcendence, to the profound gift of charity in truth, and in turn accepting this gift that a path to communion, and thus unity, can be found. Openness to truth allows individuals, who form the world’s governments, boards of directors, labour union representatives, and stockholders, to look past limitations that society may place on charity and arrive at a deeper understanding of what needs to be done beyond superficial consensus or the inclination to do something good. It is only in this way that charity, received and accepted as gift, can properly contribute to unity and true freedom amongst people.

It is in the quest for truth and in the giving and receiving of gift that the Church finds the roots and longevity of its social teachings: “Truth preserves and expresses charity's power to liberate in the ever-changing events of history.”

It is in this way that God’s love – as it is rooted in eternal truth – can liberate in different times, places and contexts throughout human history. The current ills of the world, from hunger and disease, to unemployment, loneliness and war, need to be addressed from the perspective of globalization’s true meaning. What the human family needs “even more is that this truth should be

178. Ibid.
179. Church and Benedict, *Caritas in Veritate*, 42.
180. Ibid., 5.
loved and demonstrated.® Globalization creates a greater closeness amongst people, but without charity, gift, and gratuity, this closeness risks being beset by division instead of unity.

181. Ibid., 5.
Although Friedman’s *Capitalism and Freedom* is the focus of this chapter, it is necessary to chart neoliberalism’s history in order to properly understand its implicit soteriology. Therefore, this chapter begins by searching the works of Adam Smith in an attempt to uncover the philosophical underpinning for neoliberalism. Interpretations of Smith fed into the harsh reality of the laissez faire era and the first free market experiment in Great Britain. This experiment, named the Great Transformation by Karl Polanyi, led to the divorce of Britain’s economy from society’s human needs with resulting inequalities unleashed on England’s population. Like the countervailing social movements that grew out of the Laissez Faire era in Great Britain, a faire or ‘Can-do’ ethos evolved in America out of the wreckage of the Great Depression and World War II. Friedman viewed the social programs and government economic policies of this ethos as inherently destructive of the personal freedom he believed only unregulated capitalism could bring. Accordingly, the neoliberalism movement sought to recreate the liberalism of the Great Transformation. Thus, the implicit neoliberal soteriology was one of personal and economic deliverance through free market transactions that were to be voluntary, informed and mutually beneficial.

Milton Friedman became an influential economist, both popularly and in terms of influencing public policy, and helped neoliberalism become a dominant economic paradigm. He advised both Ronald Reagan and Margaret Thatcher, who enthusiastically implemented many neoliberal economic policies and helped the neoliberal ethic become economic dogma on a political level. Its adoption by international organizations like the World Bank (WB), International Monetary Fund (IMF) and World Trade Organization (WTO) helped define globalization along neoliberal lines.
Historical Antecedents of Neoliberal Beliefs

Adam Smith – Magic of the Marketplace

Adam Smith was first a student and then a professor of moral philosophy at the University of Glasgow. He belonged to the Scottish Enlightenment, which was formative in liberal and progressive thinking in mid-eighteenth century Europe. In 1759, Smith published *A Theory of Moral Sentiments*. After this publication, a patron’s support allowed Smith to retire from teaching and focus on writing *An Inquiry into the Nature and Causes of the Wealth of Nations*, which was published in 1776. Part of Smith’s research entailed meeting foreign political economists in order to discuss economic theory.¹

As raised in Chapter One, Adam Smith’s 1776 *The Wealth of Nations* was an extremely influential book and is broadly regarded to have laid the groundwork for much of the western world’s industrial prosperity. For example, Alan Greenspan, the long-term chairman of the United States Federal Reserve stated:

> It is striking to me that our ideas about the efficacy of market competition have remained essentially unchanged since the eighteenth-century Enlightenment, when they first emerged, to a remarkable extent, largely from the mind of one man, Adam Smith.²

Robert H. Nelson, who has argued that modern economics has become religious in nature and perhaps supplanted religion, states that “Adam Smith is today often given as a source of authority, approached by many as a figure commanding reverence and awe. If the modern age can be said to have had saints, Saint Adam Smith follows Saint Thomas Aquinas among the anointed of the Roman tradition.”³

¹. It is often overlooked that Adam Smith was not the first political economist or even the first to advocate many of the influential ideas in his books. Duncan K. Foley believes that the “tendency of modern economists to adopt him as a patron saint” was due to two things: the first was his ability to “put forward a clear vision of how capitalist society might develop, a vision that withstands the criticism of hindsight better than that of most of his contemporaries and successors.” Secondly and most importantly, Smith addressed in a clear and concise manner “the central anxiety that besets capitalism – the life within the antagonistic, impersonal, and self-regarding social relations that capitalism imposes.” See Duncan K. Foley, *Adam’s Fallacy: A Guide to Economic Theology* (Cambridge, MA: Harvard University Press, 2006), 2.


Similarly, Edward Burke stated that *The Wealth of Nations* “was probably the most important book that had ever been written.” Despite the scholarly heft of Smith’s work, his thoughts are often packaged up and reduced to the sound-bites that ‘economic progress and the common good are best served through amoral self-interest’ and “the intellectual forefather of today’s neo-liberals.” The combination of Smith being held in such high regard and his thoughts being reduced to little more than sound-bites has had negative and far-reaching consequences. Thus, it is necessary to look closely at Smith, the father of classical economics and the designated standard bearer of neoliberalism in order to understand him better and to see why the sound-bite version of his thoughts is perhaps an overly simplified and disingenuous interpretation of his work.

**Productivity and The Division of Labour**

The first sentence in Smith’s *The Wealth of Nations* is an apt introduction to his thought and stated that the “greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgment with which it is anywhere directed, or applied, seem to have been the effects of the division of labour.” In this sentence, Smith laid down the claim that the *division of labour* was vitally

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7. Because of the high regard that Adam Smith is held in, there are numerous and widespread interpretations seeking to lay claim to his thought in order to support specific contemporary ideological agendas. An earnest effort is being made to avoid this. There is, however, no denying the numerous challenges and dangers of exploring Smith, a fact noted by Spencer J. Pack. Pack asserts in his own book on Smith’s thought that “[b]y modern scholarly standards, there is probably no person alive (including the present author) really qualified to undertake this analysis. Even the most superbly trained modern economist tends to be too ignorant of social and political theory to thoroughly follow Smith’s complex thought. Moreover, social and political theorists tend to be too weak in technical economic analysis to follow, appreciate, and place Smith’s economic thought within his broader social theory.” See Pack, *Capitalism As a Moral System*, 25-26.

important to increasing productivity. A seemingly simple concept, the division of labour was the splitting up of production into separate, independently accomplished tasks.\(^9\) This allowed for the refinement and honing of production skills which, in turn, led to increased labour productivity.\(^10\) Increased labour productivity led to lower production costs which allowed more people to buy the cheaper products. Furthermore, lower production costs created excess capital which could then be invested in new areas, resulting in new products and services. An increasingly diverse array of products and services in turn led to new outputs and further opportunity for the division of labour to increase productivity and spin off new goods. Importantly, to Smith, this cycle contributed to building a nation’s wealth.

The importance that Smith attributed to the division of labour raised an important question: if a nation’s collective wealth depended upon the social division of labour to spawn increased productivity, what then facilitated, or enabled, the continued division of labour to take place? Fortunately, for Smith, it was an individual’s ability and willingness to engage in trade. Smith stated:

> The division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such utility; the propensity to truck, barter and exchange one thing for another.\(^11\)

Thus, for Smith it was the market - where goods and services were exchanged - that facilitated mutually beneficial exchanges of goods and services thus allowing individuals to acquire goods and services that they could not produce themselves. Thus, in many ways it was the size of the market that dictated the extent to which the division of labour could spawn its many benefits. A limited market curtailed productivity and wealth generation.

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9. Smith used the example of a pin factory in Chapter 1 of *The Wealth of Nations* to illustrate the productive powers of the division of labour. He demonstrated that an average workman would be hard pressed to make 20 pins a day by himself. However, by dividing the fabrication of pins into distinct operations amongst 10 workers, it was possible for 48,000 pins to be made in one day. Ibid., I.1.13.

10. In simple terms, labour productivity is “the average amount of useful output available per hour or day of labor.” See Foley, *Adam’s Fallacy*, 4.

In taking stock of Smith, we have unearthed two key points in his thinking: the importance of the division of labour and the necessity of a market to facilitate this division. The market was the location, in both a metaphorical and literal sense, that facilitated continual wealth creation. It is now time to see where the sound-bite understanding of Smith comes from.

**The Almighty Self-Interest**

The widely held interpretation that Smith believed self-interest to be the best way to promote and build the common good comes largely from a few oft-quoted sections of Smith’s writing. In *The Wealth of Nations*, Smith famously stated:

> It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self-interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.12

Quite simply, Smith stated that the butcher, brewer or baker was not providing the services they do out of benevolence or an outward concern for society’s well-being, but because providing these services was of personal benefit. Furthermore, Smith was making the claim that when workers acted upon their self-love, they were advancing society’s good, as they were refining and honing their respective crafts and advancing the division of labour. This process of societal good best being pursued through self-love was labelled, in another famous and oft-quoted passage, by Smith, as the ‘invisible hand.’ Smith stated that those with wealth and resources “are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus, without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species.”


Smith’s claims in these passages were expansive. He was stating that not only does self-interest and self-love promote societal good, but that individual actions done with this same self-love will lead to a fair and even distribution of life’s necessities. For Smith, then, the invisible hand was an efficient and benevolent force that acted to organize society and gave each individual who participated the necessities of life. A summary of these claims was provided by Smith:

As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it...He intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it.\[14\]

Thus, for Smith, the prosperous organization of society was an unintended consequence of the invisible hand. A modern, influential understanding of the process by which the self-love of the invisible hand acts to progress the common good is expressed by Michael Novak:

Adam Smith’s hope was that the self-love of human beings might be transformed into a social system which benefited all as no other system had ever done. Thus his purpose in granting human self-interest its due was to transform it into a system of order, imagination, initiative, and progress for all. ... Each individual would then participate in a good society, in such a way that his self-love would come to include the whole.\[15\]

In Novak’s understanding, Smith gave a decisive clarity to self-love, thereby enabling the creation of a system that would provide more abundance for all. It was a new system in human history and one that was unrivalled in its ability to create wealth for the masses. In returning to Smith, it is vital to note, as Spencer Pack highlights, that Smith was careful to point out capitalists will frequently promote society’s interests when they pursue their own self-interest, but this does not always take place.\[16\]

\[16\] For a discussion of this passage, see Pack, Capitalism As a Moral System, 35.
was quite aware that society’s best interests were not always advanced by those with capital and resources. For example, Smith reserved much of his criticism for the Mercantilists as they sought not to increase the nation’s wealth, but to enrich specific capitalist groups. Smith argued that the Mercantilists favoured trade restriction in order to increase prices, a practice that boosted their profits but hurt consumers. The rules that Smith attacked were largely ones that enabled the Mercantilists to acquire a monopoly on markets and profits at consumers’ expense, a fact about Smith noted by Pack to be “an important and too little noticed point.”

Another point about Smith that is often bypassed completely was Smith’s main focus in *The Wealth of Nations* and *The Theory of Moral Sentiments*: humanity.

**Moral Fullness of Smith**

As emphasized earlier, Adam Smith believed that the ‘invisible hand’ often acted in society’s best interests. Despite being used so sparingly by Smith himself (the phrase appears only twice in *The Wealth of Nations*), it seems to have become the assumed summation of all his work. Ignoring the full body of work Smith produced has led not only to an overemphasis on this one concept, but to it being taken out of context in Smith’s moral universe. For Smith, self-interest or self-love was a quality that was good in and of itself and differed from selfishness. He saw self-love as an important societal underpinning in that “it is the first precept to love the Lord our God with all our heart, with all our soul and with all our strength so it is the second to love our neighbour as we love ourselves; and we love ourselves surely for our own sakes and not merely because we are commanded to do so.”

Thus, Smith viewed self-interest as one part of a larger social ethic in which individuals used their talents and resources to properly love God, neighbour and

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19. Spencer J. Pack asserts that at “a deeper level, the subject matter of Smith’s two books is the same: it is humankind. The same individual appears in both works. This is an individual of limited rationality, with various wants, sentiments, feelings and passions, responding to its environment.” See Pack, *Capitalism as a Moral System*, 171.

Smith argued that a healthy, functioning society needed, in addition to self-love, a proper balancing of human emotions. He placed ‘selfish passions’ on one side and ‘social passions’ on the other. The selfish passions included “[g]rief and joy, when conceived upon account of our own private good or bad fortune.”21 Conversely, the ‘social passions’ consisted of “[g]enerosity, humanity, kindness, compassion, mutual friendship and esteem, all the social and benevolent affections…”22 Importantly, these passions needed to be exercised with proper self-command in order for a balance of individual and broader social happiness to be attained. Furthermore, the proper acting upon and command of these emotions was the way in which God wanted humanity to live. Smith stated:

But by acting according to the dictates of our moral faculties, we necessarily pursue the most effectual means for promoting the happiness of mankind, and may, therefore be said, in some sense, to cooperate with the Deity and to advance as far as in our power the plan of Providence.23

Thus, for Smith, the proper balance of actions and emotions carried with it the implicit understanding that individuals, on account of advancing humanity’s broader interests, were part of a greater whole. This recognition that individuals were one part of a greater whole meant that individuals also had a broader social obligation above the simple pursuit of self-interest:

The wise and virtuous man is at all times willing that his own private interest should be sacrificed to the public interest of his own particular order or society. He is at all times willing, too, that the interests of this order or society should be sacrificed to the greater interest of the state or sovereignty, of which it is only a subordinate part. He should, therefore, be equally willing that all those inferior interests should be sacrificed to the greater interests of the universe, to the interests of that great society of all sensible and intelligent beings, of which God himself is the immediate administrator and director.24

Here, Smith quite clearly stated that individual and organizational interests will at times need to be sacrificed for the greater good. Indeed, a full reading of Smith demonstrates that reducing or summarizing

21. Ibid., Chapter V.I.II.32.
22. Ibid., Chapter IV.I.II.29.
23. Ibid., Chapter V.III.I.106.
24. Ibid., Chapter III.VI.II.46.
his voluminous work to a single assertion – that amoral self-interest promotes the social good - is a false and unsupportable conclusion. Smith viewed self-interest as one part of a larger moral ethic that, essentially, required virtuous individuals to properly love themselves and their neighbours in order to be a part of God’s providence. The result was that wise, virtuous individuals might have to subvert or limit their own interests for the good of the broader whole.

**Commutative Versus Social Justice**

As the division of labour - which fuelled a nation’s wealth - could only take place in a properly functioning marketplace where bartering, trade and commerce took place, Smith saw an integral role for law and order to enforce market rules. So critical was this maintenance of social order to Smith that he deemed justice higher and of greater importance than any altruistic virtues. To this end he stated that “[w]e feel ourselves to be under a stricter obligation to act according to justice, than agreeably to friendship, charity, or generosity.”

Acts of altruism, although noble and at times even necessary, were not integral to maintaining societal order. To this end, Smith forcefully affirmed that “The peace and order of society is of more importance than even the relief of the miserable.”

The long term effect of the belief that the legal apparatus that maintains the market is of more importance than altruistic goals has, as Paul Turpin argues, broadly altered our understanding of justice. Due largely to Smith, “the development of economic theory in the modern era has reconfigured the way we think about justice primarily in terms of bargaining and ownership, especially of material goods, and not to think about justice in terms of relational matters.”

The primary reconfiguration that took place was the elevating of commutative justice above understandings of social justice.

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25. Ibid., Chapter VI.II.5.

26. Ibid., Chapter VI.II.23. It must be noted, however, that Smith lived and wrote many decades before the upheavals and displacements of the Industrial Revolution. For example, James Watt’s refining of the steam engine in 1763 allowed it to be used in factories. See Nelson, *Reaching for Heaven on Earth*, p. 95.

As a result, “the idea of what the community owes the individual – distributive justice – was diminished into norms of appropriate behaviors in social market interactions, in the process diminishing relational justice into decorum.” This diminished understanding of social justice in favour of commutative justice has been used in neoliberal thought to support the premise that acting purely and only out of perceived self-interest is the only form of justice that needs to be promoted and enforced. The understanding of relational justice and the common good became a casualty of this selective interpretation. It is partially through this transformation of justice’s role that we find the roots of neoliberalism’s justification for powerful and influential bodies to act first in their own interest without regard for others’ welfare.

**Laissez Faire and the Free Market Experiment**

As briefly discussed in Chapter One, the sixty years following *The Wealth of Nations*’ publication saw the emergence of economic policies in Great Britain that ushered in the Laissez Faire free market era. This era lasted from approximately 1840 to 1870 before it was legislated out of existence due to the ensuing ruinous social outcomes. Neoliberalism, however, points to it as a golden age and seeks its return by reimposing classical liberal policies.

One of the formative steps to implementing the free market was the Poor Law Amendment of 1834, which placed the price-setting of Britain’s labour in the hands of the market. The effects of this legislation were widespread:

> It set the level of subsistence lower than the lowest wage set by the market. It stigmatized the recipient by attaching the harshest and most demeaning conditions to relief. It weakened the institution of the family. It established a *laissez-faire* regime in which individuals were solely responsible for their own welfare, rather than sharing that responsibility with their communities.

Additionally, the legal framework of the time did not allow workers any recourse for labour abuses

28 Ibid.


or protection from violent employers. Workers for the most part were at the mercy of their employers. A.J. Taylor summarizes that the “principle that there should be no interference in the freedom of contract between master and man was honoured to the extent that no direct legislative interference was made in the relationship between employers and adult males.”

The changing ethos whereby the newly industrial market alone should determine wages had a profound effect on the fabric of society. Historian Eric Hobsbawm charted the social changes that accompanied the Poor Law Act economic reform:

The traditional view, which still survived in a distorted way in all classes of rural society and in the internal relations of working class groups, was that a man had a right to earn a living, and, if unable to do so, a right to be kept alive by the community. The view of middle-class liberal economists was that men should take such jobs as the market offered, wherever and at whatever rate it offered, and the rational man would, by individual or voluntary collective saving and insurance make provision for accident, illness and old age. The residuum of paupers could not, admittedly, be left actually to starve, but they ought not to be given more than the absolute minimum – provided it was less than the lowest wage offered in the market, and in the most discouraging conditions. The Poor Law was not so much intended to help the unfortunate as to stigmatize the self-confessed failures of society…There have been few more inhuman statutes than the Poor Law Act of 1834, which made all relief ‘less eligible’ than the lowest wage outside, confined it to the jail-like work-house, forcibly separating husbands, wives and children in order to punish the poor for their destitution.

The working classes’ vulnerability was reinforced by the disruption of subsistence farming and the cottage industry as a means by which individuals and families could support themselves. This was achieved by various enclosures acts which essentially privatized common lands that supported a large percentage of the population. John Gray describes this transformation:

A precondition of the nineteenth-century British free market was the use of state power to transform common land into private property. This was engineered through the Enclosures that occurred from the Civil War up to early Victorian times. These appropriations tilted the balance of ownership in England’s agrarian market economy away from cottagers and yeoman farmers towards the great landowners of the late eighteenth and early nineteenth centuries.

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The Enclosures acted in the interests of the large landowners as it shut out the common, shared grazing and growing lands around which settlements were traditionally grouped in subsistence farming. Many displaced farmers and their families were thus forced to seek employment in factories, which did further damage to other traditional industries. As William Cavanaugh notes, “[c]ottage industries were wiped out by the flood of cheap manufactured goods from the new factories, often forcing people to seek work in the same factories that put them out of business.”

Ignoring the demeaning working conditions of much of the working class, neoliberal proponents point to the Laissez Faire era as a great achievement derived through inspired economic policy. For example, Friedman describes this era as a time when “[a]n enormous increase in the well-being of the masses followed this change in economic arrangements.” For Friedman, the important historical note was that “the masses were being hampered by the restrictions that were being imposed upon them, and that if political reform gave the bulk of the people the vote, they would do what was good for them, which was to vote for laissez faire.”

There is no mention of the fact that labour conditions were deplorable, or that “children formed a substantial part of the labor force”, including children younger than 10. Indeed, for Friedman and Novak, the Great Transformation represented an age of economic prosperity and well-being. Thus, where individuals like John Gray and Charles Dickens looked at the human impact that the Laissez Faire experiment had on the majority of the working classes, Friedman viewed industry’s growth as the important historical point. Regardless of human misery, the important historical lesson was that industry and wealth – even if it spawned rampant inequity – grew.

34. Cavanaugh, Being Consumed, 37-38.


36. Ibid.

The United States had its own version of a Laissez Faire era, which lasted from the Civil War to the Great Depression. Similar to how the Great Transformation was legislated out of existence, the United States pursued similar policies, largely through Roosevelt’s New Deal. The era to follow was a quiet, but formative one for neoliberalism’s chief architects.

The Can-Do Ethos – A Dormant Period for Modern Laissez Faire Proponents

The years shortly after the end of World War II introduced a period of growth, optimism and social progress. However, the hardships of the Great Depression - including lost savings, suicides, rural dislocations and rampant despair - were still in the minds of many. In the words of Naomi Klein, the “1930s through to the early 1950s was a time of unabashed faire: the can-do ethos of the New Deal gave way to the war effort, with public works programs launched to create much-needed jobs, and new social programs unveiled to prevent growing numbers of people from turning hard left.” Examples of social policies in the U.S. included the implementation of a Social Security system, a steeply graduated personal income tax, and the founding of social programs that gave people food to eat and halted the repossession of farms. It was, in the words of Kevin Baker, “the apex of the open society” which allowed “a staggering variety of reforms [to be] passed.” These reforms sought to even the playing field in order to give even the most disadvantaged in society the opportunity to better their positions and to ensure access to education and

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39. Klein, *The Shock Doctrine*, 62. The hard left vote was a reality during the Great Depression, and many of the New Deal initiatives were an attempt to appease that movement. For example, one million American people voted for communist or socialist parties in the 1932 presidential elections. See Klein, *The Shock Doctrine*, 301.

40. A further example was found in the creation of public companies like the Tennessee Valley Authority. These publicly owned entities made utility services accessible to millions of Americans, and spurred the development of infrastructure like dams, bridges and new towns. See John Dwyer, “Ethics and Economics: Bridging Adam Smith’s Theory of Moral Sentiments and Wealth of Nations” *The Journal of British Studies* 44, no. 4 (October 2005), 34.

health care for all. Reflecting this ethos in Canada, the dream of Universal Health Care took root under the leadership of Saskatchewan’s Tommy Douglas, an initiative which over time spread from province to province until it became national policy.

The underlying rationale for the Can-do ethos and corresponding social programs that emerged out of the inequalities and hardships during the lost years of the Great Depression was articulated by the Australian social democrat economist Douglas Copland:

Capitalism under the control of the entrepreneur guided mainly by considerations of maximum profit is now completely discredited. It does not give economic security to the masses of the people; it does not provide the administrative machinery whereby increased technical efficiency is transformed easily into a generally higher standard of living; it does not furnish society with the social institutions required to meet the strains imposed by economic fluctuations and rapid technical progress; it does not provide the increasing range of free or collective goods that enter more and more into standard of living. Countries have been able to absorb the shocks of depression and improved technique in inverse proportion to their dominance by the capitalist entrepreneur.

It was at the beginning of this Can-do era in 1944 when Polanyi published The Great Transformation. This book, and his later publications, were in hindsight overly optimistic in labelling Laissez Faire as “obsolete market mentality.” In an historical coincidence, von Hayek a staunch foe of the faire ethos, an ardent proponent of liberalism and a mentor to Milton Friedman, also published his own influential book The Road to Serfdom in 1944.

Birth of Modern Liberalism: Mises and Hayek - Modern Neoliberal Philosophers

In contrast and opposition to the burgeoning Can-do attitude were ideologies proposed by thinkers such as Friedrich von Hayek and Ludwig Von Mises. Hayek was born into a Catholic family in Vienna,
but embraced atheism in his teens and remained a committed atheist for the rest of his life.\textsuperscript{45} He studied economics under Ludwig von Mises, who was and continues to be heavily admired in libertarian circles. In his 1922 book, \textit{Socialism}, Mises “lambasted both Catholic and Protestant churches for their unwillingness to endorse free-market dogma.”\textsuperscript{46} Hayek followed in the same vein of thought as Mises, and is representative of what is known as the Austrian School of Thought. In the minds of many, Hayek is the “outstanding 20th century representative of the classical liberal tradition of Locke and Smith.”\textsuperscript{47} Succinctly, Hayek advocated for a strict separation between government action and the functioning of the economic market in society.

This separation, and Hayek’s emphasis on complete personal freedom – defined as freedom from coercion - meant that the outcome of what took place within a free market was beyond any notions of social justice. In his book \textit{The Mirage of Social Justice}, Hayek saw free-market activity akin to a game, and stated that there “is no sense in calling the outcome either just or unjust.”\textsuperscript{48} As the game’s outcome was immune from morality, Hayek disagreed with attempts at distributive justice. The important societal ethic was that men and women were unencumbered by restrictions, regulations, or tariffs.

In his book \textit{The Constitution of Liberty}, Hayek asserted that “[t]he results of the individual’s efforts are necessarily unpredictable, and the question as to whether the resulting distribution of incomes is just has no meaning.”\textsuperscript{49} Thus, for Hayek, the concept of equality was little more than a legal status whereby the


\textsuperscript{46} Ibid. An example of Mises’ rejection of the role of love in helping to build society is seen in this quote from his book \textit{Human Action}: “Social cooperation has nothing to do with personal love or with a general commandment to love one another…[People] cooperate because this best serves their own interests. Neither love nor charity nor any other sympathetic sentiment but rightly understood selfishness is what originally impelled man to adjust himself to the requirements of society…and to substitute peaceful collaboration to enmity and conflict.” Ludwig Von Mises, \textit{Human Action: A Treatise on Economics} (Chicago: H. Regney Co. 1966), 168-169.

\textsuperscript{47} David Grant, \textit{The Mythological State and Its Empire} (New York: Routledge, 2009), 146.


law applied equally to all people, regardless of wealth. Beyond legal equality, however, how an individual fared in society was hollow and of little importance. As noted by Bernard Laurent, Hayek’s writing was a “head-on collision”\(^5^0\) with the Catholic Church’s developing social doctrine.

For example, Hayek disapproved of the fact that “the Roman Catholic Church especially has made the aim of ‘social justice’ part of its official doctrine.”\(^5^1\) This opinion arose out of his belief that “social justice is an empty phrase with no determinable content.”\(^5^2\) He further stated that “the prevailing belief in ‘social justice’ is at present probably the gravest threat to most other values of a free civilization.”\(^5^3\) For Hayek, the market was above morality and the needs of the disenfranchised were subservient to the market’s well-being.

It should be noted that Hayek did allow room for the extremely impoverished to receive provisions. His reasoning was absent of compassion or pity: individuals were not entitled to care from the government, but those on the “extremes of indigence or starvation”\(^5^4\) posed a risk to the more affluent members of society. Thus, he understood that some level of aid was necessary, “be it only in the interest of those who require protection against acts of desperation on the part of the needy.”\(^5^5\)

Hayek’s views placed him squarely within the classical liberal camp:

Hayek’s unswerving opposition to any political interference with the existing distribution of income and wealth put him at odds with the great bulk of contemporary liberal opinion. In theoretical terms, though, he was indeed a classical liberal. Hayek was a convinced methodological individualist, an enemy of socialism in all forms, an opponent of expansionary government expenditure even in the most severe depression, and a resolute defender of lais-

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52. Ibid., 133.
53 Ibid., 66-67.
55. Ibid.
Hayek was appointed to the chair of the London School of Economics in 1932, where he held considerable sway over British politics until he departed for the University of Chicago in 1950. In 1944, Hayek published a high-selling “pessimistic polemic”, *The Road to Serfdom*, which cautioned against government efforts that would threaten liberalism in general, and the health of the free-market in particular.\(^{57}\) To summarize Hayek’s views, he believed any activities aimed towards social or distributive justice were a danger to freedom. Equality and inequality in the market were meaningless terms - government’s role was to remove itself from economic and social affairs with the exception of ensuring justice in market transactions. Hayek’s greatest contribution, however, may have been in his efforts to facilitate synergy amongst influential individuals opposed to political oversight of the economy. His strict individualism was to have a large, and perhaps defining, influence on Milton Friedman’s worldview and approach to economics, and on the broader development of neoliberal thought at the University of Chicago.

**Mont Pelerin**

In 1947, at the behest of Hayek, thirty-six scholars were invited to Mont Pelerin, Switzerland, in order to “discuss the state and the possible fate of liberalism (in its classical sense) in thinking and practice.”\(^{58}\) Those present were concerned that the tenets of classical liberalism were in sharp decline and potentially extinguishable due to the growth in government initiatives. The movement that emerged, later identified as a “thought collective,”\(^{59}\) had as its “sole objective” the facilitation of “an exchange of ideas between like-minded scholars in the hope of strengthening the principles and practice of a free society and to study the workings, virtues, and defects of market-oriented economic systems.”\(^{60}\) In the words of Nico

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57. Ibid.


Vorster, “their aim was to reinvent a coherent liberal philosophy for the twentieth century.”\textsuperscript{61} Thus, in looking back and charting the rise of Milton Friedman and neoliberalism, one of its “definitive features” was its “explicit attempts to \textit{remake} laissez-faire.”\textsuperscript{62}

The meeting at Mont Pelerin was an influential period in Milton Friedman’s life, a time where, in the words of William Ruger, “Friedman Gets Religion.”\textsuperscript{63} Like an evangelist, Friedman began shifting away from academic pursuits after Mont Pelerin in order “to operate in more ideological circles”\textsuperscript{64} In Friedman’s own words, this meeting “marked the beginning of my active involvement in the political process.”\textsuperscript{65} The economic historian Daniel Hammond goes so far as to state that this 1947 meeting was “probably the key single event in the formation of Friedman’s ideology,”\textsuperscript{66} and as such, “set him on course to become the ‘political economist’ we know him as today.”\textsuperscript{67}

Hayek’s influence on Friedman was to continue when, three years later, in 1950, Hayek left the London School of Economics to join the Committee on Social Thought at the University of Chicago.\textsuperscript{68} Friedman took part in Hayek’s seminars, which, in the words of a Friedman biographer, “became another source of his expanding interest in the philosophical foundations of free private property capitalism.”\textsuperscript{69}

\textsuperscript{61} Nico Vorster, “An Ethical Critique of Milton Friedman’s Doctrine on Economics and Freedom” \textit{Journal for the Study of Religions and Ideologies} 9, no. 26 (July 1, 2010), 165.

\textsuperscript{62} Jamie Peck, Remaking laissez-faire”, \textit{Progress in Human Geography}, v32 n1 (November 7, 2008), 4.


\textsuperscript{64} Ibid.

\textsuperscript{65} Milton Friedman and Rose D. Friedman, \textit{Two Lucky People: Memoirs} (Chicago: University of Chicago Press, 1998), 159.


\textsuperscript{68} Ebenstein, \textit{Milton Friedman: A Biography}, 136.

\textsuperscript{69} Ibid.
The stage was thus set for Milton Friedman and the “Chicago School of Thought” to emerge in opposition to the post-war faire - or Can-do – attitude and re-establish economic liberalism as the dominant economic paradigm.\textsuperscript{70} It was also one that Milton Friedman undertook quite successfully. Friedman’s role in combating the Can-do attitude and reviving liberalism is uniquely summarized by Paul Krugman:

A number of economists played important roles in the great revival of classical economics between 1950 and 2000, but none was as influential as Milton Friedman. If Keynes was Luther, Friedman was Ignatius of Loyola, founder of the Jesuits. And like the Jesuits, Friedman’s followers have acted as a sort of disciplined army of the faithful, spearheading a broad, but incomplete, rollback of Keynesian heresy. By the century’s end, classical economics had regained much though by no means all of its former dominion, and Friedman deserves much of the credit.\textsuperscript{71}

In the economic tides of history, Milton Friedman helped articulate and implement many of the policies that were to define globalization along liberal market lines.

\textbf{Milton Friedman’s Statement of Faith – \textit{Capitalism and Freedom}}

The creation of the Mont Pelerin Society was funded in part by the William Volker Charitable Fund of Kansas City, named after its wealthy conservative businessman.\textsuperscript{72} In the 1950s the Volker fund paid for Friedman to write essays and give public policy speeches in support of conservative views. It was these essays and speeches that Friedman organized into his book, \textit{Capitalism and Freedom}.

\textbf{The Liberal Ideal}

In the introduction to \textit{Capitalism and Freedom}, Milton Friedman strongly affirmed that his economic and political views were in line with classical liberalism. He asserted that the “political and eco-

\textsuperscript{70} The economist George Stigler stated that “[t]here was no Chicago School of Economics...at the end of World War II.” Its emergence was due to Friedman’s influence. See George J. Stigler, \textit{Memoirs of an Unregulated Economist} (Chicago: University of Chicago Press, 1988), 148. Furthermore, “[h]e revived the study of monetary economics, which had become moribund. He used the quantity theory...to launch a powerful attack on the Keynesian School. Second, he presented strong defence of laissez-faire policies, and invented important new policy proposals.” Ibid., 150–51.

Additionally, the biographer Lanny Ebenstein gives Milton Friedman a decisive role in creating the identity surrounding the economics department at the University of Chicago being synonomous with a singular economic school of thought. See Ebenstein, Milton Friedman: A Biography, 129–33.

\textsuperscript{71} Paul Krugman, “Who was Milton Friedman?” \textit{The New York Review of Books} (February 16, 2007), 1.

\textsuperscript{72} Madrick, \textit{Age of Greed} (Toronto, Random House of Canada Limited, 2011), 34.
nomic viewpoint elaborated in *Capitalism and Freedom*” should be categorized under the “rightful and proper label [of] liberalism.”

In classifying himself a liberal, Friedman distinguished himself from the modern liberal connotation that had arisen in the United States by stating:

> Especially after 1930 in the United States, the term liberalism came to be associated with a very different emphasis, particularly in economic policy. It came to be associated with a readiness to rely primarily on the state rather than on private voluntary arrangements to achieve objectives regarded as desirable. The catch-words became welfare and equality rather than freedom. The nineteenth century liberal regarded an extension of freedom as the most effective way to promote welfare and equality; the twentieth century liberal regards welfare and equality as either prerequisite of or alternatives to freedom. In the name of welfare and equality, the twentieth century liberal has come to favour a revival of the very policies of state intervention and paternalism against which classical liberalism fought.

In this quote, Friedman reiterated the core of his rhetorical framework and claimed that liberalism stands for freedom and its pursuit best promoted general welfare and equality. Friedman pointed to the 19th century Laissez Faire aspirations as a guide for reinforcing liberalism’s meaning, stating that “the intellectual movement that went under the name of liberalism emphasized freedom as the ultimate goal and the individual as the ultimate entity in the society.”

Friedman was not shy in following the example of the past and pointed to the fact that the “nineteenth-century liberal was a radical, both in the etymological sense of going to the root of the matter, and in the political sense of favouring major changes in social institutions.” Thus, for Friedman, inherent in liberalism was the need to transform society and its institutions into a structure that supported the liberal ideal.

Friedman’s look back to neoliberalism’s golden age of laissez faire provides a starting point to understanding his thought, as he placed an all-encompassing emphasis on freedom, the goal to which he

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74. Ibid.

75. Ibid.

stressed humanity should aspire. For Friedman, economic freedom was an “end in itself” and an “indispensable means toward the achievement of political freedom.” Another underlying element that consistently appeared in Friedman’s writing, and was a clear echo of Hayek’s *The Road to Serfdom*, was the belief that individuals had to constantly be wary of the dangers that any government intrusion posed to personal freedom. On this point he argued that humanity had the tendency “to forget how limited is the span of time and the part of the globe for which there has ever been anything like political freedom: the typical state of mankind is tyranny, servitude, and misery.” Thus, Friedman’s stated goal was to enhance individual power and freedom, a goal he equated with freedom from political oppression. The means to counter hierarchies of power – be they government, state, monarchy or despot – was found in the promotion of near-complete economic freedom. In Friedman’s words, “[c]learly, economic freedom, in and of itself, is an extremely important part of total freedom.” Thus, an economic system capable of counteracting the ever-ominous risk of government encroachment was the focal point of Friedman’s search for individual freedom. For Friedman, the answer was simple and categorically singular. In his view, the only system possessing the capabilities to foster individual freedom was competitive capitalism. Thus, the road to economic and political freedom, which for Friedman was humanity’s ultimate goal, entailed the vigorous implementation of competitive capitalism.

77. Jamie Peck asserts that “[n]eoliberalism is consequently a reactionary creed in practically all senses of the word. Reactionary, in that it feeds off, and draws energy and form from, its ideological foes and forebears.” See Peck, “Remaking laissez-faire”, 4.


79. Ibid, 9.

80. Ibid.

81. Friedman stated that the “kind of economic organization that provides economic freedom directly, namely, competitive capitalism, also provides political freedom because it separates economic power from political power and in this way enables the one to offset the other.” Ibid.
Competitive Capitalism: Voluntary and Informed Economic Exchange

In looking at Friedman’s belief that competitive capitalism was the only road to freedom, it is important to note that Friedman saw choice with regards to economic and political structuring very much in terms of a dichotomy – freedom on one side and totalitarianism on the other. There was no other alternative as it was a choice between a “central direction involving the use of coercion – the technique of the army and the modern totalitarian state” and the “voluntary co-operation of individuals – the technique of the market place.”

Paul Turpin labelled Friedman’s approach as one that created “a quasi-Manichean picture of a world composed of light and darkness, of the virtue of liberty and the vice of collectivism, and of heroes and villains.”

By basing his argument upon such a black and white view of the world, Friedman was able to appeal to both positive and negative common ground amongst his readers, especially in the United States. The positive common ground was his appeals to freedom and liberty which, particularly during the Cold War, were popular. The negative common ground was the fear of totalitarian regimes, most notably communism. Thus, for Friedman it was one or the other – there was no in-between.

Friedman reinforced the dichotomic nature of his argument by stating that “democratic socialism” was a “delusion.” Friedman’s implications were quite clear: on one side were radical freedom fighters.


84. Paul Turpin points to the understood historical realities of the time as the primary reason Friedman created his staunch demarcation between freedom and totalitarianism. The historical reality Friedman faced was “the obstacle of widespread historical belief of his audience that the Great Depression of the 1930s was a failure of free market economics and that the government’s actions in response (the New Deal) helped restore the country’s vitality.” Thus, “Friedman’s rhetorical task...was to convince his audience that free-market policies are morally and productively superior to those favouring government intervention in the economy that came into vogue as a result of the Depression, among them Keynesian economics and the New Deal, which in his view are wrong-headed and contrary to principles of freedom. Friedman faces the problem, in other words, of changing his audience’s minds about their understandings of these broad historical events.” See Turpin, *The Moral Rhetoric of Political Economy*, 65.

On the other side was a slippery slope that started with government intervention into the economy, then shifted to a welfare state, before moving to “democratic socialism” and, finally to “totalitarian socialism.”

Upon establishing the line in the sand, so to speak, Friedman explained how competitive capitalism ensured freedom and created prosperity by requiring that all economic transactions be “bi-laterally voluntary and informed.” The beauty of the system, for Friedman, was its ability to foster “co-ordination without coercion...a free private enterprise exchange economy.” The voluntary aspect of these transactions was met provided that “enterprises are private so that the ultimate contracting parties are individuals” and secondly, “that individuals are effectively free to enter or not to enter into any particular exchange.” This system would result in a network of endless cooperation, whereby each voluntary exchange improved both participants’ position. The end result was a wealth creating system that needed no government oversight or intervention.

The endless system of voluntary and informed exchanges was also integral to fostering individual freedom as there would always be a willing participant in economic exchange or an exchange in services, providing it was beneficial. Thus, if an individual was being coerced, they would simply move to another exchange that better suited them. In Friedman’s words:

So long as effective freedom of exchange is maintained, the central feature of the market organization of economic activity is that it prevents one person from interfering with another with respect to most of his activities. The consumer is protected from coercion by the seller because of the presence of other sellers with whom he can deal; the seller is protected from coercion by the consumer because of other consumers to whom she can sell; the employee is protected from coercion by the employer because of other employers for whom he can work, and so on. And the market does this impersonally and without centralized authority.

86. Ibid., 7.
87. Ibid. Friedman’s assertion illustrates one of the difficulties in dealing with an ideology like neoliberalism. His assertion that all economic transactions be “bi-laterally voluntary and informed” is a sweeping generalization that would be impossible to achieve in the real world. Ibid., 13.
88. Ibid.
89. Ibid, 14.
90. Ibid.
Thus for Friedman, as long as individuals entered into only voluntary transactions, then the market and the agents within it, would be free. Metaphorically, Friedman viewed his system as “a number of independent households – a collection of Robinson Crusoes, as it were.” Each independent Robinson Crusoe would work independently to better his position, but would resourcefully barter and trade with other Crusoes if it was of benefit.

The second important component was that these economic transactions be informed. However, the informed component was limited to the concept that neither party in a transaction would be subjected to fraud or deception. For example, in selling a house, the buyer must be made aware of any defects, such as a severe termite problem. It must be noted that avoiding fraud or deception necessarily implies a moral system. The temptation to deceive or coerce another when there is personal gain to be had or avoidance of loss is a powerful attraction. The lack of discussion or inclusion of a morality in Friedman’s concept of voluntary and informed exchange places his concept into a utopian vision. Buyer and sellers can and do deceive each other in countless ways as an endless flow of civil and criminal legal actions attest. That Friedman assumes buyers and sellers will automatically, as a matter of faith, be exhaustingly honest in their dealings without explaining how this outcome will happen leaves his model of utopia with a gaping hole.

This hole in Friedman’s model, this failure to face humanity’s endemic and less noble behaviour, is addressed in Caritas in Veritate as sin. Because Friedman does not admit sin exists, he can have no antidote to it. The factor that could save Friedman’s model, that could work to achieve voluntary, informal transactions, is ironically the implementation of the concept of justice and the common good – charity in truth. Therein lays the missing foundation in Friedman’s model.

Aside from deception, “[t]he price system transmits only the important information and only to the people who need to know.” Thus, manufacturers did not need to know the reasons behind why demand for their product had grown – or even that demand had risen – but only that market forces were willing to

91. Ibid.

92. Friedman and Friedman, Free to Choose, 7.
pay more in order for them to increase production. In most instances the price system was the only information necessary. Furthermore, the price system had an important regulatory component to play in the free market as it could potentially push inefficient producers out of a market, or bring new producers to a high priced market. The spread of information about prices was essential to the harmonious functioning of the free market. In the words of Jeff Madrick:

Prices to Friedman were wondrous carriers of information that set the supply and demand for goods, services, jobs and capital as efficiently as possible as long as they were left unfettered by government regulation or control. For Friedman, then, prices (including interest rates and wages, if set freely) were the key to competition and functioning markets. In this, he was a successor to an earlier school of Austrian economists led by Ludwig von Mises and a younger disciple of that school, Friedrich von Hayek.  

Thus, for Friedman and broader neoliberal thought, it was absolutely vital to ensuring personal freedom that voluntary and informed exchanges were supported by proper legal and government apparatus in order to allow the price system to efficiently distribute goods and services. The government thus had an important role to play in supporting the free market. As C.B. MacPherson noted, “[n]o one ever thought that laissez-faire was anarchism.” Succinctly, government was to act as a forum to enforce market rules and ensure that they were abided by. If a contract was voluntarily entered into and properly informed (no fraud or deception), then there needed to be safeguards in place to ensure that consequences would follow a failure to deliver upon the contract terms. In Friedman’s words, a properly limited government was akin to an “umpire” whereby the “basic requisite [was] the maintenance of law and order to prevent physical coercion of one individual by another and to enforce contracts voluntarily entered into, thus giving substance to “private.” For Friedman, a properly limited government was an effective one in that it maintained a system whereby private resources and services could be exchanged in confidence.

This limited role of government promoted individual freedom as it gave “people what they want

instead of what a particular group thinks they ought to want.”

By decentralizing the decision-making process, Friedman believed a strong free market was also the best way of holding central authority in check. It was, for Friedman, the ultimate counter balance to government authority. The underlying lynch pin, though, was that each transaction be voluntary and thus free, which Friedman understood to be “the absence of coercion of a man by his fellow men.”

**Salvation through the Free Market**

Friedman saw the free market as a powerful system, and one with great allocative power to meet the demands and desires of the masses. When each member of the masses pursued beneficial economic exchanges, an “extraordinary fecundity” was released to promote economic interests. This market fruition was based on “one of the strongest and most creative forces known to man – the attempt by millions of individuals to promote their own interests, to live their lives by their own values.”

As summed by Eamonn Butler:

> To Friedman, it is not a matter of theoretical conjecture but an item of empirical fact that the market system has the remarkable power of raising material standards quicker than any other while at the same time promoting choice, diversity, the welfare of the underprivileged and a number of other non-economic values which we all regard as just as important as material prosperity.

It can thus be seen how Friedman could justify saying that “[u]nderlying most arguments against the free market is a lack of belief in freedom itself.” This statement of Friedman’s is an interesting one as it is an emotional appeal to an abstract concept and emotive word – freedom. However, in appealing to the emotional content of the concept “freedom,” Friedman did not distinguish between the term itself, used in a

96. Ibid, 15.

97. Ibid.

98. Ibid, 200.


general sense, and his definition of it in his model. He has conflated the two and has appealed to the reader’s emotional response to the term “freedom” as if it were identical to the way he defined it in his voluntary exchange model. Because the term freedom is an emotive word, people attach to it their own personal beliefs, values and experiences. Thus, it has various shades of meaning for each individual, but to few would it conform to Friedman’s narrow and abstract definition of voluntary and informed exchange. However, since he was using it to gain support for his neoliberal, or in his words, liberal economic policies, it was really an attempt to gain support by appealing to emotion, not reason. His strong belief in what he termed freedom as the basis for the free market meant that he espoused his model as good for everyone and that it alone was capable of bringing humanity to ever increasing heights. With his dichotomous view of society’s alternatives, Friedman made governing authority out to be, if not the enemy of human achievement, then certainly not its progenitor. To this end, Friedman stated that the “great advances of civilization, whether in architecture or painting, in science or literature, in industry or agriculture, have never come from centralized government.”

They were all the result of individual initiative, as Friedman’s following list demonstrated:

Columbus did not set out to seek a new route to China in response to a majority directive of a parliament, though he was partly financed by an absolute monarch. Newton and Leibnitz; Einstein and Bohr; Shakespeare, Milton, and Pasternak; Whitney, McCormick, Edison, and Ford; Jane Addams, Florence Nightingale and Albert Schweitzer; no one of these opened new frontiers in human knowledge and understanding, in literature, in technical possibilities, or in the relief of human misery in response to governmental directives. Their achievements were the product of individual genius, of strongly held minority views, of a social climate permitting variety and diversity.

Thus, Friedman believed that most beneficial advances originated out of individuals acting on behalf of their personal freedom, a dynamic that competitive capitalism sought to preserve and elevate to new heights. For Friedman, human progress has been “the product of the initiative and drive of individuals co-operating through the free market.”

101. Ibid., 3.
102. Ibid., 3-4.
103. Ibid, 200.
In returning to his dichotomy, Friedman saw history as a struggle between progress at the hands of free market initiatives and the debilitating effects of government intrusion. Even when government initiatives had benevolent intentions, they were harmful for human progress. To this end, Friedman stated that “government measures have hampered not helped this development. We have been able to afford and surmount these measures only because of the extraordinary fecundity of the market. The invisible hand has been more potent for progress than the visible hand for its retrogression.”

According to Friedman, government measures have been “countered by one of the strongest and most creative forces known to man – the attempt by millions of individuals to promote their own interests, to live their lives by their own values.” For Friedman, the choice was simple and clear: allow human initiative through the free market to promote human progress, or stifle it by permitting government intrusion and oversight of human initiative.

Strong economic freedom was to be a check on political power, a power that would not intrude upon personal freedom if properly dispersed throughout the individual households of the market. The practical application of Friedman’s philosophy towards economics, government and society meant deregulation, privatization and the emasculation of social services. To this end, Friedman proposed a variety of initiatives which included the removal of: tariffs or restrictions on imports, any rent, or wage controls, minimum wages, industry regulation, any censorship of radio or television content, social programs (“especially the old–age and retirement programs”), the licensing of enterprises, occupations or professions, public housing, the operation of national parks and public operated toll roads. As can be seen, Friedman believed in cleaning the slate, so to speak, of government involvement in promoting individual and societal security and well-being by letting individual initiative and the outcome of the free market dictate development.

104. Ibid., 200.
105 Ibid.
106. For a full list, see Friedman, Capital and Freedom, 36.
Friedman’s belief in government removing itself from almost all economic and social roles extended in many directions, including how the money supply chain should be controlled. He viewed a central bank’s power to be too intrusive, with his casebook study being the Great Depression. He saw the results of this depression not as “a sign of inherent instability of the private enterprise system” but as “a testament to how much harm can be done by mistakes on the part of a few men when they wield vast power over the monetary system of a country.”

Furthermore, Friedman believed that many of the efforts during the Great Depression to alleviate the crisis were counter-productive. He did not believe that government spending should be akin to a “balance wheel,” increasing in times of recession when private spending was down, and decreasing when private spending was booming. Internationally, the same philosophy applied. He advocated the scrapping of an international gold standard and the adoption of “a system of freely floating exchange rates determined in the market by private transactions without government intervention.”

Monopolies

As mentioned earlier, Friedman metaphorically saw the free market as a number of individual islands with no mutual cooperation or recognition of another island as a competitor. A competitive market was ‘impersonal’ in character with no single actor having more than a negligible impact on price. A singular island has very little power – the island “is hardly visible as a separate entity.” As such, the only responsibility that each island had was to engage in voluntary, informed transactions and thereby participate in human progress.

107. Ibid., 50.
108. For a more in depth look at Friedman’s opposition to Keynesian economic policies, see Friedman, Capital and Freedom, 75-84.
109. Ibid., 67.
110. Ibid., 119.
111. Ibid., 120.
Friedman saw two particular problems with monopolies. Firstly, a monopoly limited voluntary exchange as it limited alternatives and diversification. Secondly, a monopoly could raise “the issue of social responsibility, ’ as it has come to be called, of the monopolist.” Friedman insisted that “a monopolist is visible and has power.” With power comes responsibility and this responsibility may result in the monopolist discharging “his power not solely to further his own interests but to further socially desirable ends.” According to Friedman, “widespread application of such a doctrine would destroy a free society.” Thus, for Friedman, although monopolies were undesirable, a private monopoly was preferable to a government one. Furthermore, he believed that alternatives would arise in monopoly situations if the market was left to its own devices.

As can be noted, Friedman believed that social responsibility had no part in a free market and that social responsibility ideals demonstrated “a fundamental misconception of the character and nature of a free economy.” In Friedman’s free economy, “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition, without deception or fraud.” The responsibility for the rest of society was to establish a proper legal framework whereby Adam Smith’s invisible hand could properly function.

It is worthwhile to note that Friedman uses the oft-quoted invisible hand passage in *Capitalism and Freedom* to support his belief that the maximization of profit was the only responsibility of business. Indeed, Friedman follows up Smith’s quote by stating that “[F]ew trends could so thoroughly undermine

112. Ibid.
113. Ibid.
114. Ibid.
115. Ibid.
116. Ibid., 133.
117. Ibid.
the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine.”

Friedman could not be more explicit: business’ guiding light need only be profit. Corporations were not to make charitable donations, as these actions began the movement away from “an individualistic society.”

**Labour Unions**

Friedman viewed unions as disruptive to individualism as they intruded on the price system and had a negative effect on the wages of the broader population. He believed that a raise in wages meant that an employer could not hire as many workers. The result was more people seeking work in other professions, thus diminishing wages in those professions due to increased supply. Friedman additionally argued that as most union jobs were highly paid and sought after, the net effect was to “make high-paid workers higher paid at the expense of lower-paid workers.”

For Friedman:

> Unions have therefore not only harmed the public at large and workers as a whole by distorting the use of labor; they have also made the incomes of the working class more unequal by reducing the opportunities available to the most disadvantaged workers.

Friedman thus advocated that unions and labour representation were harmful for the vast majority of the population, especially the lower classes.

**Distribution of Income**

Friedman took strong issue with any attempts to make income equality a social goal. He believed that there was no ethical grounding for such initiatives, and that these initiatives had a negative overall


119. Ibid., 136.

120. Friedman stated that in his own rough estimate unions raised wages of 10 to 15% of the population by 10 to 15%. He believed that this increase resulted in 85 – 90% of the population seeing a 4% wage reduction. Ibid., 124.

121. Ibid.

122. Ibid.
impact. One of the reasons Friedman gave for not believing in income equality was the concept of equality of treatment. He used the example where two equally skilled men chose two different types of work where one preferred a more demanding job with higher pay while the other preferred a job that allowed for more leisure time. According to Friedman, “[i]f both were paid equally in money, their incomes in a more fundamental sense would be unequal.”

Friedman also used choosing to play a particular lottery as another example. Certain individuals could choose to enter a lottery with a higher probability of loss, but a large payout for the winner. Others could choose a lottery with a lower payout but greater certainty for a return. For Friedman, “[r]edistribution of the income after the event is equivalent to denying them the opportunity to enter the lottery.” Thus, Friedman’s approach to inequality as a lottery was similar to how Hayek saw it as a game, whereby some people win and some people lose, but there is no responsibility to help the losers.

To amplify this point, Friedman returned to his Robinson Crusoe analogy with four Crusoes were landing by chance on separate islands. Three of these islands were small and largely barren with the Crusoes barely able to eke out a living. The other larger island was fertile and fruitful with its Crusoe living a healthy life. If they were to discover each other’s existence, “it would be generous of the Crusoe on the large island if he invited the others to join him and share its wealth.” However, were the three Crusoes entitled to compel the other Crusoe to share his wealth if he did not voluntarily wish to do so? For Friedman, the answer was no - the “unwillingness of the rich Robinson Crusoe…to share his wealth does not justify the use of coercion by the others.” Thus, Friedman reasoned that attempts at redistribution were just thinly veiled government sponsored coercion.

In returning for a moment to the lottery, Friedman believed that “[m]ost differences of status or

123. Ibid., 162.
124. Ibid.
125 Ibid., 165.
126 Ibid.
position or wealth can be regarded as the product of chance at a far enough remove.”127 Attempts to alter the outcome were an attack on the personal freedom that each individual possessed regarding their entrance into the lottery. For Friedman, “the goddess of chance, as of justice, is blind.”128 It is a system that promotes, as Wendy Brown notes, “the equal right to inequality”.129

**From Friedman to Hegemony**

The first “neoliberal” state was implemented in Chile in the aftermath of Pinochet’s coup on “little September” of 1973.130 This coup unseated the democratically elected, but openly Marxist, Salvador Allende. Shortly after the coup, graduates of Milton Friedman’s economics department took over control of Chile’s economy. What took place in Chile has been dubbed the “Chicago School” revolution, as many of Pinochet’s economists studied under Milton Friedman at the University of Chicago.131 The “Chicago Boys” instituted economic reforms akin to “shock therapy” resulting in drastic cuts to social programs, heavy privatization of industries, trade liberalization and deregulation of markets.

In the West, the typical starting point for the neoliberal era is 1979. In this year, Paul Volcker, Chairman of the American Federal Reserve, raised interest rates – known as the “Volcker Shock” - in an effort to combat double-digit inflation.132 The end-result of the interest rate increase, in combination with the global economic slowdown, was an influx of capital into the more secure financial markets of the United States, and to a lesser extent, Europe. The shortage of capital made it difficult for poorer countries to compete for capital, and made these countries reliant on western institutions like the IMF and World

127 Ibid., 165-166.
128 Ibid., 166.
129 Wendy Brown, “American Nightmare: Neoliberalism, Neoconservatism, and De-Democratization,” *Political Theory* 34, no. 6 (December 2006), 695.
130 David Harvey, A Brief History of Neoliberalism (Oxford: Oxford University Press, 2005), 7.
132 Ibid., 12.
Bank for loans. However, the conditions attached to these loans were strict and heavily laced with requirements to implement the neoliberal policies of less government involvement and spending. In practice, this typically meant slashes to government spending on health care and education, public service layoffs, the sale of any government controlled industries to private corporations and the removal of all tariffs protecting domestic industries and jobs. Government revenues were thus diverted from domestic social program spending to the payment of principal and interest on loans from the IMF or World Bank.

**Implicit Neoliberal Soteriology**

The implicit neoliberal soteriology is one of personal salvation through the machinations and workings of the free markets. Friedman endowed the free market with the ability to foster personal creativity, produce wealth and end or prevent the domination of individuals by governmental authority, thus bringing personal and economic freedom. To understand this implicit soteriology, it is necessary once again to return to Adam Smith who wrote at a time when the western world was on the cusp of a rampant industrialism. The fly shuttle was invented in 1733, with the spinning jenny following in the 1760s. Likewise, Thomas Newcomen pioneered the steam engine in 1703, which was then greatly improved upon by James Watt in 1763 and came to be widely used to power industrial factories. In looking at the development of neoliberal thought and its implicit soteriology, Adam Smith, regardless of whether he is interpreted in a positive or negative light, was formative. His importance in many ways was based on his ability to articulate Enlightenment thought and the worldview of the Scientific Revolution in economic terms. In his book *Reaching for Heaven on earth: The Theological Meaning of Economics*, Robert Nelson labels his section on Adam Smith the “Founder of Modern Economic Theology.” In his book, Nelson articulates his belief that economic theory has replaced religion as a way for God’s providential plan to

133. Ibid.
unfold on earth. As the Enlightenment dictated that humanity should be governed not by superstition but by reason, the Scientific Revolution unmasked nature to be governed by natural laws that were universal, simple, and absolute. Smith’s unveiling of rational self-interest’s role in building prosperity for the masses was an extension of the rational underpinnings of the enlightenment to economic theory. Regarding the division of labour, Nelson stated that “[i]f this theory could now illuminate the true Newtonian mechanics of society, man would have finally in their possession a proper understanding of the real workings of nature, the valid route to human happiness, the elimination of strife and discord, the path to future social progress – indeed the very means of achievement of heaven on earth - would be revealed.”

This belief that rational self-interest would lead to a type of new Eden - a land of plenty - was articulated by Milton Myers. He stated that the ability to enlighten the masses to the positive role of self-interest, such as was done by Adam Smith, was akin to “Promethius bringing the gift of fire down from the gods to serve the needs of man.” For Myers, the division of labour and understanding of self-interest emanated out of the Enlightenment. When the principle of self-interest fuelled the many creative benefits that the division of labour brought to humanity under the guidance of a free market, then humanity was living in accord with the naturally governed laws of the universe. Thus, for Myers, the “secular salvation of man and society” was achieved through the implementation of a rational, self-interest driven marketplace. Under this understanding, humanity’s welfare and very salvation was not tied to morals or to a relationship with God but to economic progress. It meant that a new barometer for human well-being and salvation was established and it was built on self-interest:

135. Nelson states that “[i]f the priests of old usually asked whether an action was consistent with God’s design for the world, in the message of contemporary economics the laws of economic efficiency and of economic growth have replaced the divine plan.” Ibid., 2.

136. Ibid., 99.


With the theory of the division of labor, salvation came for the first time to be associated clearly with the economic progress of society. To reach heaven on earth is to conform as a society to the laws of nature; and now, according to the theory of the division of labor, these laws must have an economic character. For those who subscribed to this new belief, the religion of the Enlightenment became an economic faith. Economics was no longer a lesser branch of theology. Instead, theology at this point assumed an economic content. This was the beginning of modern economic theology.  

Similarly, a prominent strand of thought that promotes free market thinking from a Catholic perspective is found in the works of Rev. Robert A. Sirico and Michael Novak. Sirico co-founded and is president of the Acton Institute, which seeks to promote a free society by combining Judaeo Christian thought with free market principles. The Acton Institute believes that human flourishing is best achieved through wealth creation and is done most efficiently by allowing humans to express their creativity and love of self through economic exchange. For example, the institute promotes the understanding that the “best means of reducing poverty is to protect private property rights through the rule of law.” This in turn allows individuals “to enter into voluntary exchange circles in which to express their creative nature,” thus creating human wealth. Importantly, because humanity has the ability to create wealth, “economic exchange need not be a zero-sum game.” Thus, any hindrance to wealth creation is a threat to human well-being. The result is that the institute promotes political, economic, social, and religious thought that fosters a wealth-creating environment. For example, the institute’s understanding of government’s role is that it should “promote the common good, that is, to maintain the rule of law, and to preserve basic duties and rights.” The thinking follows very much in line with thinkers such as Milton Friedman.

141. Ibid.
142. Ibid.
143. Ibid.
144. Ibid.
Furthermore, Sirico believes that the free market and capitalism are in line with a Christian understanding of the world. In an interview where he discusses economics and the role of self-interest, Sirico stresses the importance of the anthropological truth that due to our created nature every human being has dignity and is profoundly interconnected to each other. It is out of this “intrinsic dignity we ‘love our neighbors as we love ourselves’. “¹⁴⁵ For Sirico, the proper self-loving of one’s self through the pursuit of self-interest is also an expression of love for one’s neighbour. As a result, capitalism is “the economic extension of this anthropological truth” that all human beings are profoundly connected and called to love each other as we love ourselves.¹⁴⁶ Thus, for Sirico and the Acton Institute, the free market is the best means by which individuals can pursue their Christian vocation and love their neighbours as they love themselves.

A visualization of a free market from a theological perspective is articulated by Catholic theologian Michael Novak. He states:

The wasteland at the heart of democratic capitalism is like a field of battle, on which individuals wander alone, in some confusion, amid many casualties. Nonetheless, like the dark night of the soul in the inner journey of the mystics, this desert has an indispensable purpose. It is maintained out of respect for the diversity of human consciences, perceptions, and intentions. It is swept clean out of reverence for the sphere of the transcendent, to which the individual has access through the self, beyond the mediations of social institutions.¹⁴⁷

This vision of Novak’s depicts a stark reality where individuals make their own choices, bereft of any support or community, but “transcendent” in the sense that they have thus fulfilled their destiny. Novak compares this solitary life and death to the mystic’s dark night of the soul. The analogy has many similarities in process but also profound differences in design. In Novak’s capitalist world, the individual is seeking to achieve salvation from within by seeking one’s own good through personal actions. The

¹⁴⁶. Ibid.
journey, successful or unsuccessful in material terms, is the goal, the result, and the end. The mystic’s dark night of the soul is not the goal or the end; it is the beginning or the middle, but not the end. The mystic’s end is not in itself, nor from itself, nor by itself. The end lies in union with other, rather than in rejection of other. It is open, waiting to receive, not closed. It is faith in other rather than sole reliance on self. It is open, it is mystery, not a tidy self-contained package with no meaning beyond its limited and self-imposed dimensions.

Novak’s visceral understanding of capitalism’s heart is captivating as it appeals to an individual’s sense of personal accomplishment in making one’s way in the world and, from a religious perspective, of apprehending the transcendent through this journey. As William Cavanaugh notes, the “transcendent is not denied but preserved in the freedom of each individual to pursue the ends of his or her choice.” It is, a personal salvation that is found by each individual and enabled by the free market, which promotes personal choice and limits social institutions. It is an understanding of the transcendent as something that is not received, but instead chosen on a personal basis.

In regards to CST, thinkers like Sirico largely view it from within their economic outlook. For example, Sirico views Caritas in Veritate as, in part, upholding many of the beliefs of classical liberalism. He states:

This encyclical is a theological version of his predecessor’s more philosophical effort to anchor the free economy’s ethical foundation. Much of it stands squarely with a long tradition of writings of a certain “classical liberal” tradition, one centered on the moral foundation of economics, from St. Thomas Aquinas and his disciples, Frederic Bastiat in the 19th century, Wilhelm Roepke, and even the secular F.A. Hayek in the 20th century.

For Sirico, the important point to note in Caritas in Veritate is that it is open to the market. He states that “[a]nyone seeking a repudiation of the market economy will be disappointed.” He focuses on


150. Ibid.
Benedict’s call for market agents to operate within an upright, ethical manner. However, as will be illustrated in Chapter Three, the belief that human salvation can be attained through the ideological application of free market principles is soteriologically deficient. Salvation cannot be orchestrated and attained through human action and choice alone.
CHAPTER THREE
CRITIQUE OF NEOLIBERALISM’S SOTERIOLOGY IN LIGHT OF
CARITAS IN VERITATE

The implementation of neoliberal ideology has failed to bring peace and prosperity to much of the world’s population, a failure that the latest global financial crisis has brought into central focus. The policies, laws and regulations enacted under this ideology have contributed to inequalities and moral imbalances among individuals and nations. However, this ideology itself is not the root cause of humanity’s failure to reach global unity. It would be ineffective to attack or blame the ideology itself and ignore the deeper primary cause of the failure to facilitate authentic human development? Benedict XVI provides an explanation for the failure of ideologies and institutions when he states that development “requires a transcendent vision of the person, it needs God: without him, development is either denied, or entrusted exclusively to man, who falls into the trap of thinking he can bring about his own salvation, and ends up promoting a dehumanized form of development.”

The Church and Humanity’s Salvation Story in a Global World

As presented in Chapter One, for Benedict XVI, globalization’s ultimate meaning is found in a unity of the human family. The vocation of the Church is to foster and shed light on this journey, thus bringing the human family together as part of humanity’s ongoing salvation story. To this end, Benedict points out that the “summit” of human development is “unity in the charity of Christ who calls us all to share as sons in the life of the living God, the Father of all.” Thus, it is in sharing in the life of the living God that humanity’s salvation is found. The starting point, the way of getting to that summit, although not easy, starts with a basic recognition:

The development of peoples depends, above all, on a recognition that the human race is a

1. Church and Benedict, Caritas in Veritate, 11.
2. Ibid., 19.
single family working together in true communion, not simply a group of subjects who happen to live side by side. Benedict XVI asserts in *Caritas in Veritate* that humankind cannot achieve true communion on its own but needs to be open to the gift of charity in truth in order for progress to be authentically human. The church has a role to play in disseminating this truth, which is a reliable guide to humanity on its salvation journey. In the Enlightenment’s aftermath, the separation of church and state was regarded by some as one of the hallmarks of modern civilization and a key element of rational progress. Under this separation, it was widely believed that the political sphere had “been emancipated and properly differentiated from theology” and, thus, operated “in an autonomous, secular sphere, established on its own foundations.” The nation-state was the broadest sphere and “appear[ed] as a universal, encompassing all citizens regardless of their other affiliations.” Although the Church and religious thought were permitted to contribute to dialogue and discussion within the political and social fora, secular history and salvation history came to be viewed as different processes operating within independent spheres.

However, William Cavanaugh argues that “a full theological understanding of the church requires us to refuse this political marginalization of the church.” Cavanaugh contends that two theological points hold political importance. The first is that “there is no separate history of politics aside from the history of salvation; and second, the church is indispensable to the history of salvation.” Cavanaugh further states that contemporary reluctance to “see the church as itself a type of politics is the inability to see it as more than a gathering of individuals, who are assumed to be the real subject of salvation.”

3. Ibid, 53.
5. Ibid.
6. Ibid.
7. Ibid.
8. Ibid, 394.
To support his conviction that the Church is an integral component of human salvation and exists to serve more than just its members, Cavanaugh turns to Yahweh’s revelation to the Hebrew people. He notes that in Scripture “Israel/the church are clearly political entities in the general sense that they give order through law and ritual to the social life and everyday practices of a distinctive community of people.”

Thus, the Jewish and Christian religious faiths had political importance to their communities that was greater than mere sociological phenomena. Furthermore, the Jewish and Christian convictions about faith, about a relationship with God and most importantly, their conviction that human salvation exists, was due to the fact that “salvation has a history.” Importantly, salvations’ history occurred through the actions of individuals and was witnessed by the nations of the world. Thus, humanity’s salvation story is social in nature. It is testified to and enacted by human beings.

Benedict XVI’s 2007 encyclical Spe Salvi emphasized that “salvation has always been considered a ‘social’ reality.” On three different occasions in Spe Salvi, Benedict insisted that the gospel message is not simply “informative” but also “performative.” Thus, the gospel message is not an esoteric truth intended solely for enlightened individuals, but a truth meant to be embodied and lived out in the world. It is a message that is open to all. Indeed, even cloistered monks, through their solidarity with humanity, have a “responsibility for the world.”

Thus, “salvation is not just a matter of pulling a few individual survivors from the wreckage of creation after the Fall.” It is under this belief that Christians, as illustrated by 2 Pet. 3:13, are “looking forward to a new heaven and a new earth.” This new creation is an

9. Ibid.
10. Ibid.
12. Ibid, 2, 4, 10.
13. Ibid., 15.
14. Cavanaugh, Church, 394.
ongoing goal, one that Christians by authentically trying to live their faith are called to work toward. Reminiscent of the unfolding Biblical revelations, it is necessary to affirm that the creation of a new heaven and earth does not take place within a political vacuum; rather, humanity’s ongoing salvation story takes place down through history with pharaohs, kings, Caesars and empires.

Living out the gospel message in a social manner is an integral component of the Church’s fundamental fabric and being. Cavanaugh points out that the synagogal communities classified themselves neither as a koinon or a polis. A *koinon* was a part of the *polis*, or city, and was most often formed around particular issues, beliefs or interests. In contrast, the “concern of the synagogue, however, was for the whole of life, as mandated by the Torah.”

In its original context, *ekklesia* was the “assembly” of all those with citizen rights in a Greek city-state. Therefore, in choosing the term *ekklesia*, the church claimed to be more than a koinon, a subset of the whole polis. It used the term “to denote the particular status of the people of God” and to represent all world citizens. Therefore, the Church’s call to witness and proclaim the gospel to all citizens is ongoing as humanity’s salvation story continues to unfold. It is in this context that an analysis of neoliberalism’s core tenet, freedom and free markets, is undertaken.

**Neoliberalism’s Individual Freedom**

In contrast to the Church’s goal of global unity stands the neoliberal ideal of individual freedom. As demonstrated in Chapter Two, Friedman’s understanding of freedom was a negative one, in that one was only free in “the absence of coercion of a man by his fellow man.” Thus, the neoliberal ethic promoted the belief system that economic, political and social structures should not intrude upon personal freedom. For Friedman, only mutually beneficial economic exchanges that were bi-laterally voluntary and informed

15. Cavanaugh, “Church”, 393.
16. Ibid.
could ensure personal freedom. If these economic exchanges were allowed to blossom, then individual freedom would be ensured.

For Friedman and neoliberal thinkers, freedom is akin to self-interest that spontaneously coalesces in coercion’s absence. As noted by William Cavanaugh, freedom in neoliberal thought can be reduced to an understanding that “[f]reedom itself is pursuing whatever you want without interference from others.”

It is important to note that the freedom of individual choice espoused in Caritas in Veritate stands on a radically different base than the neoliberal view. It is not motivated by personal gain. Rather, the basis for human freedom begins with response to the gift of truth. Benedict states:

Truth, and the love which it reveals, cannot be produced: they can only be received as a gift. Their ultimate source is not, and cannot be, mankind, but only God, who is himself Truth and Love. This principle is extremely important for society and for development, since neither can be a purely human product; the vocation to development on the part of individuals and peoples is not based simply on human choice, but is an intrinsic part of a plan that is prior to us and constitutes for all of us a duty to be freely accepted. That which is prior to us and constitutes us — subsistent Love and Truth — shows us what goodness is, and in what our true happiness consists. It shows us the road to true development.

Thus, in contrast to Friedman’s understanding that personal choice constitutes the ultimate social ideal, Benedict asserts that true development cannot be based on personal choice alone, but must include the acceptance of a gift that cannot be manufactured or produced by humankind. It is only in recognizing, accepting and sharing in God’s plan that humanity can truly be free. Thus, it is necessary to delve more deeply into the offspring of the far-reaching ethic that promotes the freedom of choice as the overriding social ideal.

**Personal Choice and Its Offshoots**

By placing personal choice on a pedestal and removing questions of morality from the marketplace, the question of what is right and what is wrong can quickly become blurred. William Cavanaugh makes an insightful observation when he states that “[w]here there are no objectively desirable ends, and the indi-


individual is told to choose his or her own ends, then choice itself becomes the only thing that is inherently good.” If individual choice becomes the one element that is regarded as good, the risk then emerges that institutions will be devalued or destroyed if they have little monetary value. Of this danger, John Gray notes that “[b]y privileging individual choice over any common good it tends to make relationships revocable and provisional. In a culture in which choice is the only undisputed value and wants are held to be insatiable, what is the difference between initiating a divorce and trading in a used car?” Within the neoliberal worldview, the only important question that needs be asked is whether the decision to trade in the car or initiate a divorce is voluntary and informed. Thus, as William Cavanaugh rightfully notes, in “Friedman’s view, to ask whether this exchange serves the common good, or if it is just, is irrelevant to the question of whether or not the exchange is free.” For Benedict, exchanges of all varieties need to be judged upon the basis of whether they promote justice and the common good. Economic exchange has a meaning and a purpose beyond the monetary; it is meant to serve a higher purpose. Benedict XVI puts the purpose and place of economic transactions into focus:

I would like to remind everyone, especially governments engaged in boosting the world's economic and social assets, that the primary capital to be safeguarded and valued is man, the human person in his or her integrity: “Man is the source, the focus and the aim of all economic and social life.”

In Benedict’s understanding of social and economic matters, the full human person is to be the focus of economic policy. Thus, although the appeals to personal freedom and choice may sound attractive and are appealing in their simplicity, they cannot achieve Friedman’s intended end. They fall short of achieving true freedom because they do not recognize all the dimensions of what it means to be human. Benedict’s understanding of freedom asks us to delve into the very nature of what it means to be human and to not separate this truth from economic exchange. It is only in finding this truth, recognizing it, and acting

20. Cavanaugh, Being Consumed, 12.
22. Cavanaugh, Being Consumed, 24-25.
on it that there is the possibility for freedom. Whereas with Friedman freedom is not being coerced by others, for Benedict it is acting in accordance with that which is truth. Furthermore, Friedman’s depiction of how voluntary and informed exchanges led to a free market and personal freedom was based upon an inaccurate representation of free market capitalism.

**Neoliberalism’s Free Market Outcomes**

Friedman understood a free market as a place where voluntary and informed economic exchanges took place. His simple understanding, however, conflated a pure exchange economy with capitalism, and failed to recognize a fundamental difference that exists between the two. C.B. MacPherson explains this difference:

> What distinguishes the capitalist economy from the simple exchange economy is the separation of labour and capital, that is, the existence of a labour force without its own sufficient capital and therefore without a choice as to whether to put its labour in the market or not. Professor Friedman would agree that if there is no choice there is coercion. His attempted demonstration that capitalism co-ordinates without coercion therefore fails.  

MacPherson’s insight into the difference between an exchange economy and a capitalist economy illustrates how, especially in a highly unequal society, individuals can be separated into two groups. The first is individuals who, due to their possession of capital, are effectively immune from any market coercion. There is no need for this group to engage in industry or work if they do not feel obligated. The second group is comprised of those individuals who have no choice but to sell their labour to a purchaser in order to survive. Thus, in the words of Rick Tilman, Friedman “not only failed to demonstrate that the market can coordinate large-scale human activities without coercion, but he also remains oblivious to the centralizing tendencies inherent in free market processes which vests superior power in the owners of capital by virtue of their position in the market.”

As will be demonstrated, left to its own devices, the free market promotes the well-being of some, but not all individuals, and is prone to leaving the vulnerable at the


mercy of market forces which are often not benevolent. This possibility and frequent reality is identified by Benedict when he states that “[i]n and of itself, the market is not, and must not become, the place where the strong subdue the weak.”

Indeed, the neoliberal belief that social harmony and human security will spontaneously arise in the absence of coercion is misguided in that it does not take into account human nature or behavior which can make the market a place where the wealthy and influential can take advantage of the poor and vulnerable. Although it may not be a popular discussion topic, Benedict XVI states that “[i]n the list of areas where the pernicious effects of sin are evident, the economy has been included for some time now. We have a clear proof of this at the present time.” Like the weeds that grow in fields of wheat, both sin and virtue exist side by side. Friedman’s model depicts a marketplace, and perhaps a world where there is no coercion and much personal freedom. For Friedman, a free market is akin to a natural state of being, when in reality the exchange of high volumes of goods and services is highly complex and the potential exists that some market agents will use their capital and power for harmful ends. Friedman does not articulate from what wellspring the countervailing impulse to deny coercion will come from. Rather, neoliberalism simply postulates that any oversight of the economy is an infringement on the creative wealth-creating capacities of the market. Thus, any external burdens, including any elements of corporate social responsibility, are to be eschewed in the name of market efficiency. Furthermore, neoliberal thought believes if market efficiency reigns supreme in every applicable avenue, and if individuals are free to pursue their own self-interests, then society will be blessed with a nearly unfathomable number of offshoots – from higher paying jobs to cheaper, more efficient health care; from better schools to more affordable residential communities to live in. The theoretical end result is that the poor or any coerced individual would be raised out of poverty, and those doing well would have access to an ever increasing diversity of goods and services to purchase. In the words of Jeff Madrick, Friedman’s belief in the free market was “nearly a


27. Ibid., 34.
utopian or religious promise and that was its broad appeal, a moral call for the protection of personal freedom.”

Indeed, neoliberalism’s soteriology promotes the belief that human salvation is attained through the machinations of the free market. Despite its failure to address sin, neoliberalism promotes the belief that, left to its devices, the free market is a cure-all not only for the efficient distribution of goods and services, but for social problems as well. For example, Friedman proposed that the free market was a solution to discrimination and racism in the United States as “the purchaser of bread does not know whether it was made from wheat grown by a white man or a negro, by a Christian or a Jew.” His reasoning was that a “businessman or an entrepreneur who expresses preferences in his business activities that are not related to productive efficiency is at a disadvantage compared to other individuals who do not.” Thus, for Friedman, answers to social ills can be addressed by allowing free market principles to rule in as many facets of human existence as possible. It is not enough that the economy needs to be dictated by free market principles – the social, political, and cultural institutions need to be shaped and embody these principles as well. This belief is contrasted heavily by Benedict XVI’s assertion that such a philosophy has had far-reaching and negative effects:

The conviction that man is self-sufficient and can successfully eliminate the evil present in history by his own action alone has led him to confuse happiness and salvation with immanent forms of material prosperity and social action. Then, the conviction that the economy must be autonomous, that it must be shielded from “influences” of a moral character, has led man to abuse the economic process in a thoroughly destructive way. In the long term, these convictions have led to economic, social and political systems that trample upon personal and social freedom, and are therefore unable to deliver the justice that they promise.

The justice that Friedman promoted is based upon voluntary and informed transactions. The promise of enforcing this commutative justice is an outpouring of individual and societal wealth and

30. Ibid.
well-being. For Friedman, the role of government and other institutions is to enforce free market mechanisms. However, such an ethic leaves those within the market who have no choice, but to sell their labour in order to survive, at the mercy of a system that recognizes only commutative justice. In contrast, the Church insists that political authorities have the responsibility to “make accessible to each what is needed to lead a truly human life: food, clothing, health, work, education and culture, suitable information, the right to establish a family, and so on.”

Indeed, limiting the ability of the state, corporations, labour associations and broader society to pursue and advocate for the necessities of life for all poses broad risks for human unity and development. Those who are already vulnerable stand the risk of seeing their situation worsen. This possibility is articulated by David Harvey:

> It is precisely in such a context of diminished personal resources derived from the job market that the neoliberal determination to transfer all responsibility for well-being back to the individual has doubly deleterious effects. As the state withdraws from welfare provision and diminishes its role in arenas such as health care, public education, and social services, which were once so fundamental to embedded liberalism, it leaves larger and larger segments of the population exposed to impoverishment.

The same effect has taken place as the free market ethic has taken root on a broader, global level. It has meant that an ever-increasing number of individuals are subjected to the vulnerability that accompanies a weakening commitment to justice and the common good.

### The Mobility of Labour and Human Security

The ease with which companies can move production to different nations or continents has far-reaching implications for human security. In addressing this tendency, Benedict XVI notes:

> Mobility of labour, associated with a climate of deregulation, is an important phenomenon with certain positive aspects, because it can stimulate wealth production and cultural exchange. Nevertheless, uncertainty over working conditions caused by mobility and deregulation, when it becomes endemic, tends to create new forms of psychological instability, giving rise to difficulty in forging coherent life-plans, including that of marriage. This leads to situations of

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human decline, to say nothing of the waste of social resources.\textsuperscript{34}

Thus, when individuals are forced to move for work or face the prospect of their job being moved, there are accompanying psychological stresses for the individual, their family and their community. Additionally, an exodus of jobs from a country can leave in its wake unemployment, lower wages, social instability and a decline in quality of life. One of the reasons why the free flow of capital, goods and labour can do harm to the common good is succinctly articulated by Greshem’s law. This law, in brief, is “that \textit{bad money drives out good money}, but that \textit{good money cannot drive out bad money}.”\textsuperscript{35} The reasoning is simple. When capital is free to flow between borders without hindrance or concern for social and environmental well-being, it will move to countries that allow for a maximization of profit due to lower environmental, social and labour costs. This means that if profitability is the sole concern, production will gravitate to where it is cheapest and environmental regulations are weakest. It has the potential to create a so-called “race to the bottom” in terms of wages. Thus, if not managed properly, the free flow of capital and goods between borders can have long-term, negative impacts for workers and the environment. For example, in the early 1970s, America had facilities that manufactured everything from steel to automobiles to televisions. In the later 1970s, this balance began to change as companies decided to purchase from or manufacture in lower cost countries. Manufacturing and other blue collar jobs that paid well and afforded worker protection through labour representation were lost and never replaced. The result was mass unemployment in former manufacturing centres, such as Youngstown, Ohio, which at one time was home to numerous steel producers.\textsuperscript{36}

\textsuperscript{34} Church and Benedict, \textit{Caritas in Veritate}, 25.


\textsuperscript{36} “The first mill to “go down” in Youngstown had been the Campbell Works – it went cold on Black Monday, September 19, 1977. In the next few years, other mills shut, leading to the loss of some fifty thousand jobs, directly or indirectly tied to steel, in the Mahoning Valley.” See Dale Maharidge and Michael S. Williamson, \textit{Someplace Like America: Tales from the New Great Depression} (Los Angeles, California, University of California, 2011), 42.
Although it is tempting to place responsibility for these changes at the foot of uncontrollable global market forces, the reality is that these policies were implemented as a result of human decisions. For example, in 1981 Ronald Reagan fired all striking air traffic controllers, helping set in motion the coming decline of organized labour in the United States.\textsuperscript{37} Margaret Thatcher followed suit in a 1984 showdown with striking miners in Britain.\textsuperscript{38} The loss of these better-paying manufacturing jobs and rolling back of labour rights has meant that it is harder for individuals and families to make a living. For example, since 1979, median family income has essentially stayed the same.\textsuperscript{39} However, due to dropping wages, it has come at a cost: women moved into the work force, workers worked longer hours, and families saved less and borrowed more.\textsuperscript{40} Although the average American worker was working longer hours, they took home an increasingly smaller percentage of wealth that was created. Any gains in wealth have increasingly gone to the wealthiest individuals. Just prior to the Great Depression in the 1930s, the national income share of the top 1\% of income earners in the United States reached a peak of 23\%. As the table below shows, this figure gradually fell until neoliberalism’s advent, then steadily rose to 23\% in 2007, just before what some observers are already calling the New Great Depression.\textsuperscript{41}

\begin{table}
\begin{tabular}{|c|c|}
\hline
Year & National Income Share of Top 1\% Income Earners \\
\hline
1930 & 23\% \\
1950 & 17\% \\
1970 & 10\% \\
2007 & 23\% \\
\hline
\end{tabular}
\end{table}

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\textsuperscript{37} Maharidge and Williamson, \textit{Someplace like America}, 31.

\textsuperscript{38} David Harvey, “Neoliberalism as Creative Destruction” \textit{American Academy of Political and Social Science} 610 (Sage Publications, Inc., March 2007), 32.

\textsuperscript{39} Robert Reich, \textit{Aftershock: The Next Economy and America’s Future} (Toronto: Random House Of Canada Ltd., 2011), 19.

\textsuperscript{40} In the 2000s, the average American family worked 500 more hours a year than it did in 1979. In 1966, 12\% of married women with a child under 6 worked; in the 1990s it was 55\% percent. American household savings averaged 9-10\% of after-tax income from 1950-1980s. By the mid-2000s household savings had dropped to 3\% percent while household debt rose from 35\% of household income in the 1950s to 138\% by 2007. See Reich, \textit{Aftershock}, 23, 60-64.

\textsuperscript{41} Ibid., 20-21.
This extreme income inequality is reflected in how much more CEOs make in relation to the average worker. For example, in 1979 CEOs were paid, on average, approximately 35 times what the average American worker was paid. In 2008, this ratio had increased to 275 times.\textsuperscript{42}

In looking at the income distribution resulting from neoliberal policies in countries like England, Chile, New Zealand, among others, the tendency for those at the top to do very well while the middle and lower classes do not “has been such a persistent effect of neoliberal policies over time as to be regarded a structural component of the whole project.”\textsuperscript{43} The long-term observed impact of neoliberal policies is this: income inequality has skyrocketed, well-paying union jobs have decreased, and the general population does not enjoy a fair percentage of economic growth. These results also call into question the fundamental neoliberal premise that its policies enhance individual freedom. For example, just how much freedom does a low income worker have? For example, take any number of workers in a sweat shop making goods

\textsuperscript{42} Ibid, 101.

\textsuperscript{43} Harvey, “Neoliberalism as Creative Destruction,” 28.
for export to American and European markets. According to Friedman, these workers’ employment is a voluntary and informed economic exchange providing they are not deceived in any way about the type of work they will be doing and the rate at which they will be paid. In the neoliberal mindset, such an exchange is mutually beneficial in that the employer is making greater profits by paying low wages, and the workers are avoiding starvation. However, in many cases the worker has no other alternative. The worker might want fewer working hours per week, more time for family, better wages and more work breaks but has no power to compel the employer to discuss these issues. This imbalance in power allows the employer to dictate these factors, which becomes coercion, not free choice. Friedman and others promoting a free market worldview would counter these assertions and state that the free market, if left alone of regulation, would over time raise the wages of individuals like those who are currently employed in sweatshops around the world. This assertion goes back to the neoliberal belief that any shortcomings in economic or social affairs are not inherent in the application of neoliberal policies, but are in fact due to the failure to implement the policies to their fullest possible extent.

Additionally, human beings deprived of a proper wage and working conditions, despite knowing and reluctantly accepting this, are not in fact free since true human freedom entails deeper questions about each individual’s vocation and calling in life. Yet, according to neoliberal doctrine, such questions about purposes of human life and overarching goals of the economy are not to be included in defining what a free market is. As such, it is perhaps only fair to dismiss any claims that a free market, in and of itself, is good. As William Cavanaugh argues, there “is simply no way to talk about a really free economy without entering into particular judgements about what kinds of exchange are conducive to the flourishing of life on earth.

44. Foxconn, China’s largest individual goods exporter, make products for large multinational companies like Nokia, Dell, Sony, Nintendo and Apple. It has a walled-in city-factory in Shenzen, China and employs an estimated 270,000 people with the starting wage being 60 cents per hour; the company’s founder, Terry Gou, is worth approximately $10 billion. Pages 106-107 of Laird’s book warns that what has largely fuelled western economies, “the fundamentals of growth – cheap credit, offshore labour, affordable energy, and transport – will be depleted or become unavailable during the twenty-first century.” His book is a dire warning that our pursuit of bargains runs the risk of being a race to the bottom, so to speak, with regards to salaries and working conditions. See Gordon Laird, The Price of a Bargain, 7.
and what kinds are not.”

Thus, there is a need for a new critical barometer in judging economic exchange, and one that has a broader reference point than a simple analysis of whether an exchange was voluntary and informed. For Benedict, every economic decision needs to take into consideration the full human person and be infused with an understanding of gift and gratuity. Importantly, “the canons of justice must be respected from the outset, as the economic process unfolds, and not just afterwards or incidentally.”

With a respect for justice and a desire to promote the common good from the outset, a corporation would not move production overseas without considering the welfare of employees and the environment on both continents. The worker right to a living wage and decent working conditions would not be an afterthought, but an integral component of a business’s vocation. Within this framework, it can be appreciated why Benedict maintains that “economic action is not to be regarded as something opposed to society.”

With a proper respect for the dignity of the human person and an openness to the gift of charity in truth, development can promote the human family’s well-being. Thus, for Benedict:

Society does not have to protect itself from the market, as if the development of the latter were ipso facto to entail the death of authentically human relations. Admittedly, the market can be a negative force, not because it is so by nature, but because a certain ideology can make it so.

As uncovered in chapter two, neoliberalism defends inequality in that although it may be noble and kind to share with others, it cannot be expected. For neoliberalism, those on the periphery are the unfortunate losers of a free and fair game. Any effort to even the playing field after the fact is viewed as coercion and a punishment to those who create wealth. To this end, Milton Friedman stated, “I find it hard, as a liberal, to see any justification for graduated taxation solely to redistribute income. This seems a clear case of using coercion to take from some in order to give to others and thus to conflict head-on with indi-


47. Ibid., 36.

48. Ibid.
Friedman’s statement does not take into consideration the fact that many in the economic game, or lottery, are not first given what, by nature of their being, they deserve. Thus, if the canons of justice are more fully implemented at the outset, the need for redistributive measures would not be lessened. Furthermore, as the income inequality statistics attest to, “the main effect of neoliberalism has been redistributive rather than generative.” However, the redistribution has been to the wealthiest, versus spread across the general population.

Although it may initially sound overly polemical, Ronald Wright compares the neoliberal economic paradigm to a spell and warns that “[w]hile its spell lasts, a few will get obscenely rich, others will thrive as middlemen, and the rest will either scrape by or starve. We can already see this happening: after a generation of Friedmanite trade policy, there are a thousand billionaires on Earth, yet 2 billion people - one-third of mankind - live in the deepest poverty.” However, if we want to use poverty levels as a standard for human progress, the collective result is quite staggering: the world’s abject poor now total more than humanity’s total population at Queen Victoria’s death.

As Robert Reich argues, high income stratification has other destabilizing offshoots. One of which is that when the wealthy accrue ever greater wealth, the money they make is put into speculative financial markets and real estate versus being returned to the economy. This helps contribute to speculative bubbles on one hand, and a decreased buying power of the general population on the other.

Furthermore, it means that individuals and families are presented with the prospect of an increased reliance on a job market that is increasingly uncertain and volatile. Meanwhile, neoliberal policies advocate for decreased social welfare programs. The security of the general population is thus compromised.


50. David Harvey, *Neoliberalism as Creative Destruction*, 34.


52. Ibid.

As John Gray notes, particularly when “economic necessity dictates that families have two incomes, as it has done in the United States over the past twenty years, the imperatives of the labour market may, and often do, pull partners in directions that are difficult to reconcile.” The result is fractured families and a high level of social insecurity. Benedict warns that how globalization proceeds holds the key to whether it reduces income inequalities among people or increases the disparity and poverty with the accompanying consequences to humankind. He states:

The processes of globalization, suitably understood and directed, open up the unprecedented possibility of large-scale redistribution of wealth on a world-wide scale; if badly directed, however, they can lead to an increase in poverty and inequality, and could even trigger a global crisis. It is necessary to correct the malfunctions, some of them serious, that cause new divisions between peoples and within peoples, and also to ensure that the redistribution of wealth does not come about through the redistribution or increase of poverty: a real danger if the present situation were to be badly managed.55

Thus, it is necessary to highlight one practical manner through which highly unequal income malfunctions can be tempered – the promotion of workers’ associations.

**Importance and Existence of Labour Unions**

As part of the neoliberal paradigm, many industrialized countries such as Britain and the United States have taken measures to decrease labour union influence and membership.

- In 1981, President Ronald Reagan fired all striking air traffic controllers, setting in motion the coming decline of organized labour in the United States.56
- The largest part of North America’s service economy is retail, where 1 in 5 workers are employed. Yet only 5 percent belong to unions.57

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55. Church and Benedict, *Caritas in Veritate*, 42.
56. Maharidge and Williamson, *Someplace like America*, 31. Reagan’s principal economic advisor, Martin Anderson, wrote that he gave Reagan copies of Friedman’s *Capitalism and Freedom* and Hayek’s *Road to Serfdom*. Friedman’s influence on Reagan was extensive. In the words of Jeff Madrick, “Aided by Friedman’s short essays, Reagan attacked Social Security, Medicare, aid to the poor, housing subsidies, and taxes of almost any kind….Reagan agreed with Friedman that unfettered capitalism gave people the freedom to find their own way; this was its greatest benefit.” See Jeff Madrick, *Age of Greed*, 116.
In Caritas in Veritate Benedict XVI reaffirms the importance of labour unions, “which have always been encouraged and supported by the Church.”\footnote{Church and Benedict, Caritas in Veritate, 64.} As discussed in Chapter Two, Milton Friedman’s disposition to labour unions was a negative one in that he believed they brought down the wages of 85-90\% of the population. However, the exact opposite has occurred. An example of how this process works – Greshem’s law in action – is described by Anthony Bianco. In his book Wal-Mart: The Bully of Bentonville, he states:

The typical chain supermarket could not slash its prices to match the Super center opening across the street and still turn a profit, largely because it was locked into UFCW contracts paying workers 25 percent to 30 percent more than Wal-Mart’s non-union staffers made. The result was that every time a new Super center opened up in America, two big supermarkets went out of business, taking some 400 high-paying jobs with them.\footnote{Anthony Bianco, quoted in Laird, The Price of a Bargain, 42.}

While there is no denying that Wal-Mart has been an exceptionally profitable business and does employ many millions around the globe, this success has come as a result of its ability to undersell other businesses by paying its workers and suppliers less than the competition. However, from a profit-seeking perspective, Wal-Mart is a remarkable success story. Thus, as John Gray notes, the “argument against unrestricted global freedom in trade and capital movements is not primarily an economic one. It is, rather, that the economy should serve the needs of society, not society the imperatives of the market.”\footnote{John Gray, False Dawn, 82.} Reflecting the globalized world, Benedict calls on labour unions not just to look after their own members, but also to “turn their attention to those outside their membership, and in particular to workers in developing countries where social rights are often violated.”\footnote{Church and Benedict, Caritas in Veritate, 64.} Indeed, it is an interesting premise to think of workers in China and Indonesia cooperating with employees in the United States in conjunction with Wal-Mart’s board of directors in order to achieve a new business model that promotes the interests of not just the
shareholders, but the workers and the communities in which they live. This is just one possibility of how business activity could promote human well-being versus contributing to human misery. As Benedict makes note of, “[e]conomic activity cannot solve all social problems through the simple application of commercial logic.”

Rather, economic activity has to take into consideration all stakeholders – from employees, shareholders, communities to the environment. Succinctly, economic activity “needs to be directed towards the pursuit of the common good.”

Furthermore, the highly stratified and insecure economy that neoliberalism sows promotes one particularly unfortunate and sad outcome if one views development from the perspective of the human family. As mentioned in chapter two, Paul Turpin argues that economic theory has developed in a way whereby justice is thought of simply in economic, versus relational terms. He believes this view took hold beginning with Adam Smith’s emphasis on justice before benevolence and the subsequent forgetting of how broader distributive justice was enmeshed in the social theories and customs of his time. In looking at an individual’s place in broader society, Turpin believes that people need a sense of belonging, of membership, in order to feel secure in society: “having a recognized place in society is something people need to develop their own identities.” However, when an increasingly market oriented ethos pervades society, when more things are measured in terms of market value, then an individual’s sense of worth and societal value increasingly becomes tied to their monetary wealth. With little concept of distributive justice, if individuals are subjected to financial ruin, they face “the frightening prospect of not belonging, of being abandoned.” Thus, an economic system with no concept of social or distributive justice or concern for the common good runs the risk of alienating individuals from a sense of belonging. In short, it makes the unity of the human family an impossibility.

62. Church and Benedict, Caritas in Veritate, 36.

63. Ibid.


65. Ibid., 121.
The Empowerment of *Caritas in Veritate*

In contrast to the sole determinant of justice being fairness in economic exchange, Benedict argues for the necessity of both distributive and social justice. He states:

> The market is subject to the principles of so-called *commutative justice*, which regulates the relations of giving and receiving between parties to a transaction. But the social doctrine of the Church has unceasingly highlighted the importance of *distributive justice* and *social justice* for the market economy, not only because it belongs within a broader social and political context, but also because of the wider network of relations within which it operates.\(^66\)

In noting the many deficiencies inherent in neoliberal globalization and looking at the present problems facing the human family, it is important to remember that humanity’s salvation story is, at its base, good news. Thus, the convictions held in *Caritas in Veritate* should be empowering and a source of hope and optimism that we indeed have a way forward. Benedict states:

> Only if we are aware of our calling, as individuals and as a community, to be part of God’s family, as his sons and daughters, will we be able to generate a new vision and muster new energy in the service of a truly integral humanism.\(^67\)

The recognition of our calling to journey toward unity together entails a different approach to oneself and one’s neighbours, including individuals working in factories halfway around the globe. We are called to “recognize the divine image in the other, thus truly coming to discover him or her and to mature in a love that ‘becomes care and concern for the other.’”\(^68\) Seeing the divine in others helps facilitate another recognition, a “deeper critical evaluation of the category of relation.”\(^69\) A more thorough appreciation of human relation – one infused with charity – contributes, individually, to a better understanding of one’s self. Benedict states that the “more authentically he or she lives these relations, the more his or her own personal identity matures. It is not by isolation that man establishes his worth, but by

\(^{66}\) Church and Benedict, *Caritas in Veritate*, 35.

\(^{67}\) Ibid., 78.

\(^{68}\) Ibid., 11.

\(^{69}\) Ibid., 53.
placing himself in relation with others and with God.” In placing one’s self in right relationship with others and with God, it is possible to realize that humanity, individually and collectively, “is made for gift.”

Recognizing both one’s self and one’s neighbour as gift, and deciding to receive and share this gift, is an empowering realization as the “unity of the human race, a fraternal communion transcending every barrier, is called into being by the word of God-who-is-Love.” Importantly, and harkening back to the Church’s vocation to build a new creation on earth, the recognition of the unity of the human family brings with it a heightened awareness of the “vast amount of work to be done.” The recognition of the amount of work to be done is an exciting prospect. It means that the status quo of pain and suffering, or hunger and loneliness, of war and strife, are issues to be undertaken with love and compassion. In short, they are problems to be overcome.

A Final Placing of Neoliberalism in relation to Catholic Social Teaching

It is worth noting, as Bernard Laurent does, that Benedict, “unlike his predecessors, makes no reference to the history of liberalism nor to any critical reading of its anthropological tenets.” Furthermore, Laurent also notes that when Benedict highlights the threat to organized labour and cuts to social spending, “he makes no mention of the ideology that drives this process, which was largely inspired by the neoliberal revolution starting in the 1970s and spearheaded by Reagan and Thatcher.” This realization underlines the fact that the encyclical is a victory for neither the “left” nor the “right” in political discourse. It is not unreasonable to surmise that this was by design, and in future years may be looked upon as one of the encyclical’s achievements. Despite the attention this thesis gives to the development and core tenets of neoliberal thought, this ideology itself is not the root cause of humanity’s failure to reach global unity. As

70. Ibid.
71. Ibid., 34.
72. Ibid., 78.
74. Ibid., 534.
tempting as it may sound, to say that the elimination of neoliberalism will leave the world a better place is short-sighted. There are any number of ideologies that have been or could be adopted. The names of which are unimportant – the importance is found in how human relations develop, and if they foster authentic human development. The encyclical asks individuals of all political and ideological stripes to step beyond arguments of left, right, centrist, liberal or conservative and into a new dialogue about how globalization can authentically be about the world’s citizens growing together as a family. It asks that we radically alter our understanding of economic exchange to include the free giving of gift to others, and to recognize that every economic transaction has a moral component to it. The forging of a new global economic synthesis will not be an easy dialogue to undertake, and one that Leo XIII correctly recognized – in his own time - as fraught with danger, but utterly and completely necessary. For Benedict, such a discussion needs to be open to truth, and it is in the pursuit and living out of this truth that humanity’s hope for freedom will be found. Although Benedict’s calls for gratuity to become an integral component of economic exchange is in contrast to the prevailing economic paradigm that puts self-interest and the pursuit of profit at the heart of economic well-being, it is a transition that needs to begin in order for development to be more fully human. Thus, every effort must be made not to read one’s ideological agenda into the encyclical, but to pull the spirit of the encyclical – and with it the history of CST – into daily life.

Conclusion

The beliefs that economic development objectives can best be achieved through adherence to a neoliberal philosophy of market-oriented reforms subverts the value of human life to economic objectives. In reaching an authentic universalism in terms of how globalization unfolds, the continuity of Catholic Social Thought provides us with a template for how the human heart needs to be open to God’s love and charity in order for the full flourishing of the human family. The simple fact that this option exists is in many ways cause for hope. In this vein, it is encouraging to turn to some words by Martin Luther King, Jr., when he addressed the importance of the underground railroad in the struggle against slavery:
The underground railroad could not bring freedom to many Negroes. Heroic though it was, even the most careful research cannot reveal how many thousands it liberated. Yet it did something far greater. It symbolized hope when freedom was almost an impossible dream. Our spirit never died even though the weight of centuries was a crushing burden.  

Much in the same way, efforts to promote a more just and unified human family must not be weighed down by setbacks or the prospect of success. Victory is not determined by the imposition of a mindset, but by working toward God’s plan for the human family. Just as slaves in America used the north star as a guide to freedom in the North, so too must humanity turn to the guiding light of the gospel values in navigating through the darkness of these present times. Human freedom is not to be found in adhering to ideology, but by freely recognizing itself as gift and sharing this gift with our neighbours. As Benedict asserts, “Love is God's greatest gift to humanity, it is his promise and our hope.”


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