

The True Wealth of Nations

The Ethics and Economics of Prosperity

The detailed demands of a modern economy and the transcendental concerns of people of faith can no longer be regarded as separate realities. Economic development presents ethical challenges that must be addressed. But further than that, religious faith asks - what is the ultimate purpose of life and how does economic activity best serve that purpose? What can faith say to economics, about human nature, about the value of work, about the purposes of prosperity and the creation of wealth? To say any of those things intelligibly, those speaking for faith must have an understanding of the world of economics and be willing to engage in profound dialogue with the relevant disciplines.

For a long time thinkers in the mainstream Christian traditions have viewed economic activity, especially that left to private initiative, with suspicion or even antagonism. Since the Industrial Revolution, the economic system known as capitalism has been blamed for the poverty of the poor and for injustices committed towards them. It was not seen by most Christian theologians as an effective means for dealing with poverty.

A significant shift in that approach was signalled within the Catholic tradition by several encyclicals of the late Pope John Paul II, notably *Centesimus Annus* published in 1991. It argued that the creation of wealth in a market-driven economic system could, in the right conditions, promote the common good. It offered general criteria drawn from Catholic social thought for judging whether it actually did so. To be morally acceptable, a social and economic system had to place human solidarity at its heart, recognising that despite difference of role, human beings could never stop being mutually responsible and interdependent. The ordering of society had to respect the principle of subsidiarity; and society's priority had to be the protection of the most vulnerable. Economic processes were not to be regarded as autonomous, but as subject to these moral criteria. Working on this basis, however, market-driven economic growth could offer the whole of humanity the prospect of shared prosperity and an opportunity, unique in human history, to banish want in all its forms.

Prosperity thus understood means not merely access to material goods but to all the conditions necessary for true human prospering. The statement *Economic Justice for All* issued by the US Catholic Bishops in 1986 was a harbinger of *Centesimus Annus* in its more nuanced appraisal of economic systems, evaluating them by their results. It declared:

“We judge any economic system by what it does for and to people and by how it permits all to participate in it. The economy should serve people, not the other way around... We have many partial ways to measure and debate the health of our economy: Gross National Product, per capita income, stock market prices, and so forth. The Christian vision of economic life looks

beyond them all and asks: Does economic life enhance or threaten our life together as a community?"

One way of defining this new and richer meaning of prosperity is as the very reverse of how Thomas Hobbes described "life in an unregulated state of nature" - as "solitary, poor, nasty, brutish, and short." Prosperity is the opposite of all of those, not just the second of them. It includes participation in community, sufficiency of wealth, pleasure and happiness, civilisation and culture, and longevity including good health. The creation of wealth is only part of prosperity and academic disciplines that focus narrowly on wealth do not grasp the larger aims that economic actors truly seek.

In most countries of the West this fundamental development in Catholic social thought under Pope John Paul II towards a more positive appraisal of a market economy was neglected. One of the most positive responses came from the Catholic bishops of England and Wales, who in 1996 published a document, *The Common Good and the Catholic Churches' Social Teaching*, which drew on the 1986 American bishops' statement and explored the implications of a change in the theological evaluation of wealth creation. In 2005, as a direct sequel, the major ecumenical body Churches Together in Britain and Ireland published *Prosperity with a Purpose*, which adopted the approach described by Pope John Paul II and sanctioned it as a correct application of Christian social ethics in the name of all the major Christian denominations that CTBI represented.

The document stated its conclusion thus:

"Under the right conditions, economic growth can serve God's purposes. The conditions are: that humanity is seen as one human family, with a universal bond of solidarity; that wealth creation and the pursuit of social justice are inextricably linked; that market forces encourage economic growth but are regulated in the interests of the community; that the environment is safeguarded by substantial efforts to mitigate the harm caused by pollution; that advancing prosperity leaves no-one behind, not children, retired people, those who care for families, disabled people, nor any other section that is vulnerable or liable to neglect; that globally, priority is given to those whose economies are burdened by unmanageable international debt or are victims of unfair international trading conditions; and that the structures of civil society are renewed so that local communities can shape their own future."

The current project, under the auspices of the Institute for Advanced Catholic Studies (IACS), does not seek to cover again the ground of the British studies mentioned above, nor of other studies produced elsewhere which have reached similar conclusions, but accepts them as its own starting point. However, two areas in particular call for intensive further research and investigation.

First, what is the relationship between this more favourable Christian analysis of market-driven wealth creation and modern secular economic theory? Is its purpose

merely to restrain economic development in the name of the common good? Can it also demonstrate that the conditions most favourable to that development are consistent with that teaching's insights into human dignity, the role of work, and the right ordering of society? Can Christian ethics point economists in the right direction - right, from the point of view of ethics, but also from the point of view of economic progress and efficiency?

This is a new area for Christian ethics to explore. More and more emerging national economies are using competitive markets as their dynamic force but find themselves apparently faced with an invidious choice between morality and efficiency, ethics versus economics. This study raises the explosive question: is this choice necessary, or can these apparent opposites be reconciled? Is the neglect of human, social and ethical issues in the operation of economic systems actually wasteful, and therefore inefficient? Would an alignment of ethics and economics make not just for better ethics but better economics - to efficiency with equity, even efficiency because of equity? Few things would more dramatically lead to a better world.

In the secular sphere, a number of economists and social philosophers since the 1940s have described both from theory and from statistical evidence some of the social, cultural and ethical conditions which foster economic development. Without them or the Church noticing it, many of their conclusions have parallels within the social teachings of the Church.

What would these two bodies of thought have to say to each other once they were in dialogue, and how would each need to be adjusted in order to accommodate the other? Can they develop a common conceptual language? This study will require intense engagement between Christian social ethicists and economists and political philosophers of all persuasions as they engage in a mutual critique. Many secular economists would welcome an opportunity to address ethical issues that are normally seen as outside their remit. Christian social ethicists, while having no economic blueprint of their own, would welcome the opportunity to examine which economic systems and policies have most closely fulfilled their ethical criteria. Policy makers of all sorts should find the fruits of this dialogue of great relevance to their own concerns.

The IACS is therefore proposing a dialogue that should include a series of studies into the relationship between the principles of Christian social ethics, as outlined in the tradition of Catholic social thought, and the conditions necessary for a vibrant and creative economy. The hypothesis to be tested would be that

the economic and cultural criteria identified in the tradition of Catholic social thought provide an effective path to sustainable prosperity for all.

There is no claim here that these criteria are unique to Catholic social thought, nor that only people of faith could understand or implement them. But the advantage of attending to this fundamental hypothesis is that it will call for theologians and

economists to move toward each other in real dialogue. This approach will require theologians to specify more concretely the economic and cultural conditions that Catholic social thought calls for, and will require economists to broaden their focus from GDP as the measure of economic welfare to prosperity, broadly defined as in this document, as the goal for which people are striving in economic life.

Catholic social thought is the collective intellectual enterprise of Catholic theologians and others, past and present, engaged in the development of social ethics within the context of official Catholic social teaching. One of its concerns is to explore the insights and limitations of mainstream economic theory which emphasize what is measurable and which presuppose a deterministic account of human economic behaviour governed by self-interest and rational choice. The testing proposed for the hypothesis above would include traditional empirical econometric analysis but would not be limited to it, leaving room for judgments based on broader ethical criteria and other approaches to the science of economic measurement. These broader ethical and econometric considerations would seek to give a true account of the role of women in economic life and in the conservation of natural resources, a subject proposed for further in-depth study in Appendix B.

The development of new ethical and economic insights under conditions of dialogue would have profound implications for the relief of poverty, and would provide those trying to counter under-development by economic growth with clear and practical principles and guidelines. It should be possible to begin to identify what conditions need to exist to maximise wealth creation and the resulting economic, social and ethical benefits, and what conditions are most inimical to those goals. This raises profound questions about “what it means to be human,” including a positive anthropology of work (such as that set forward by Pope John Paul II in 1981 in *Laborem Exercens*), and an analysis of human rights and dignity. The hypothesis offered by faith is that conditions likely to be the most propitious for human thriving are also most advantageous for economic development, overall and in the long term - that economic growth is not necessarily at odds with human prospering in the broadest sense, but that in the right conditions, they reinforce each other.

Secondly, the IACS wishes to go beyond the theoretical approach, which needs to be balanced by a practical recognition of specific and often local obstacles to human prosperity, and facilitating the search for concrete solutions. Many of the factors conducive or hostile to economic progress are likely to be cultural, legal and historical - or even religious - as well as economic and ethical.

The project looks to undertake a handful of initiatives in the coming years from the list of possible topics listed in Appendix B, together with the project on corruption described in Appendix C which is already approved and in being. The scope of the proposed dialogue between economists and ethicists is described in Appendix A.

A preliminary question is: Why should the Institute and this Project concentrate on any of these topics? Might one not say “It’s already been done”? There is available, in

every case, at least some relevant academic research and empirical evidence. Yet the research is piecemeal and the evidence widely scattered. What is lacking is the “architecture” necessary for accumulating the research and the evidence, distinguishing points of weakness, commissioning work as needed, and providing the framework for a synthesis that is intellectually coherent and pragmatically grounded. Objective certainty is beyond human reach, but such an architecture, developed within the Institute, can sustain in the larger world a well-founded assurance about the conditions for authentic prosperity that engenders the will to take action.

In all these respects, human economic activity works best when working with the grain of human nature and not against it. There is a lot of research required in order to identify what that means, in particular circumstances. But following the lead of *Prosperity with a Purpose*, Christians may bless economically productive activities on the grounds that human creativity is nothing less than a continuation and completion of God’s own creativity. One key purpose of this project is to promote that insight at all levels, wherever it is applicable.

This interaction, investigation and research will result in a flow of articles, learned papers and books, and will provide the themes for many scholarly conferences, both virtual and real. Under the general heading, new topics would be identified as in need of further exploration, so that one body of interdisciplinary research would generate another, in what amounts to an on-going global conversation. The project would also entail the maintenance of a data-base of contributions which could be accessed all over the world through the internet, by which means others engaged in similar studies all over the world could be kept in touch. This specific aspect is to be done in conjunction with the Centesimus Annus Foundation.

The approach proposed by the IACS involves several stages. A small steering committee for the project has already been formed. Initially it will organize an advisory meeting in 2007 of eight to twelve participants to discuss the validity of the approach. It will indicate specific priorities for research including, and in addition to, the examples already mentioned; and it will seek to identify scholars who might take part in each specific subject, who would present their findings at a conference to be held in 2008.

The IACS believes that it will be able to fund this first step through its own resources and several current donors. Approaches would be made to several foundations requesting grants for the funding of specific research projects and for the infrastructure necessary, including IT, for the distribution of the scholarly output, disseminated as broadly as possible.

Although most of the people involved in this initiative are likely, initially at least, to be based in the United States of America, it is the intention to draw contributions from as widely as possible and in particular to develop a firm base in Europe and elsewhere. The sponsoring body, the IACS, is an academically independent Catholic lay institution with a number of university relationships.

