

## A PRINCIPLE FOR ECONOMICS

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*The principle of solidarity is critical for the social order overall. The Catholic Church in its social teachings since Leo XIII has emphasized its importance and relevance specifically for the economic order. First termed “social charity” by Pius XI in Quadragesimo Anno (1931), solidarity was then declared by John Paul II to be “a Christian virtue,” in Sollicitudo Rei Socialis (1987), and identified as the “principle of solidarity” in Centesimus Annus (1991). Three leading economic system-builders recognized it, which suggests its roots in the natural law. Adam Smith, after indicating its implicit presence in the division of labor, subsequently rejected it in favor of self-interest. Karl Marx distorted it into a class concept by confining its application to the proletariat. Only Heinrich Pesch, S. J. made it the basic principle for all sectors of the economic system and throughout the social order.*

The title of this piece refers to a principle that is critical for the social order overall: from the family to the economic and political orders of society. It was proposed by Roman Catholic popes for the economic order specifically and with high urgency, starting in 1891 with the encyclical *Rerum Novarum* by Pope Leo XIII. Pope Pius XI developed it further forty years later, referring to it in *Quadragesimo Anno* as social charity, alongside the companion virtue social justice (88). That encyclical carried the actual English title: On Reconstructing the Social Order. In 1987 the principle was renamed and explained in detail by Pope John Paul II in the second of his three encyclicals addressed to the economic order: *Sollicitudo Rei Socialis*. There the Polish pope stated: “Solidarity is undoubtedly a Christian virtue” (40). Since he was commemorating the Paul VI encyclical *Populorum Progressio* (1967), he indicated the applicability of the principle also to the international order among nations, which was the specific object of that document. In the third of his great trilogy of social encyclicals, *Centesimus Annus* (10), John Paul II, who had become known also as “the Pope of Solidarity” because of his support of the Polish workers organization by that name (*Solidarnosc*), indicated how what he now referred to as “the principle of solidarity” was present from the start in *Rerum Novarum*. There, Leo XIII simply used the term “friendship”(21).

In terms of specific definitions, Pius XI first defined its twin virtue, social justice, in 1936 in his encyclical *Divini Redemptoris* (On

Atheistic Communism): “Now it is of the very essence of social justice to demand from each individual all that is necessary for the common good” (51).<sup>1</sup> One could deduce from that a definition of social charity whose essence would be an ongoing active concern for the common good. Indeed, what John Paul II wrote fifty-one years later in *Sollicitudo Rei Socialis* is tantamount to that, but he went into greater detail.

Referring to “the growing awareness of interdependence among individuals and nations,” the Pope reflected on, “(T)he fact that men and women in various parts of the world feel personally affected by the injustices and violations of human rights committed in distant countries...” As that acquires a moral connotation and is in fact accepted as a “moral category,” one moves toward social charity or solidarity. Thus: “When interdependence becomes recognized in this way, the correlative response as a moral and social attitude, as a ‘virtue,’ is solidarity.” Not to be confused with “a feeling of vague compassion or shallow distress,” John Paul II continued, “...it is a firm and persevering determination to commit oneself to the common good, that is to say, the good of all and of each individual, because we are all really responsible for all”(SRS 38).

Moral theologians may wish to reflect on what Pope John Paul II presented in that encyclical, so as to develop from it a succinct definition of the virtue of social charity or solidarity. Meanwhile, social scientists would do well to incorporate this important concept into their sciences. Economics, political science, and sociology remain incomplete, even seriously handicapped, without the principle of solidarity at their core, since it is, in fact, a valid scientific principle based on the observation of human nature, regardless of any particular ideological perspective. Thus far, the social sciences have, in fact, been developed mainly with an individualistic—and then, in reaction to that, a collectivistic-orientation, both eventually on a predominantly positivistic philosophical basis. It is by no means insignificant that Pope Paul VI referred to them as “human sciences” in his important but largely neglected Apostolic Letter *Octogesima Adveniens* (38-40). It was also there that he proclaimed in the *Foreword* that “... solidarity in action at this turning point in human history is a matter of urgency (5).” As events following *Humanae Vitae* indicate, he was a pontiff with keen prophetic insights!

For economics specifically, from its beginnings early in the modern era, things went badly for a healthy sense of human interdependence in society. Adam Smith, considered by some as the father of the economic science, was in fact a keen observer of conditions in the late 18th century. He may already have been reflecting the actual

conditions of an individualistic era when he made his cynical comment about the attitude of the individual merchants toward the common good, which he termed “the public good.” ”I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need to be employed in dissuading them from it.”<sup>2</sup>

The tone of that statement is worthy of Charles Dickens’ Scrooge! It pours very cold water on any habitual inclination (social charity), let alone obligation (social justice) to undertake deliberate action on behalf of the common good! Nevertheless, in the first chapter of his classic, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Smith, the moral philosopher turned economist, offered a fascinating presentation of a very elemental economic common good. I refer to his analysis of how specialized productive activity among various workers, which he called “division of labour,” gives rise to a total of production and economic satisfaction far exceeding what that sum would be if each worker operated in isolation, e.g. in an attempt to be self-sufficient. Unfortunately his obsession with self-interest then inserted itself so as to subvert that otherwise keen observation. For Smith it was the “propensity to truck and barter” which gave rise to the division of labor, rather than the reverse. People, in fact, began to “truck and barter” because, having specific talents, owning certain resources etc., they needed to trade their surplus production with those with other talents and owning other kinds of resources etc. At that point, he insisted that specialized producers, e.g. “the butcher, the brewer, or the baker” trade their specialized products with each other not out of “benevolence” but out of “their own interest.”<sup>3</sup> The great Scot saw the public good as resulting from each individual pursuing his own good, with “an invisible hand” then turning all such individual efforts into the common good.

By preferring the support of domestic to that of foreign industry, 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.<sup>4</sup>

For Smith, the whole was, in effect, equal simply to the sum of its parts. While that constitutes good arithmetic, it is poor social science; but it may help to explain why economics has developed gradually into a mathematical science. Now, activity by individuals in their own interest is legitimate in itself. It is, in fact, an extension of the natural instinct for self-preservation. But there is also the far wider dimension of social interaction which is both indispensable and leads to benefits which individuals working for and by themselves could never achieve.

One hundred gifted and skilled musicians, each acting according to his/her own interest, could never produce a Beethoven symphony or a Verdi opera. What is required is a score, a conductor to interpret it, and the musicians' willingness to subject their own individual inclinations and interests to both. Otherwise you could get one hundred solo performances, but never an *Eroica Symphony* or an *Aida*! That indicates the interdependence that is a given in human society and that transcends any imaginary isolated Robinson Crusoe-type existence. It is the same interdependence that Smith detected in the division of labor; and it gives rise to a whole that is immeasurably greater than the sum of its parts. In fact it yields results which are greater beyond imagining than what people could achieve acting individually in isolation from each other! That surplus represents the common good, Smith's "public good." It implies and also evokes the virtue of social charity.

The second leading architect of an economic system, Karl Marx, was already able to trade on the devastating historical consequences stemming from the widespread reliance on self-interest to actualize the common good. Unfortunately, the immense benefits stemming from the Industrial Revolution came parallel in time with the prevailing economic liberalism, also identified by terms such as Manchester liberalism and *laissez faire*. Latter-day disciples of Adam Smith often mistakenly attribute the truly providential results stemming from the Industrial Revolution to his economics of self-interest. What that did instead was to bring about wretched working conditions and distortion in the resultant income distribution pattern. It did so in such an outrageous manner as to make the weird gospel of the bearded scholar from Trier seem credible among successive generations of both intellectuals and workers.

Ironically, Karl Marx opposed the reigning individualism by introducing a constricted kind of class solidarity. He arrayed the working class—or proletariat—in conflict against the owning class—the bourgeoisie—i.e. modern capitalists, who had by then seized predominant ownership of the material means of production. The *Communist Manifesto* opened with that momentous oversimplification of world history: "The history of all hitherto existing society is the history of class struggles." As Marx envisioned the common good, it was therefore very restrictive, since it did not extend to those who owned the material means of production. They were, in fact, regarded as detractors from the potential common good. What is more, it was to be entrusted at first entirely to the state under what was termed the "dictatorship of the proletariat." This was seen as emanating from the state. That situation was supposed to fade away later into a utopian

condition of a society without classes, without any need for private ownership, and therefore even without any need for the state: i.e. full communism.

Erroneous premises typically lead to wrong conclusions and often to baneful, unexpected results. The first real life application of the Marxian creed, in 1917, led to the installation of a total state governed by a ruthless autocrat who, assisted by a new privileged class of sycophant bureaucrats, lorded it over the proletariat. The system crumbled of its own inherent contradictions some seventy-one years after its very bloody beginning. While the new colossus, China, still pays tribute selectively to Communist articles of faith, it has become, in fact, another kind of despotism blending residual Marxian dogmas with capitalist aspirations and techniques.

Meanwhile, a third economic system-builder appeared who was the first to propose the explicit recognition of the principle of solidarity as the centerpiece of the economic system. Born in the German Rhineland, Heinrich Pesch S.J. (1854-1926) produced the longest economic text ever written:<sup>5</sup> Starting from that principle, he presented the outline for what he referred to variously as solidarism and the solidaristic system of human work. The latter designation was juxtaposed to what Pesch termed “Adam Smith’s Individualistic System of Industry.” The solidaristic social philosophy stood opposed to the individualistic one; and human work (*Arbeit*) was in the place of Smith’s term, “industry,” referring to human economic activity in general. (The latter had opposed industry to the previous one-sided Mercantilistic stress on commerce, and the Physiocrats’ exclusive emphasis on agriculture as alone capable of net product). The Jesuit scholar based his proposed economic system on the principle of solidarity. It was in Heinrich Pesch’s *Lehrbuch der Nationalökonomie* that the term itself appeared early in the first of the five volumes in its first chapter:<sup>6</sup>

When we speak of solidarity with regard to social life, we have in mind in a most general sense, first of all, social interdependence, the actual mutual dependence of people on one another. The exchange of goods, the assistance which people render to one another, and their continuous cooperation are conditioned by a special abundance of strength on the part of those who are destined to help one another. The welfare of one and the other therefore emerges not merely as a result of various complementary forces, but also as the prerequisite of a broader continuing beneficial cooperation, and therefore of the greater good of all.

The moral implication of social charity, and therefore also of social justice, is contained in the words following that statement of what

is simply an implicit fact of life in society whether it is or is not recognized by the benefactors and beneficiaries. Therefore, it is also a valid scientific principle independent of whatever value judgments one may wish to make with regard to it.

This reciprocal dependence on the well-being of other persons in society is therefore no mere de facto relationship. Inasmuch as the reciprocity and community of interests has its foundation in man's rational nature as one of its imperatives, solidarity also represents a moral relationship between man and his fellow man. Even if the downfall of one's fellow man were to one's advantage, one is not permitted to wish for this, let alone to help bring it about. Social intercourse is supposed to be a benefit and a blessing for mankind, not a curse and a source of its corruption. Thus, even though an individual may look after his own interests, he must at the same time have regard for the legitimate interests of others who, as human beings, have an equal claim to happiness, well-being, and the benefits to be derived from social living.

To reinforce this concept, Heinrich Pesch, the economist, cited his older brother, the distinguished and published philosopher, Tilmann Pesch, S.J., who wrote in his work, *Christliche Lebensphilosophie* (1911):<sup>7</sup> "Human society is not merely an aggregate of individuals who happen to find themselves thrown together and chance to know each other or rub elbows. First, each is his own person, but then each person is also placed within the organic bond of the community. No one lives merely as an individual person without, at the same time, being a member of the whole race, and he is therefore required to have regard for others while, at the same time, being entitled to expect them to have regard for him."

In the later editions of the *Lehrbuch*, Heinrich Pesch, presented the principle of solidarity as applied to three specific levels of society in a solidaristic economy.<sup>8</sup> First there is: "the universal solidarity of mankind based on the membership of all persons in the all-embracing family of God." Then there is: the solidarity of citizens of the same state. Finally, there is: solidarity among those who work at the same occupation. That indicates the occupational (vocational) orders which were included in the blueprint for restoration of social order by Pius XI in *Quadragesimo Anno* (83, 86). Pesch was adamant about that component of his revised social order, as he was also resolute about distinguishing it from the medieval guild system. Occupational corporation is necessary at all times, in the present as well as in the future. Where it is lacking, social and economic organization is incomplete. But the particular form which the occupational organization

takes will vary through the various periods of history. The guild system belongs to the past. Present-day organization must be adapted to the needs of our own time.<sup>9</sup>

Clearly, there is no romanticism in Pesch about some past forms, only the utmost flexibility. Nor is there time for something vaguely called “distributism.” Large-scale production within sensible limits is, to a degree, a by-product of the Industrial Revolution with its dramatically altered technology. It was destined to provide for the vast increase in population which would accompany the modern era and the age of discovery. Aspirations about a large-scale restoration of small farms and shops, along with a return to obsolete crafts, must be taken with a grain of salt, more as poetry than as economics. In his first edition (1909), Pesch had included the solidarity of the family for his system. Perhaps prophetically, he saw the capitalistic era as having “loosened the sacred bonds of the most intimate moral vital community, the family, whereas communistic socialism, (according to some of its exponents) wants to dissolve these bonds entirely.”<sup>10</sup> In fact, the Jesuit’s disdain for capitalism persists throughout the *Lehrbuch*. It is based not on some inherent prejudice, but on a scholar’s keen observation of how the capitalistic system operated and of its dire consequences.<sup>11</sup>

The capitalistic system of free enterprise was able to propel production to a high level. But it was not capable of distributing the product throughout all of society in a manner that would bring about the material well-being of a nation. It not only robbed a man of his dignity, but, all too often, also of the price of his efforts. Unrestrained competition ended up in monopolization. Speculation shaped the market and determined the price structure. Excessive profits took the place of the fair return to labor. Even someone who rejects the Marxian concepts of value and surplus value will have to recognize how dangerous is the capitalistic and speculative appropriation of surplus value, which bears no relationship to any real services rendered to society. It is simply not possible for an entire nation to go on working indefinitely for the well-being of a handful of capitalist magnates and speculators.<sup>12</sup>

One might easily mistake that criticism of capitalism for one by Karl Marx who, like Pesch, also spent years in England where he could observe its worst manifestations, were it not for the disclaimer against Marx’s surplus value theory stemming from his flawed labor theory of value! On the other hand, it has much in common with the Leo XIII denunciation of the abuses in the capitalistic system, which resonated in subsequent social encyclicals by Catholic pontiffs.

One thing is certain: Pesch’s influence on Catholic social teachings about the economic order is unmistakable. That is especially

so with regard to the Pius XI blueprint for reconstructing the economic order—*Quadragesimo Anno*—which appeared five years after the Jesuit died. It includes the just wage principle (63-74); the principle of subsidiarity (79-80); the principle of occupational (vocational) organization (81-87). Finally, there are the: “(M)ore lofty and noble principles” for the restoration of social order overall: “to wit, social justice and social charity” (88 and 126). Heinrich Pesch’s economic thinking found its way into *Quadragesimo Anno* mainly through Oswald von Nell-Breuning, S. J., and later into the considerable contributions of the immediate successor of Pius XI through another Pesch understudy, Gustav Gundlach, S. J. The use of the specific term solidarity in the relevant sense began with the brilliant and saintly Pius XII. He started using the expression virtually from the beginning of his pontificate. Although not credited with issuing any social encyclicals as such, there were significant social teachings scattered throughout his nineteen years as pope. This would include his very first encyclical, *Summi Pontificatus*, delivered in 1939, which had the English title: *On the Unity of Human Society*. Significantly, the Spanish title was: *Solidaridad humana Y Estado totalitario*; and the Pontiff referred, among other things, to the “law of human solidarity and charity which is dictated and imposed by our common origin...” (30). There were also references and appeals to the principle of solidarity in several of the Pope’s illustrious Christmas Messages,<sup>13</sup> as well as in many other addresses to various groups throughout his pontificate.

It was left for the “pope of solidarity,” John Paul II, to develop the concept fully in *Sollicitudo Rei Socialis*, as indicated earlier. And it was subsequently identified by him with social charity in *Centesimus Annus*. Pope Benedict XVI has referred to it in his premier encyclical *Deus Caritas Est* as “social charity” ( 29, 40), even though he also uses the term solidarity in that document (30), and frequently in his homilies and addresses. After all, solidarity/social charity as a foundation for social order is now an established principle of moral doctrine. It is included as such in the *Catechism of the Catholic Church* (#1939), as well as throughout the *Compendium of the Social Doctrine of the Church*.

Unless it is developed scientifically and recognized in its proper role as a basic principle for social order, it could suffer the fate of the virtue of social justice and become simply a slogan, or what John Paul II indicated in *Sollicitudo Rei Socialis*, a “feeling of vague compassion” (SRS 38). Above all, it should not be allowed to offer another example of what the Society of Catholic Social Scientists’ promotional brochure states about Catholic social teaching: “one of the best-kept secrets in America!”

## Notes

1. In the Catholic Church's social teaching, it was left for Blessed John XXIII to provide a useful definition of the common good. He wrote in *Mater et Magistra*: "This embraces the sum total of those conditions of social living whereby men are enabled more fully and more readily to achieve their own perfection"(65). That definition was adopted by the Fathers of the Second Vatican Council for the important document On the Church in the Modern World (26).
2. Adam Smith, *The Wealth of Nations*. (New York: Random House, 1937) p.423.
3. Ibid. p.14.
4. Ibid. p.42.
5. The five volume *Lehrbuch der Nationalökonomie* was published by the distinguished Herder firm in Freiburg, Germany through several editions between 1905 until 1926. It appeared in English translation by the author of this article in 10 books published by the Edwin Mellen Press, Lewiston, Queenston, Lampeter: 2002-2003 with the title: *Lehrbuch der Nationalökonomie/Teaching Guide to Economics*.
6. Pesch/Ederer, *Lehrbuch/Teaching Guide to Economics*, Vol. I, Bk.1, p.36f.
7. Ibid. p. 37.
8. Ibid. Vol.II, Bk.1, pp. 241-243.
9. Ibid. Vol. II, Bk.1, p. 243.
10. *Lehrbuch der Nationalökonomie*, Vol. II (1901 ed.)pp. 204-205.
11. Pesch spent several years studying theology at Ditton Hall near Liverpool, as Jesuits were at the time exiled from Germany under Bismarck.
12. Pesch/Ederer, *Lehrbuch/Teaching Guide to Economics*, Vol.II, Bk.1, p.252.

13. See especially the Christmas Messages of 1940, 1942, 1950, 1952). Cf. *Major Addresses of Pope Pius XII*, edited by Vincent A. Yzermans, Vol. II: *Christmas Messages* (St. Paul: North Central Publ. Co., 1961).