“JUST CAPITALISM”: A STUDY OF CENTISIMUS ANNUS

Yvette Michaud

Yvette is a senior PEP major at Wheeling Jesuit University

It is eminently sensible for the Church to describe the ideal situation for a workingman... But any statement that purports to indicate the most effective way to bring about the desirable outcome... is several levels removed from areas of faith and morals. It is in this realm that people of good will may legitimately disagree, since nothing in the Pope’s charisma of infallibility gives him any unique insight into specific economic policy. ¹

Centesimus Annus was the first papal encyclical to openly endorse capitalism. While John Paul II clarifies that his support for capitalism is a support for a “new capitalism,” a “free market,” or a “market economy,” ² he emphasizes that capitalism, with its foundations on “free associations and contracts between labor and capital, best enables man to carry out his role as a cooperator with God in the work of Creation.” ³ Despite his endorsement of capitalism, the Holy Father views the market as an inefficient tool to satisfy the entirety of human needs. Consequently, he offers specific remedies to the shortcomings of the market in order to ensure justice will be preserved and human freedom cherished. These specific remedies are presented as economic policies, which the Holy Father presents as essential within any free market economy and society since these policies will not only “perfect” the market, but do so in a way that does not conflict but reflect Christian morality, virtue, and justice.

As Woods indicates in the introductory quote, the Pope cannot be denied the right to express concern for workers and the poor in society, but it is both dangerous and inappropriate for him to suggest and insist on policies to be implemented within society and the economy. The theology of this Papal Encyclical is respected and taken with serious regard because it was monumental in its outward support of the “new capitalism.” However, issues of policy need vast deliberation, and it is feared, as articulated by many critics, that because of its expressed economic policies, readers of the doctrine and followers of the Christianity may misinterpret the doctrine, acquire a “skewed” vision of justice, or feel as though they cannot disagree with its policies because it would not be Christian to do so.

Centesimus Annus, promulgated in 1991, was a celebration and commemoration of Pope Leo XIII’s encyclical, Rerum Novarum, which he promulgated 100 years earlier. John Paul II offered support, expounded upon, and integrated many of Leo XIII’s principles and ideals within Rerum Novarum. Additionally, like Pope Leo XIII, John Paul II attempted to adapt Catholic teaching to a world dramatically changed: For Leo XIII, it was the Industrial Revolution and the associated rise of socialism;

² John Paul II, encyclical, Centesimus Annus, 34.
for John Paul II, it was the collapse of Communism in Eastern Europe and the rejuvenation of the market capitalism worldwide. Furthermore, like Leo XIII, John Paul II, mapped out the direction Catholic social teaching would take on the economy for a century to come.4

A guiding principle for John Paul II’s encyclical was to correct the view of the person by illustrating his unique value. Because humanity is created in God’s image and likeness, all are instilled with an incomparable dignity. With this dignity, man has the capacity to offer himself to and for others; John Paul II defines this uniquely human quality as transcendence. This quality is from God, to God, and of God. To become aware of and fulfill this dignity requires freedom, which cannot be achieved without justice. Justice ensures that no man is denied the opportunity to obtain knowledge, express his creativity, make relationships with others, acquire capital, and, in the end obtain eudemonia or human flourishing; therefore, to establish justice is to ensure human freedom is cherished. The Holy Father supports the democratic system of government and the free market, but, as previously mentioned, insists it is incomplete. Therefore, John Paul II recommends economic policies to ensure justice and safeguard the dignity of all persons which include: the importance of private property and its limits, the need to assist Lesser Developed Countries (LDC), and the importance of trade and labor unions. These three areas of economic policy will be evaluated in order to show that they have implications which can be deemed contrary to what is just, given the nature of the human person and, therefore, need to be re-assessed.

Private Property

Private property was first addressed and supported by Pope Leo XII, in Rerum Novarum where he expressed it as a fundamental right for each worker. Leo XIII’s support was the result of the conflict between capital and labor. Capital emerged as a new form of property, and, because of scientific discoveries and applications, which enhanced structures for the production of consumer goods, a new form of labor also emerged. Labor became a commodity because of the high rates of production; employers, seeking to increase production and obtain more capital, viewed their employees as tools and not persons and would take advantage and exploit the workers. The employers knew no regulation, and because worker conditions became so destitute, Leo XIII felt obligated to intervene by insisting that workers had certain inherent rights, including private property.5

John Paul II supported the ideals propounded by Leo XIII and expressed what he believed to be the origin of private property as an inherent right and an extension of freedom for all men: “It is through work that man, using his intelligence and exercising his freedom, succeeds in dominating the earth and making it a fitting home…part of the earth is his own.”6 Man has the right to possess the fruits of his work, and this right is not selective and must be upheld within the free market economy. However, as John Paul II illustrates, man’s possession is no longer designated to the strictly the earth or land, but it now pertains to the possession of know-how, technology and skill. This form of possession is the basis for the wealth of industrialized nations, nations where capitalism has spread and instilled itself successfully into the economy.7

The foundation for this new form of possession is the ideal that man’s principle resource is himself: “Man fulfills himself by using his intelligence and freedom. In so doing he utilizes the things of this world as objects and instruments and makes them his own.”8 Intelligence, initiative, and creativity are the instruments which enable men to utilize the earth’s resources and yield its fruits like capital. For example,
an owner of a factory who lacks the possession of know-how (e.g. how to work the equipment) and creativity (e.g. methods to improve production and better his products) can never be successful and obtain profit because the possession of tangible items are useless if he does not possess intangible items like intelligence and creativity. Men must also possess virtues including: diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relations, and courage to carry out decisions which are difficult. Acquiring the aforementioned virtues not only enables men to be successful within the market, but it allows them to fulfill their dignity as persons by transcending themselves and establishing relations with others: “Coupled with intelligence, his means of work, man commits himself, not only for his sake but also for others and with others.” For example, a man possessing courage can recognize when a decision or situation may be too difficult to handle or resolve alone and ask others for assistance or advice. Furthermore, by working with others, men have the ability to transform more of their natural and human environments and yield more of its fruits.

The most important aspect of private property, for John Paul II, is that it is not absolute. This ideal is the essence of the doctrine of “the universal destination of goods,” which is supported by the Holy Father and other religious figures. Private property is an extension of human freedom, but “in making use of the exterior things we lawfully possess, we ought to regard them as common...God gave the earth to the whole human race for the sustenance of all its members.” In order that all may share in the fruits of the earth, given to men by God, men must share their profits, which his external possessions have yielded, with others. Furthermore, John Paul II does not consider a man to possess external things if he does not properly utilize those items, his possessions serve to impede the work of others, or his profit is not the result of the overall expansion of work and the wealth of society. For example, if Bill Gates, after creating the Windows program, had not sold it to computer companies like Dell and HP, he would not only have collected nearly as much profit, but he would not have effectively utilized his innovation, and, according to John Paul II, would not be a genuine owner of the Windows program.

Richard Neuhaus supports the Holy Father’s stance on private property and its limitations. First, Neuhaus depicts the dynamic view of private property. As John Paul II asserts, property is the product of work and creativity where the active, thinking, and creative person becomes the chief source of wealth. For Neuhaus, the world is no longer material but a manifestation of consciousnesses, and the resources for production of wealth to meet human needs are only as limited as the human intellect. Therefore, the world consists of unlimited resources because men can always increase and improve their intellects, and, thus, always invent new methods of production and utilization of resources.

Second, Neuhaus also agreed with John Paul II in that private property is not entirely private because, as Psalm 24 illustrates, “The earth is the Lord’s and the fullness thereof, the world, and those who dwell therein.” If everything belongs to the Lord, it is obvious that the ownership of anything cannot be absolute. Furthermore, Neuhaus suggests that while a man may legally own property and be legally free to do as he desires, he is not morally free utilize his property in whatever way he wishes; this is the foundation for the “universal destination of goods,” which is promulgated by Catholic social thinkers. For example, after Hurricane Katrina destroyed an exorbitant amount of resources, a farmer is morally obligated to offer his crops to the needy even though he is not legally bound to do so. Additionally, if the farmer is not willing to distribute his goods, those in need can freely take his goods because, as Neuhaus

---

9 Centesimus Annus, 32.
10 Centesimus Annus, 43.3.
11 Centesimus Annus, 31.2, 30.3.
12 Centesimus Annus, 43.3.
illustrates, men “are stewards and caretakers of the earth…the fullness of the earth is to benefit all God’s children.”

Finally, Neuhaus believes it is important to determine whether private property expands the circle of exchange and productivity, and he asserts that John Paul II, in Centesimus Annus, has established and effective test: ownership is legitimate if it serves useful work and vice versa. Like the Holy Father, Neuhaus believes that while private property is a right, it is also a gift from God; therefore, men have obligations and responsibilities to properly use their gifts and not impede the work of others and failure to meet those obligations and responsibilities negates or voids their ownership.

The Holy Father’s aim in his defense of private property is to protect an inherent right, to encourage all men to properly use the earth. He also offers hope that any person can be successful as long as he is given the opportunity to gain knowledge and acquire virtues. However, in an attempt to establish his position, he suggests and supports two “economic policies,” which are open to misinterpretation, and can, therefore, be construed as controversial and even contradictory to other aspects of his encyclical. First, as Herbert Schlossberg suggests that the “universal destination of goods” may be interpreted as a “general reminder of social obligations incumbent on all property owners.” This interpretation is coherent with John Paul II’s view of the person. For example, after catastrophes like Hurricane Katrina, farmers would recognize their social obligations and offer what they had to the needy. Furthermore, as previously mentioned, Thomas Aquinas argues that when need becomes urgent, and “there is no possible remedy…it is lawful for a man to secure his own needs by means of another’s property, by taking it either openly or secretly: nor is this properly speaking theft or robbery.” This is not theft or robbery, according to Aquinas, because the person takes what by natural right (that is, out of their need) is actually theirs. Natural right trumps positive law; and, in some cases, positive law simply ceases to be effective.

Unfortunately, as critics like Schlossberg fear and warn, the “universal destination of goods” may be interpreted “as a papal endorsement of various pseudo-egalitarian and redistribution schemes.” For example, in accordance with the misinterpretation, the government, after Hurricane Katrina, may feel it has the right to forcefully take the crops from farmers and redistribute them to those who do not have any. This would not only contradict John Paul II’s belief in the importance of freedom and private property to achieve one’s dignity, but contradicts his belief in a limited government: “the principle task of the State is to guarantee this security [individual freedom and private property], so that those who produce can enjoy the fruits of their labors.”

Second, the Holy Father’s assertion that certain ownership cannot be deemed as legitimate can also be misinterpreted as a policy that is controversial and contradictory to other ideals established in Centesimus Annus. By establishing a “moral test” for private property, it obliges a “neutral” or third party to establish legitimacy; this power can be easily misinterpreted as a power awarded to the government. However, as Schlossberg suggests, the government may not even be qualified to administer such a test, and even if it was qualified, would it also be obligated to right the wrongs? This issue that critics, like Schlossberg, have with this suggested “moral test,” is the fact that, first it was suggested by the Holy Father because this form of policy needs vast deliberation because it is so vague and ambiguous as it is presented in the encyclical. Second, it can easily be interpreted as another task that the government was not previously

---

14 Neuhaus, “Property and Creativity” 69.
15 Neuhaus, “Property and Creativity” 69.
18 Schlossberg 151.
19 Centesimus Annus, 48.1.
20 Schlossberg 151.
assigned, which, yet again, contradicts the Holy Father’s desire for a limited government and preservation of human freedom.

It cannot be denied that numerous individuals misuse their property because of motives like greed, but can and/or should a party, like the government, be awarded the task of not only recognizing the misuse but “punishing” the wrongdoer. It seems that such a test should by administered by that person to himself. For example, a man who acquires an area of land has the personal responsibility to ensure he properly uses that land to not only acquire capital for himself, but, through his work, benefit the entire community. Additionally, while the man owns the property, he also has the responsibility to “check” or “test” himself so he does not find himself misusing the earth that God gave him.

Responsibility for Lesser Developed Countries (LDC)

A second issue in the Holy Father’s encyclical is his expressed concern for the poor, especially in the Third World or LDC. He asserts that the main barrier hindering development among individuals within the aforementioned countries is that they are marginalized. According to John Paul II, the poor never even have a chance to succeed because they:

“Do not have the effective means so they can take their place within a productive system. They have no possibility of acquiring the basic knowledge which would enable them to express their creativity and develop their potential. They have no way of entering the network of knowledge and intercommunication which would enable them to see their qualities appreciated and utilized.”

For the marginalized, without any access to the market, they are incapable of competing with others because all the activity takes place “over their heads.” Minimal education is even inefficient because the market is constantly evolving and adapting itself to things like scientific discoveries and advances in technology. Because they are marginalized, it is nearly impossible for them to keep up with the fast-paced market. Furthermore, the Holy Father believes that individuals are so vastly exploited or marginalized that they lack any human dignity and “there are even attempts to eliminate them from history through coercive forms of demographic control.”

Marginalization and/or exploitation of the poor clearly contradict the Holy Father’s view of justice where all persons are free and are awarded the same opportunities to enter and succeed within the free market. Consequently, he suggests several policies to ensure justice would promulgate among the poor, especially in the LDC. First, a preferential option for the poor must be established because “when there is a question of defending the rights of individuals, the defenseless and the poor have a claim to special consideration.” It is among the marginalized where human rights and human dignity are swept under the rug; therefore, a preferential option would ensure that the carpet is not only lifted but human rights and human dignity, for individuals in the LDC, becomes a top priority among international nations. In order to ensure justice among the marginalized, other countries have a moral responsibility to aid them.

Second, resources must be mobilized to ensure that the LDC can not only enter the market, but remain competitive among the wealthier nations. To effectively mobilize resources, John Paul II suggests several policies. First, international structures must be created or consolidated so “that each nation can uphold its own rights.” These international structures would guarantee that no nation would have its rights and dignity “swept under the rug.” Second, the Holy Father asserts that if efforts were made to

21 Centesimus Annus, 33.1.
22 Centesimus Annus, 33.1.
23 Centesimus Annus, 10.1.
24 Centesimus Annus, 27.2.
abandon violent and militaristic modes of conflict resolution numerous resources could then be allotted toward the development of the LDC. For example, LDCs would increase their chances of achieving success within the free market if money and other resources used in arms trade among the LDC and other nations were shifted to factories where production, new wealth, and the standard of living would increase.25

Third, and most importantly, the poor are not liabilities and in order to effectively mobilize resources, the mentality that the poor are burdens must be abandoned. The poor have “the right to share in enjoying material goods and to make good use of their capacity for work.” Abandoning the aforementioned mentality would not only benefit the poor but it would create a more just and more prosperous world. Accepting that people within the LDC are capable of success within the market and, thus, ensuring their freedom and opportunity to “prove it” is, according to the Holy Father, the only just method which would enable development within these countries.

Once resources are effectively mobilized, LDC must be brought to the international level. Communist countries, which isolated themselves from the world market, were not successful and experienced periods of stagnation and recession. The Holy Father suggests that “the countries which experienced development were those which succeeded in taking part in the general interrelated economic activities at the international level.”26 It is in this policy where, as John Paul II asserts, other countries retain a vast amount of responsibility because of the preferential option for the poor. LDC needs access to the market, and, because they are marginalized, other nations need to ensure that access because they lack the resources to enter themselves. To guarantee access to the international market other nations must, first, ensure that the LDC are continually retrained and the technology continually updated so that the LDC can “keep up with the times” and fast pace of the market; this would enable them to sustain a competitive drive among other nations. Second, stronger nations must offer the LDC opportunities within the market, and the LDC must utilize those opportunities to guarantee them political and economic stability.27 Without opportunities, knowledge, training, and updated technology are useless within the market. Third, a collective responsibility to promote development among the poor must exist among international nations; this may entail sacrificing positions of power and income enjoyed by powerful and wealthy countries so that the poor may develop. Furthermore, a “great effort must be made to enhance mutual understanding and knowledge, and to increase the sensitivity of consciences.”28

Supporters of the Holy Father believe his message to international nations to help the LDC to develop is a message urging citizens within the stronger nations to become Christ-like. Michael Novak demonstrates how John Paul II promotes compassion among nations where the mighty are humbled and concern for the poor is, thus, generated. Additionally, Novak suggests how “Christianity has proposed a new ideal: the entire human race is a universal family, created by the one same God.”29 Because of this ideal, men are no longer just associated to their families, city, or country, but associated to all persons in the world. Therefore, because man is interconnected and interdependent, he has a responsibility to care for all of his “brothers.” To marginalize or exploit the poor in a country half way around the world is akin to marginalizing and exploiting a family member. Furthermore, “the God who made every single child gave worth and dignity to each of them, however, weak or vulnerable. ‘What you do unto the least of these, you do unto me.’ God identified Himself with the most humble and the most vulnerable.”30

25 Centesimus Annus, 28.3.
26 Centesimus Annus, 33.4
27 Centesimus Annus, 35.4
28 Centesimus Annus, 52.2.
30 Novak 94.
Because God identifies Himself with the poor and weak, so must every man because they are all children of Him.

The Holy Father’s concern and love for the poor is evident within the encyclical and respected by all persons and all nations. He desires for the poor to no longer be marginalized and to receive the opportunities deserved to them. However, as the introductory quote suggests, it is appropriate for him to spell out his desires, but the Holy Father offers policies and “how-to’s” on what nations should do as their duties to the marginalized; these policies are ambiguous and are open to vast misinterpretation. For example, he insists that the stronger nations have the responsibility to ensure that weaker ones have opportunities to enter the international market. However, as Schlossberg fears even though John Paul II insists that intervention be brief, the poor may seize the opportunity as a life jacket for development. Therefore, weaker nations will exploit the money and resources of the stronger nations because they may have misinterpreted how much help is appropriate or what John Paul II clarifies as necessary.

If exploitation of the stronger nations does occur, this would contradict an aim of the Holy Father because he desired all nations and all people to view each other equally and respect each others’ dignities. If a nation is exploited for its money and resources, it has lost its dignity because it becomes a mere commodity to the weaker nation; even though the “roles were reversed,” the result is the same. The Holy Father’s policies regarding foreign aid can be easily misinterpreted because they are vague; it is probable that he does not desire that the weaker nations exploit the stronger ones, but that is a likely result. His suggestions and policies are made with positive intentions, but without vast study and deliberation by qualified persons, they are dangerous because they are so vague.

A final area of importance that the Holy Father expresses in his encyclical is trade and labor unions. As Thomas Michaud explains in his unpublished notes, the Holy Father supports trade unions because they “serve the development of an authentic culture of work and help workers share in a full human way in the life of their places of employment.” Additionally, unions ensure that workers are not reduced to mere commodities by helping workers to defend their rights and interests as persons. A man’s purpose is to fulfill his unique God-given dignity as a person, and a majority of this is fulfilled in his work. However, if his rights as a worker are not respected and he is reduced to a mere tool for production, he is unable to fulfill his dignity and flourish as a person. Free and voluntary unions ensure man’s the preservation of man’s rights and dignity.

Supporters of John Paul II, like Richard Land, assert that “capitalists are sinful and great injustices will occur if [they] are allowed to operate with no checks.” Labor unions provide the checks on employers similar to the checks and balance system of the government. However, as Neuhaus illustrates, the only way for these unions to be effective checks “they must be genuinely free to ensure the market remains a society of persons through a circle of exchange.” By maintaining freedom, unions must be voluntary to ensure human dignity and human nature is preserved.

The issue the Holy Father fails to recognize in his support and promotion of trade and labor unions is that some are not entirely free. The Holy Father wants to ensure that the dignities of workers are preserved within the market (e.g. they do not have to succumb to terrible working conditions and low wages). However, Thomas Woods recognizes that coercive unions do exist within the free market, and these forms of unions are detrimental to not only market functions and the economy but human freedom

---

31 Schlossberg 152.
and justice, which the Holy Father cherishes. For Woods, a truly voluntary union cannot exist because “in order for a labor union to accomplish its stated goal of improving the welfare of its members, the logic of the economy is such that this can be accomplished only by the use of some kind of compulsion.”35

Affirming Woods’ conclusion about the nature of unions, the Catechism of the Catholic Church dispels coercion; acts of man should only be voluntary because “freedom makes man responsible for his acts to the extent that they are voluntary.”36 If a man is not held liable for his actions because he was coerced into the union, how is he supposed to grow and flourish as an individual if he cannot learn from his mistakes? Furthermore, as Woods suggests, in order for a union accomplish its goals (e.g. higher wages), it has to involve some form of compulsion or coercion like a strike. If a union strikes, employers or officials can be left, at times, with no choice but to adhere to the demands of the workers; he is coerced by the strike out of fear that business will decline because the workers are not working. Unions can be coercive, and, thus, do not preserve freedom, which cannot promote justice because justice ensures that freedom for all persons is preserved.

Centesimus Annus reflects Catholic Social Thought. In affirming the free market, John Paul II offers specific economic policies relating to private property, relationships with LDCs, and the importance of trade and labor unions. For John Paul II, these policies will not only perfect and complete the current market’s shortcomings, but they are coherent with Catholic views of the human person and justice. The Holy Father emphasizes the importance of freedom in enabling each person to flourish not only in the market, but in all aspects of life. This ideal is especially depicted by his love of and concern for the poor. He views the free market as the best form of economy capable of preserving freedom and ensuring justice, and he desires that all persons have the opportunity to benefit from it, especially the poor in the LDCs.

Unfortunately, his suggested policies are ambiguous and can be easily misinterpreted. As skeptics of the CA have feared, because of the possibilities for misinterpretation, his policies can be viewed as contradictory to or at least controversial in regard to other aspects of his CA and teachings of the Church. The Holy Father’s wisdom and love for and care of others, especially the underprivileged, is undeniable within this Encyclical. However, specific economic policies require great deliberation and research; therefore, the aforementioned policies need to be re-assessed to ensure that they be properly interpreted so the preservation human freedom and justice be achieved within the global free market economy.

Bibliography


35 Woods 74.


