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EDITORIAL: THE “THIRD WAY” OF *CENTESIMUS ANNUS*: IS IT ELUSIVE OR MERELY AN ILLUSION?

Nothing in this world is so marvelous as the transformation that the soul undergoes when the light of faith descends upon the light of reason.

- W. Bernard Ullathorne



THE WIDESPREAD POSITIVE RECEPTION, AND EVEN THE CRITICISMS OF THE ENCYCICAL *Centesimus annus* are an indication of the seriousness of both the encyclical and the issues it addresses. On the face of it, the question seems to be “What next?” Now that the Soviet Union can not even pretend to serve as exemplar of a successful economic system, has capitalism been vindicated? Or is there another alternative, a third way? Would the Catholic Church propose such a way? One might claim that prior to the issuing of the encyclical, this question was still legitimate. Since its appearance, one might claim, all ambiguities have been resolved. *Roma locuta est*. The Church has given its stamp of approval to capitalism, even as it drew attention to shortcomings and needed correctives in practice.

The widely referenced first paragraph of section #42 of the encyclical raises precisely this question and gives the answer. Or at least the beginnings of an answer. Other paragraphs follow it, just as others have preceded it. John Paul II introduces his answer with an “if...” conditional. If capitalism means one thing, it can be affirmed; if it means another, the answer is negated. What is affirmed? The Pope’s intention becomes clear when he clarifies his conditional affirmation of “capitalism” with the caution that, “it would perhaps be more appropriate to speak of a ‘business economy’, ‘market economy’, or simply ‘free economy’.” What the Pope affirms is the market or business economy or a free economy. But it is not an unqualified affirmation. His preference for these terms rather than “capitalism” is not simply a terminological preference. And his is a courteous style in dealing with the frequent equivocation of the *pars pro toto* fallacy which identifies a part of capitalism with its totality. Certainly, the free market is a part of capitalism.

That he does not unconditionally approve of the free market is seen from the very next sentence where he rejects a system of freedom in the economic sector which “is not circumscribed within a strong juridical framework which places it at the service of human freedom in its totality . . .” This second sentence is a clear indication that the reference to the “free economy” in the previous sentence is not complete. The free economy must also be circumscribed by a juridical framework that does justice to the freedom of man. Thus, John Paul II insists on the importance of anthropology and the proper vision of man.

Just as the fundamental error of socialism is anthropological, the correct ordering of society is to be grounded in the Christian vision of the human person. (#13) The central and decisive notion in paragraph #42 is that the strong

juridical framework places the “free economy” in the service of human freedom in its totality. We are dealing, therefore, with a distinction between the metaphysical dimension of personal freedom and the more derivative use of the notion of freedom which we find, for example, in section #19 in John Paul II’s reference to “free market mechanisms” and “free market society.” In this more derivative usage, the notion of freedom refers simply to the absence of obstacles or hindrances to a movement. It does not refer to the ends or goals of the movement.

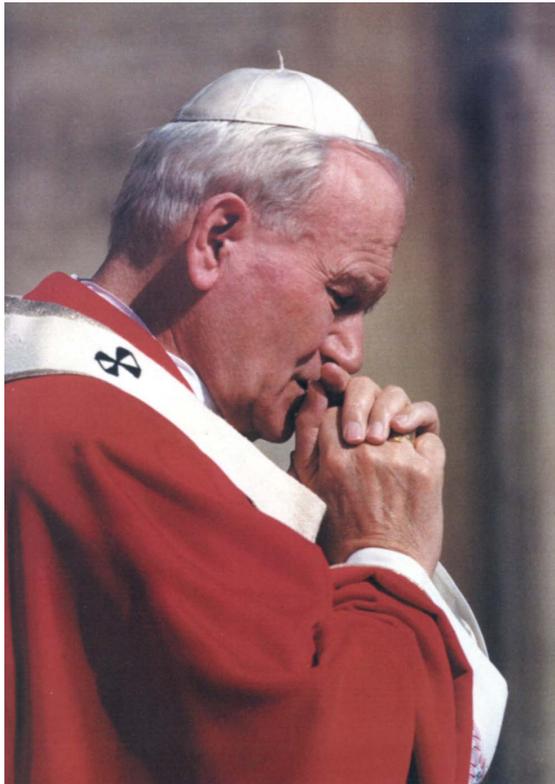
The reason why the Pope tells us that “capitalism” is the less appropriate term for its positive part is precisely because the “free market mechanisms” or the “free economy” is only a part of something that is also named “capitalism” in the second sentence, namely a free economy that is not circumscribed by a strong judicial system in the service of the person.

In the second paragraph of that same section #42, the Pope warns against the risks of a “radical capitalist ideology” whose essential characteristic is its confidence in the “free development of market forces.” Here the term “capitalist” is clearly used for something negative. There is no hesitation or qualification of this negative connotation of the word. One might object that we are dealing simply with a terminological question in which usage is decisive. The European “mind” may associate capitalism with something negative. The American mind understands it in terms of the American experience as something decidedly positive, even if imperfect. This objection is certainly valid to the extent that it is only a matter of linguistic usage. But more than usage is at stake. The “thing” named is more important. And while the naming of the thing may to a large extent be a cultural and historical matter, its nature and substance of that thing may be obscured by improper terminology.

What is the thing that is affirmed and what is

that thing negated by the Pope? The answer to this question must precede terminological convention. By way of approaching the question, we note an interesting fact. In section #19, John Paul II describes what he calls three “responses” that arose after the end of World War II. Before dealing with these responses, it is important to note that the war was itself the consequence of an error. We quote the passage at length because of its importance:

...this error consists in an understanding of human freedom which detaches it from obedience to the truth and consequently from the duty to respect the rights of others. The essence of freedom then becomes self-love carried to the point of contempt for God and neighbor, a self love which leads to an unbridled affirmation of self-interest and which refuses to be limited by any demands of justice.



The notions of freedom and truth “about man” operative in this and other passages are presupposed for the understanding of what is meant with that “human freedom in its totality” which the free market mechanisms are supposed to serve. What, now, are the responses to the aftermath of a war which should have reestablished freedom but which in many instances failed and even contradicted this goal?

The first response, we read in section #19, is a “positive effort.” It includes among other things, “the endeavor to preserve free market mechanisms.” At the same time “these attempts try to avoid making market mechanisms the only point of reference for social life.” We pause on this first response only to note the importance of the fact that the “free market” is subordinated to the dignity of human work, namely to an anthropological principle.

The second response to both the causes and the aftermath of the war consists of various forms of opposition to Marxism, forms which aim at controlling the whole of society in a systematic way. This response car-

ries with it the “grave risk of destroying the freedom and the values of the person.”

It is the third response which interests us directly and which deserves to be quoted in its entirety:

Another kind of response, practical in nature, is represented by the affluent society or the consumer society. It seeks to defeat Marxism on the level of pure materialism by showing how a free market society can achieve a greater satisfaction of material human needs than Communism, while equally excluding spiritual values. In reality, while on the one hand it is true that this social model shows the failure of Marxism to contribute to a better and more humane society, on the other hand, in so far as it denies an autonomous existence and value to morality, law, culture and religion, it agrees with Marxism, in the sense that it totally reduces man to the sphere of economics and the satisfaction of material needs.

It is significant that these three responses, objectively and textually, are much more decisive in determining whether the Pope has approved “capitalism” as found in the first paragraph of section #42. This section seems to be more often quoted only because it directly addresses the more urgent journalistic and perhaps ideologically biased question whether the Pope has in fact approved of capitalism.

The suggestion that the “third response” quoted above is a rather accurate description of capitalism might be taken by some to be either an ideological bias in favor of socialism or a naive attribution of a materialist ideology to what is in fact a “free market” which simply makes wealth possible but does not determine its usage. This would ignore the problem raised by the fact that the first response, to which the Pope refers as a “positive effort,” contains distinctive elements which would be considered as hindrances on a free economy and socialistic. This is because these efforts:

... tend to subject [the market mechanism] to public control which upholds the principle of the common destination of material goods. In this context, an abundance of work opportunities, a solid system of social security and professional training, the freedom to join trade unions and the effective action of unions, the assistance provided in case of unemployment, the opportunities for democratic participation in the life of society - all

these are meant to deliver work from the mere condition of “commodity,” and to guarantee its dignity.

The fact that in the less frequently referenced second paragraph of Section #42 the Pope refers to “the reality of human alienation, especially in the more advanced countries,” and to the threat of a “radical capitalistic ideology” which has a blind faith in the free development of market forces as a solution to problems, does not allow us to speak of an outdated or European concept of capitalism which is no longer applicable to the situation in the same “more advanced countries” noted by the Pope. The term capitalism may have an outdated historical reference, but the Pope draws our attention to the reality of alienation in Western societies, some of which also claim capitalism, perhaps in a new and democratic form, as the very reason which allows the Pope’s reference to them as the “more advanced countries.”



A meaningful determination of whether the Pope approves of capitalism or not, even in the qualified forms which he prefers not designate with the term “capitalist,” can’t be answered unless one takes seriously the terms of his qualification, namely, what he means by “human freedom in its totality.” It is this which explains why the Pope prefers the second use of “capitalism” to designate the system of free economy which does not serve human freedom in its totality. Even apart from the concrete historical and textual question of what the Pope approved, a consideration of human freedom is essential for any age or culture and its self-evaluation.

The presence of a certain freedom, let us call it for practical purposes of discussion, the freedom to choose between alternatives, is a condition for the Church’s “approval” of a system. Thus, if an economic or political system does not allow in principle for choice in choosing one’s profession, in choosing the product to be manufactured, in choosing the more efficient and economic method of production, etc., it will not gain the Church’s approval. The Communist system did not allow such a choice. Because it denied a fundamental form of human freedom, the communist “model” had to be rejected by the Catholic Church.

The “West” does have the above enumerated freedoms of choice. Not only can an individual decide whether to build a mousetrap or not, he can also decide whether to build a better one or not, and to do all of this on the basis of the market demand and not because of state plans or requirements. These freedoms would make the “West” a candidate for approval. But in the West, one also has the freedom of choosing to make condoms and whether to make better condoms or not, one has the freedom of producing abortifacients and marketing pornography.

Remarks such as these tend to provoke an indignant appeal to freedom. One may not buy such items in a free economy, one may be opposed to them on moral and other grounds, but, the objection goes, freedom is the condition for the economic success of the West and we must be willing to bear its risks if we are to enjoy its benefits. But it is these and other so called risks that prompts John Paul II to refer to Leo XIII’s words about the worker who is made “the victim of force and injustice,” and say, “Would that these words, written at a time when what has been called ‘unbridled capitalism’ was pressing forward, should not have to be repeated with the same severity.” (#8)

The Pope’s qualification of the free market or the free economy by the demand that it serve the freedom of the person in its totality is difficult to understand in a cultural environment where freedom is understood simply as a freedom from obstacles to choice, regardless of the object of choice. The ideal of freedom in the West, and perhaps in America more than anywhere else, is articulated in terms of choice in radical abstraction from the object of choice.

The full range of implications of a notion of freedom that is restricted to the abstraction “choice,” or to what we could call the mechanisms of freedom, need not concern us here. Only one thing must be stated. This notion which reduces freedom to choice as such completely fails to grasp the metaphysical reality of personal freedom. It is this failure which leads to the puzzlement about the Pope rejecting the socialist model and at the same time showing a certain reserve or ambiguity about the only alternative, which is capitalism. Barring an outright rejection of his competence to speak in economic matters, there is either a suspicion about his sincerity in rejecting socialism or the notion that his approval of capitalism has to be qualified by the demands of fine tuning

and correctives which are motivated by his Catholic faith, which, of course is not *de facto* the religion of the West anymore.

The situation is complicated by the fact that the metaphysical theory of freedom that predominated in the West since Aristotle is in one decisive respect a theory that supports the prevailing culture of the West and is not compatible with the Catholic tradition. The radical character of the encyclical consists precisely in the fact that the Pope is not speaking from the Aristotelian tradition but rather from the Catholic tradition. With respect to the latter, the “new thing” of the present encyclical can be captured in a brief but centrally significant phrase in section #31: “More than ever, work is work with others and work for others: it is a matter of doing something for others.” This phrase implies transcendence, something that John Paul II refers to frequently in this and his other encyclicals. We will come back to it later.

Two things are decisive for the Aristotelian notion of human freedom. First is the concept of entelechy, the Greek term designating the fact that a being has an end within itself. This end is the full actualization of its nature. To take a classical example, the acorn has as its end the full development of its potential, namely to grow into a tree of the species “oak.” The second important notion is that man has no freedom of choice with respect to his ultimate or final end; he has freedom of choice only with respect to means toward that end.

The first of the above concepts deals with immanence. The being is turned inward into itself. Thus the end of the acorn is to live as an oak fully, to develop into a tree. Its own life, its own full actualization is the end. The world outside of it, its environment is either a means to be used and consumed or a threat to be avoided.

It takes no formal philosophical training to perceive what has become both evident fact and asserted theory: in our Western culture a widespread humanistic philosophy, or what has been called secular humanism, holds that the end of man is the full development of his own potential. The notions of self-actualization, self-realization have spilled out of text books and classrooms of the university and are prevalent in common language. Man not only can develop his potential like an acorn, he intends to do so, indeed, it is the only thing that he can intend.

Here the second aspect of the Aristotelian notion of human freedom applies. Man can only strive for his own development. He has no other alternative as an object of possible choice. The task of the individual and society is to so manage the environment that it allows and facilitates the full development of each individual. It is an economic task. Its end is always the self-interest of the individual. Man is essentially an economic animal.

The above quoted phrase, that work is work with others and work for others, namely doing something for someone else, is not meant and cannot be understood in economic and sociological terms. In economic and sociological terms the reluctant employee and the shackled slave could be working with each other, side by side, engaged in the same task, directed to the same result; their work could accrue to the benefit of the wage payer or slave owner. Yet in neither case would the worker or slave intend the benefit of the owner. The encyclical addresses the personal dimension of work which is distinct from the economic and sociological as such. Of two workers, or even two slaves, performing the selfsame task with the selfsame material benefit for the master, one could have the interests and the good of the master at heart and the other only a self-interest. Economically and sociologically both are in the identical position. In personalist terms they are worlds part.

The encyclical has accepted and affirmed the positive character of some of the newer elements of capitalism, such as the role of entrepreneurship. Yet some, despite the praise for its openness to the modern market economy, show a distinct though undefined malaise in their confrontation with the encyclical. What is the reason for this malaise? Nothing less and nothing other than the Church's vision of man, the truth about man or human freedom in its totality.

The central and authentic meaning of human freedom is found precisely in the capacity of the human being to live and to work for an end outside of himself. In personalistic terms this refers to his capacity to do something for others rather than merely or exclusively for oneself.

At the beginning of his encyclical, in his "re-reading" of the previous teachings of the Church, John Paul II makes "particular mention" of the encyclical *Libertas Praestantissimum*. This encyclical begins with a reference to Ecclesiastes 15:14, that man "is in the hands of his own counsel," a reference which is again repeated in the Second Vatican Council. Man is given to himself by God, left in the hands of his own counsel. But why? Again Vatican II provides an answer in *Gaudium et Spes* #24, which states that man realizes himself only when he makes a sincere gift of himself. This passage is noted in the present encyclical in section #41 and provides its central and decisive context. We quote it at length:

Indeed, it is through the free gift of self that man truly findshimself. This gift is made possible by the human person's essential "capacity for transcendence." Man cannot give himself to a purely human plan for reality, to an abstract ideal or to a false utopia. As a person he can give himself to another person or to other persons, and ultimately to God, who is the author of his being and who alone can fully accept his gift. A man is alienated if he refuses to transcend himself and to live the experience of self-giving and of the formation of an authentic human community, oriented towards his final destiny, which is God. A society is alienated if its forms of social organization, production and consumption make it more difficult to offer this gift of self and to establish this solidarity between people.

The capacity of *transcendence* realized in the will and intention to give himself to another person and to do something for another stands at radical odds with the Aristotelian concept of man which predominates contemporary culture. It is this concept which defines Ludwig von Mises' own rejection of "altruism" and morality as hindrances to the freedom of a market economy.

Ludwig von Mises is the champion of the free market economy or capitalism and has played a preeminent role in establishing the theoretical credentials of capitalism. In his discussion of the contrived varieties of third solutions, as he calls them, "systems, which, its claimed, are as far from socialism as they are from capitalism," he says the following of the attempt to eliminate selfishness:



"It is through the free gift of self that man truly findshimself."



In urging people to listen to the voice of their conscience and to substitute consideration of public welfare for those of private profit, one does not create a working and satisfactory social order. (*Human Action*, A treatise on Economics, 3rd ed. [Chicago: Henry Regnery, 1963], p. 726.)

Von Mises very clearly states that those that claim there is a conflict between individual “acquisitiveness” and the commonweal inevitably wind up advocating the individuals’ right “to choose and to act.” (Ibid., p. 730.) Freedom is obviously a freedom from obstacles to choice and action apart from all consideration of ends. A consideration of ends is not necessary because there are no alternatives. Unselfishness is in principle impossible. Because every action is essentially and necessarily directed toward the self, that is, marked by immanence, it is to be qualified as selfish: “The man who gives alms to hungry children does it, either because he values his own satisfaction expected from this gift higher than any other satisfaction he could buy by spending this amount of money, or because he hopes to be rewarded in the beyond.” (Ibid., p. 735.)

Such a radical denial of the capacity to *transcend* the narrow sphere of one’s interests, even legitimate ones, makes it impossible to understand what could be even meant by a “third system” or a “third way” other than, and above, not between, socialism and capitalism. The objection that the treatment of man’s economic situation is inspired by a theological anthropology cannot even gain access to what John Paul II means by the reference to working with, but above all, for others. It is interpreted by definition as an economic transaction, even if one of celestial economics, where all actions are performed for one’s own benefit, even in the beyond.

Von Mises’ notion of the laws of economics and their functioning in the free market has one fundamental premise: all of human action is directed not only by the “purposes” of the individual, but toward the benefit of the individual. The only question that remains is one that deals with the most efficient way of acquiring that benefit. It is a question of economics, that is, of the efficient use of one’s energy and external means for satisfaction. All the laws of economics are determined by a more fundamental law: all action is for one’s own sake. One has no alternative to immanence. Thus, “human freedom in its totality,” the freedom to choose between self and oth-

ers, to choose between saving one’s life and losing it for the sake of Christ, is denied.

Christ’s teaching and example not only presents but also mandates the alternative: “he who loses his life for my sake, will save it.” Unlike Aristotle, he does not propose the saving of one’s life, that is, the full realization of one’s personhood and personality as the primary or sole motive for all human behavior. No, the motive for action has to be the other as other. Only in the end, that is, as a consequence of self-giving to the other will the person be realized and become happy. The other person is a condition for the realization of one’s self. It can never become a means. It may be treated as a means, but then it ceases to be a condition and loses its efficacy. The moment one uses God or other persons as a means for one’s own self-realization, at that moment, in the words of section #41, “one diminishes as a person,” God and others cease to be effective conditions for happiness and fulfillment. And one violates the dignity of the other person by treating him or her as a means.

From the perspective of a culture that looks at man as incapable of the transcendence of being for others, John Paul II’s teaching on a free economy that must be in service of human transcendence can not be understood. It becomes incomprehensible that social organization, production and consumption - even if marked by the “mechanisms of freedom,” - cannot be such that they “make it more difficult to offer this gift of self and to establish the solidarity between people.”

Transcendence, being and doing for others, is a radical alternative. Socialism and communism deny the possibility of this alternative. Capitalism or the free market economy as proposed by von Mises also denies transcendence as an alternative for the self-centered immanence of man. In this sense there is a “moral” equivalence between socialism and capitalism. Both are the way that leads inward into man, only the means are different. The road leads in the same direction, and it has two sides. Or, one may consider them two distinct economic systems or models. In either case, John Paul II, “re-reading” the perennial teachings of the Church, proposes a radical alternative. It is a second way, leading to others and ultimately to Christ.

But, the puzzle remains. Wasn’t there a disclaimer to the effect that *Centesimus annus* did not offer a third way, that is, an alternative system to the two, socialism

and capitalism? The solution to this is clearly stated in Section #43: “The Church has no models to offer.” These are a concrete response to a historical situation. It does not follow that it approves of capitalism, even in principle. For its principles lead in a different direction than that indicated by the prevailing culture which he calls a consumerism in which man is alienated from himself, from neighbor and from nature.

One could still say that it is culture and morality that need reform if the “vehicle” that is the free market is to lead to human fulfillment. The free market and the laws of economics are neutral. They yield wealth. Cultural and moral considerations may dictate an extra-economical use of the wealth, but these considerations may direct the vehicle, they should not intervene into its function.

It would be a mistake to assume that the “free market” is something like a vehicle which comes out of a factory and then can be used either for robbing a bank or for a mission of mercy: in neither case are the laws of mechanics to be changed or affected. It is this notion which may be operative in the concept of a synthesis or even cooperation between the free market and its laws and other elements such as culture, morality and religion. Each factor in the synthesis would have an autonomy and a meaning of its own. In such a synthesis there would be no question of alternative models in the true sense, there would be only a free economy which works or a controlled and planned economy, which doesn’t work.

Such a conception, I think, misses the human dimension of real economic systems, as distinct from the separate question of the “laws of economics” and the “free market.” What constitutes a really existing system is not the abstraction “free market” but rather the “ends” and “purposes” of the economic activity of a society or culture. Thus, the immanent end of exclusive need satisfaction constitutes a type which may allow of several systems distinguished by the organization of means toward the immanent ends, either collective and “equal” satisfaction for all, or individualized satisfaction for each. On the other hand, the openness to transcendence constitutes another type, allowing for different systems or models depending on the concrete historical problems and the means available to solve them. This means, it seems, that any really existing system will be structured in its elements and parts depending on the concrete ends. In the words already used, social organization, production and

consumption will be structured in all of its parts so as to allow the individual to “make a sincere gift of self;” to work with and for others. The actual development of such structure belongs to the economists who should not allow their own personhood to be suspended, as it were, while they do economics. The Church has neither the mission nor the competence to perform that function.

Thus, the indication of the way of transcendence which must form economic systems from above and *from within* is not meddling in economics. When the Church meets objections, such as “Whose truth?” in response to her teachings of truth about man, it can only count on the prophetic power of its voice as she paints and predicts the pain and misery that follows man’s consumption of the world and of himself. Even if the intellect of contemporary man rejects the theological anthropology of John Paul II and claims freedom from the imposition of religious opinion, perhaps the soul made vulnerable by pain and suffering will finally be turned from itself, moved by the power of the One who suffered even unto death for the love of others.

For a culture that rejects the way of transcendence, an alternative to both socialism and capitalism must necessarily appear as an illusion. Such an illusion, in the words of von Mises, cannot create “a working and satisfactory social order.” For the Christian, the way of transcendence is clear even though the concrete economic elements of a structure that will serve “human freedom in its totality” are still elusive since they still remain to be invented and applied to the concrete social and historical situation which is marked by alienation, especially “in the more advanced countries.”

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